



Debates of the Senate

1st SESSION

•

36th PARLIAMENT

•

VOLUME 137

•

NUMBER 34

OFFICIAL REPORT
(HANSARD)

Wednesday, December 17, 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, December 17, 1997

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

Prayers.

ROUTINE PROCEEDINGS

BUSINESS OF THE SENATE

ADJOURNMENT

Hon. Sharon Carstairs: Honourable senators, with leave of the Senate and notwithstanding rules 58(1)(i), I move:

That, when the Senate adjourns today, it do stand adjourned until tomorrow, Thursday, December 18, 1997, at 9:00 a.m.;

That the Senate proceed immediately to sit in Committee of the Whole to hear the following witnesses respecting the Resolution to amend Term 17 of the Constitution respecting the school system in the Province of Newfoundland:

- from 9:05 a.m. to 9:45 a.m., The Canadian Conference of Catholic Bishops;
- from 9:45 a.m. to 10:30 a.m., Education First; and
- at 10:30 a.m., the Honourable Stéphane Dion, President of the Queen's Privy Council for Canada and Minister of Intergovernmental Affairs; and

That at the conclusion of the proceedings of the Committee of the Whole, the Senate will resume the sitting and proceed to the daily order of business.

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

Hon. Senators: Agreed.

Motion agreed to.

AGRICULTURE

NOTICE OF MOTION URGING DEFERRAL OF LICENSING OF RECOMBINANT BOVINE GROWTH HORMONE PENDING STUDY

Hon. Eugene Whelan: Honourable senators, I give notice that on Thursday next, December 18, 1997, I will move:

That the Senate urges the Government to defer licensing the use of Recombinant Bovine Growth Hormone (RBGH) to increase the milk production of the Canadian dairy herd for at least one year, and thereafter until such time as scientific studies have been designed, tested and completed whose conclusions enable the Government to either precisely identify for Canadians the long-term risks to public health or, in the alternative, to publicly assure them that the use of this growth hormone will not affect their individual health.

[*Translation*]

NATIONAL DEFENCE

PURCHASE OF HELICOPTERS—NOTICE OF MOTION PROVIDING FOR RECALL OF SENATE IN EVENT OF GOVERNMENT ANNOUNCEMENT

Hon. Michel Cogger: Honourable senators, I give notice that tomorrow, December 18, 1997, I will move:

That the Speaker use the powers conferred upon him under rule 17 to call a meeting of the Senate at a time earlier than that provided in the motion for adjournment, as soon as possible, under the rules, after a decision has been made and announced regarding the purchase of helicopters by the Canadian government, should such a decision and announcement be made between December 18, 1997 and February 2, 1998.

[*English*]

NATIONAL FINANCE

NOTICE OF MOTION TO AUTHORIZE COMMITTEE TO TRAVEL

Hon. Terry Stratton: Honourable Senators, I give notice that on Thursday next, December 18, 1997, I will move:

That the Standing Senate Committee on National Finance have power to adjourn from place to place within Canada for the purpose of its examination and consideration of such bills, and subject-matters of bills, messages, petitions, inquiries, and other matters related to federal estimates.

QUESTION PERIOD

ENERGY

SABLE ISLAND GAS PROJECTS AGREEMENT REACHED— GOVERNMENT POSITION

Hon. Jean-Maurice Simard: Honourable senators, I have a question for the Leader of the Government in the Senate. A report which appeared in the Halifax *Chronicle-Herald* this morning states:

Also on Tuesday, senior federal government sources confirmed the federal cabinet has given the green light to the Sable Island natural gas project, removing the last major obstacle to the construction of a pipeline through New Brunswick into New England.

Sources in Ottawa said the Chrétien cabinet has ratified a National Energy Board report approving the Sable development. This will allow Maritimes and Northeast Pipeline and the Sable Offshore Energy Project to construct drilling, production, transmission and processing facilities.

Can the minister confirm such an agreement?

Hon. B. Alasdair Graham (Leader of the Government): Honourable senators, until such an agreement is announced officially, I regret very much that I cannot speculate.

Senator Simard: Honourable senators, in the same article, Premier Russ MacLellan is also noted as confirming the decision of the federal cabinet. The article goes on:

Sources in Ottawa said the National Energy Board will notify Maritimes and Northeast of cabinet's decision approving the overall project, and the company will make an official announcement by the end of the week.

• (1340)

The reporter continued:

"Maritimes and Northeast are obligated by law to issue a press release," said one official, who asked not to be identified.

Natural Resources Minister Ralph Goodale danced around the issue, neither denying nor confirming the project had been ratified at a two-hour cabinet meeting.

Does the Leader of the Government in the Senate want to change his previous answer to my question?

Senator Graham: No, honourable senators. Any announcement of that nature will come from either or both the National Energy Board and the Minister of Natural Resources.

With respect to any press release coming from the company or companies involved, I could not speculate as to the nature of those announcements.

Senator Simard: Honourable senators, I introduced a notice of motion on this subject yesterday. Will the Leader of the Government in the Senate assure his colleagues here that he will do his utmost — the impossible, if necessary — to ensure that debate on this matter starts today and that it will be voted upon before we leave for Christmas?

Senator Graham: Honourable senators, we have a very heavy agenda, and it would be wrong for me to give such an undertaking. I understand the concerns that Honourable Senator Simard has raised. I understand the concerns of all Atlantic Canadians. Indeed, all Canadians are interested in this project which is important not only to Atlantic Canadians and Nova Scotians but to all regions of Canada. It would be dishonest for me to give such an undertaking. However, if it is possible, we will certainly give that consideration.

[Translation]

Senator Simard: Honourable senators, I know that everyone has heard the threats uttered by Mobil Oil over the past three, four or six months. I am no expert in threats. I do not like them. However, I can tell you that, if unanimous consent is required, I will insist on having the resolution debated and voted on before the Christmas adjournment. I would ask you to take my suggestion into consideration. I will not let this matter drop, honourable senators.

[English]

Senator Graham: Honourable senators, I think we should wait and watch as things unfold on the Senate agenda.

NATIONAL DEFENCE

SEARCH AND RESCUE HELICOPTER REPLACEMENT PROGRAM—NECESSITY OF TIMELY PURCHASE OF REPLACEMENT MACHINES—GOVERNMENT POSITION

Hon. Gerry St. Germain: Honourable senators, yesterday I asked a short supplementary question in regard to search and rescue helicopters on which, I gather from various things I have read, the government is trying to make a decision. I realize that the Leader of the Government in the Senate recognizes the seriousness of this issue. However, I should like to bring to the attention of the Senate the onerous task that is being placed on the backs of the pilots who must fly the Sea Kings. As a pilot, I know that uncertainty as to the reliability of an aircraft amplifies the stress of flying it.

In the spirit of working with our military, which has come under excessive and unfair criticism in, I believe, 99 per cent of the cases, has the Leader of the Government in the Senate any more information to give to military personnel who must fly the Sea Kings with regard to whether the cabinet has made a favourable decision to acquire proper equipment for search and rescue operations?

Hon. B. Alasdair Graham (Leader of the Government): Honourable senators, I wish to acknowledge the concern of my honourable friend for the pilots in charge of any aircraft, be they helicopters or fixed wing. I am often asked by people whether I am afraid to fly, because I do so much flying. I always say no, that I have total confidence in the pilots, whom I know want to arrive safely as much as I do. I know that Senator St. Germain, being a licensed pilot himself, would appreciate that perhaps more than anyone else in this chamber.

Having said that, I regret that I am unable to bring forth any further information except to say that to my understanding a final decision has not yet been made. It is hoped that the decision will be made soon.

Senator St. Germain: Honourable senators, would the Leader of the Government in the Senate bring to the attention of cabinet, which is working on this decision, that we had an unfortunate incident last evening in the province of New Brunswick? It is at this time of year that weather patterns create the greatest hazard, and therefore the time of year when search and rescue is most critical.

I urge that the leader bring that incident to the attention of cabinet so that we do not have to go through another season of hoping that aircraft will fly and hoping that the grounding of the Sea Kings will not be repeated.

Senator Graham: The Honourable Senator St. Germain has my undertaking that I will do so today.

AIRLINE CRASH AT FREDERICTON AIRPORT—AVAILABILITY OF SEARCH AND RESCUE HELICOPTERS—GOVERNMENT POSITION

Hon. J. Michael Forrestall: Honourable senators, as Senator St. Germain has said, the very serious accident which took place at Fredericton airport late last night highlights the urgency for providing good equipment.

I am sure that in the briefing notes of the Leader of the Government in the Senate there is an answer to the following question: Had that aircraft missed the runway and landed 300 or 400 yards into the woods, would a helicopter have arrived there within two hours?

Hon. B. Alasdair Graham (Leader of the Government): Honourable senators, I am sorry, I cannot answer that. I presume that would be the case, given the location of the Fredericton airport. However, it would be pure speculation for me to say that it would be within two hours flying time. I hope the answer would be in the affirmative, but I would not want to leave a false impression with colleagues here. I will attempt to address that question as soon as we complete our deliberations here today.

• (1350)

AIRLINE CRASH AT FREDERICTON AIRPORT—INADEQUATE MANNING OF CONTROL TOWER—GOVERNMENT POSITION

Hon. Noël A. Kinsella (Acting Deputy Leader of the Opposition): Honourable senators, I have a supplementary

question. I am perhaps the member of this chamber who flies into Fredericton more often than any other, and I often use the flight that crashed last evening. Could the Leader of the Government in the Senate advise us whether, in conducting its investigation of the crash, the Department of Transport will be taking into consideration the absence of air traffic personnel in the control tower, a decision taken by your government in the recent past?

Hon. B. Alasdair Graham (Leader of the Government): I cannot put words into the mouths of those responsible for investigating such matters. It would be too early to speculate on the probable causes of the accident. It is my understanding that NAV CANADA operates a 24-hour-per-day flight service station at the Fredericton airport. It is also my understanding that the FSS notified the airport emergency response services of a potential crash, and that police, fire and emergency response staff were called to the site.

I am sure all honourable senators will be interested in this because some reference has been made to there being, perhaps, some delay in the kind of response that was given. It is my understanding that, because of poor weather conditions, combined with the absence of visual indicators such as smoke or fire from the accident scene, it took the emergency response services some 15 to 20 minutes to locate the aircraft.

FISHERIES

BAY OF FUNDY—DESTRUCTION OF INFECTED SALMON ON FISH FARMS—PROGRESS IN ESTABLISHING RECOVERY PROGRAM FOR GROWERS—GOVERNMENT POSITION

Hon. Brenda M. Robertson: Honourable senators, I have a question for the Leader of the Government in the Senate concerning the federal government compensation package for the Bay of Fundy salmon growers affected by infectious salmon anaemia.

Recently, New Brunswick's Minister of Fisheries and Aquaculture ordered all diseased salmon cages from the 1997 year-class cleaned out. This involves 21 affected farms in Lime Kiln Bay, Bliss Harbour, and Seal Cove. Complete eradication of the salmon on the affected farms is necessary to lessen the risk of the disease spreading.

Taking out those fish will be a major financial blow to the area's salmon growers, involving up to \$15 million in lost sales, on top of the \$11 million already lost this year. The provincial government is offering growers a compensation package of interest-free loans and loan guarantees, and is working with the federal government on an additional financial package.

Would the Leader of the Government in the Senate check with the Minister of Fisheries to determine if any progress has been made in arriving at a financial recovery program for the growers? Specifically, can you advise as to the timetable upon which the federal government is working in this regard? It has been sometime since the salmon growers experienced this loss, and it is important for them to know what participation and support will be coming from the federal government, and at what time.

Hon. B. Alasdair Graham (Leader of the Government): Honourable senators, I am aware of the situation. I would like to be more specific with respect to a potential financial recovery program and, if such were to materialize, what the timetable might be. Again, I will bring forth an answer as soon as possible.

DELAYED ANSWER TO ORAL QUESTION

Hon. Sharon Carstairs (Deputy Leader of the Government): Honourable senators, I have a delayed answer in response to a question raised in the Senate on November 26, 1997, by the Honourable Senator Michael Forestall regarding the situation in the Canadian Armed Forces.

NATIONAL DEFENCE

SITUATION IN CANADIAN ARMED FORCES— GOVERNMENT POSITION

(Response to question raised by Hon. J. Michael Forrestall on November 26, 1997)

The 2nd Battalion of the Royal Canadian Regiment is equal in strength to other Regular Force infantry battalions. In planning for the upcoming rotation to Bosnia, the decision was made to send another infantry unit, from CFB Petawawa, in order to take advantage of its larger pool of non-infantry personnel needed to form any battle group. Furthermore, sending the entire battle group from CFB Petawawa will minimize disruption for military families during pre-deployment training.

Regular Force strength has not fallen below the established ceiling of 60,000 personnel. As of November 30, 1997, the working effective strength of the Regular Forces is 61,205 personnel.

Regarding Reserve pay, improvements have been made to the mechanisms by which pay is delivered to members of the Reserve Force. A new Revised Pay System for the Reserves (RPSR) was delivered by the contractor in early 1997. Implementation of the system was completed countrywide last November.

Like the implementation of all major technological systems, whether in government or the private sector, there have been difficulties with the implementation of the new technology. As such, we instituted a process last spring whereby all members can receive timely and accurate pay if and when the new computerized system is unable to do so. A fully operational contingency process is in place whereby local units can dictate what any given member should be paid on any given payday. The local units are fully aware of the contingency payment process and are in constant communication with the central pay system staff. Regardless of method of payment, the pay being received by the members is timely and accurate with minimal

exceptions. If there are any specific cases of individuals who have not been paid, these cases should be brought to the government's attention so that the cases can be investigated.

There was a scheduled pay day on December 15, 1997, when all Reservists should have received their appropriate pay entitlement.

BUSINESS OF THE SENATE

PEARSON INTERNATIONAL AIRPORT— ORDER PAPER QUESTION—REQUEST FOR ANSWER

Hon. John Lynch-Staunton (Leader of the Opposition): Honourable senators, has the Deputy Leader or the Leader of the Government in the Senate looked into the question which has been on the Order Paper in written form in my name since September 30, 1997? If so, what is the status of the answer?

Hon. B. Alasdair Graham (Leader of the Government): Honourable senators, I spent a good deal of time looking for that answer yesterday, and I shall continue to do so at the first opportunity this afternoon.

ORDERS OF THE DAY

CRIMINAL CODE INTERPRETATION ACT

BILL TO AMEND—THIRD READING

Hon. P. Derek Lewis moved the third reading of Bill C-16, to amend the Criminal Code and the Interpretation Act (powers to arrest and enter dwellings).

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

Some Hon. Senators: Agreed.

The Hon. the Speaker: Carried.

Some Hon. Senators: On division.

The Hon. the Speaker: Did you wish to speak on the bill, Honourable Senator Lewis?

Senator Lewis: If the Senate wishes to pass the bill at this time, that is fine.

Hon. Sharon Carstairs (Deputy Leader of the Government): Honourable senators, Senator Cools did, in fact, inform me that she wished to speak to this bill, but she wanted to speak to it tomorrow. Perhaps we could hear from Senator Lewis, as he has a brief few words to say, and then adjourn the debate in Senator Cools' name. I think that would be appropriate.

Senator Lewis: Honourable senators, it is my pleasure to speak today on the occasion of third reading of Bill —

POINT OF ORDER

Hon. John Lynch-Staunton (Leader of the Opposition): Point of order. Yesterday I complained about the way in which we were following the agenda. Today I will complain about the way in which we are treating legislation.

It was quite clear that the bill was called, a vote was called, the proper motion was made for third reading, and it was passed on division. Before reverting, we must cancel the vote. We cannot casually stand up and say, “I will talk about it anyway,” and then have someone else get up and say, “Well, Senator Cools wants to speak to it, and we will do that tomorrow.” Either we have basic rules here or we do not.

Hon. Anne C. Cools: Honourable senators, on a further point of order, I just walked into the chamber. Is it my understanding that Bill C-16 has been passed? I had informed the leader that I wanted to speak on third reading.

The Hon. the Speaker: Honourable senators, do we have agreement that we will revert back and cancel the vote?

Some Hon. Senators: No.

Some Hon. Senators: Yes.

The Hon. the Speaker: I am sorry. The vote was called and taken. There is nothing I can do about it unless there is agreement to revert. There is no agreement.

Senator Lynch-Staunton: I have no objection to leave being given to revert, but I will say that this will be the last time. Otherwise, we are making a mockery of the rules. These are fundamental rules. They are not in the red book, but they are the proper procedures on how a bill finally comes to a vote. If someone over on the government side forgot, why should all other senators suffer for it?

The Hon. the Speaker: Honourable senators, all I can do is call the orders. If no one stands to speak, I have no alternative but to proceed. That is what I did. However, if it is the wish of the Senate to revert —

Some Hon. Senators: No.

The Hon. the Speaker: The answer is “No,” so we cannot revert. Third reading of the bill.

Senator Cools: Honourable senators, I believe that —

The Hon. the Speaker: I am sorry, Honourable Senator Cools. There is no agreement, and there is nothing further I can do.

Hon. Noël A. Kinsella (Acting Deputy Leader of the Opposition): Honourable senators, Senator Cools raised a point of order a few moments ago, and on her point of order —

The Hon. the Speaker: Honourable senators, there is no point of order. The vote was taken. If you wish to revert —

Some Hon. Senators: No.

The Hon. the Speaker: I hear “No.” There is nothing further I can do. If I hear “No,” we finish the third reading. Senator Cools, I cannot hear you.

Senator Lynch-Staunton: No one said “No” on this side. However, I am saying that we will not let this happen again. Let us say that it was an accident. On this side, we agree to revert, but we do not want this to be considered a precedent. No one on this side will object if reversion takes place.

The Hon. the Speaker: Honourable senators, for the last time, is it agreed that we revert?

Some Hon. Senators: No.

Some Hon. Senators: Yes.

The Hon. the Speaker: I am sorry. I hear some “Nos,” so we cannot revert. We will proceed with the third reading.

Motion agreed to, on division, and bill read third time and passed.

• (1400)

NEWFOUNDLAND

CHANGES TO SCHOOL SYSTEM—MOTION TO AMEND TERM 17 OF CONSTITUTION—DEBATE CONTINUED

On the Order:

Resuming debate on the motion of the Honourable Senator Rompkey, P.C., seconded by the Honourable Senator Petten:

Whereas section 43 of the *Constitution Act, 1982* provides that an amendment to the Constitution of Canada may be made by proclamation issued by the Governor General under the Great Seal of Canada where so authorized by resolutions of the Senate and House of Commons and of the legislative assembly of each province to which the amendment applies;

Now therefore the Senate resolves that an amendment to the Constitution of Canada be authorized to be made by proclamation issued by His Excellency the Governor General under the Great Seal of Canada in accordance with the schedule hereto.

SCHEDULE

AMENDMENT TO THE CONSTITUTION OF CANADA

1. Term 17 of the Terms of Union of Newfoundland with Canada set out in the Schedule to the Newfoundland Act is repealed and the following substituted therefor:

“17. (1) In lieu of section ninety-three of the *Constitution Act, 1867*, this Term shall apply in respect of the Province of Newfoundland.

(2) In and for the Province of Newfoundland, the Legislature shall have exclusive authority to make laws in relation to education, but shall provide for courses in religion that are not specific to a religious denomination.

(3) Religious observances shall be permitted in a school where requested by parents.”

Citation

2. This Amendment may be cited as the *Constitution Amendment*, year of proclamation (Newfoundland Act).

Hon. Landon Pearson: Honourable senators, I rise today to support the resolution to amend the Constitution of Canada with respect to Term 17 of the Terms of Union of Newfoundland with Canada. This is the second time in as many years that the Province of Newfoundland and Labrador has brought a resolution before us under section 43 of the Constitution Act, 1982, to change its Terms of Union with respect to education. I have been involved on both occasions. I served on the Standing Senate Committee on Legal and Constitutional Affairs when it examined the first request for change and on the special joint committee of the Senate and House of Commons that studied the second resolution, the one before us. I paid close attention to all the witnesses who appeared on the subject, some of whom came before us twice, some even three times.

Honourable senators, I supported the 1996 amendment because, as I stated in my speech at the time, I was convinced by the evidence I heard in St. John's that:

...there was little prospect of accommodation under the old Term 17 and the power struggle which, according to the Right Reverend Donald Harvey, the Anglican Bishop of Newfoundland and Labrador, had already “weakened and diluted” the province's capacity to provide the highest quality of education possible within its means for far too long, was certain to continue.

In the same speech, I raised a concern that if the Senate failed to pass the resolution, “the task of reconciling and rebuilding relationships would be made even more difficult when our suspensive vote was lifted” and that when the Constitution was amended without us, new problems would emerge out of the discontent.

Honourable senators, that is just what happened.

Now we have another resolution to consider. As I hardly need to remind my colleagues, the new Term 17 included in this resolution has substantially more support than the previous one did. Seventy-three per cent of Newfoundlanders who voted in the September referendum voted for it. The Newfoundland and Labrador House of Assembly passed it unanimously. Support in the House of Commons increased. The last step is up to us. I hope it will be a positive and constructive one.

Ever since I immersed myself in the study of Term 17, I have been preoccupied by two sets of issues. The first comprises concerns for the rights of students and their families as they prepare for the 21st century. The second is made up of issues related to the study and practice of religion.

With respect to students and their families, I was very pleased to be able to listen to representatives of both during the recent hearings of the special joint committee. I was especially happy to listen to the young people who spoke to us from St. John's and from Corner Brook via videoconferencing. These students expressed their satisfaction at being consulted. Erika Budgell, a Pentecostal student, told us:

I'm really happy that politicians actually asked the kids who are involved and the kids that it's affecting about what we want and what we think about it. I think that's a rather important thing and I appreciate the fact, because for a long time in this issue things were just overlooked and it was adults and politicians and other people trying to make a decision. We're in the school system now and it's going to affect us and affect our friends.

Stephanie Short, a student of Heardman Collegiate, stated:

Thank you for your time and thank you for letting our voice be heard. All I hear these days is that we're not old enough to vote and we're not old enough to have our voice heard, so we're here tonight proving them wrong I guess and I hope that anything we say will have some sort of impact.

It did. I think all of us found what the students had to say very interesting. For one thing, they conveyed, by their comments, their replies to us and in their discussions among themselves — and this in a manner somewhat better than adult witnesses — the reality of the tension that exists between the longing so many have for the familiar church-structured environment of the denominational school and the exciting challenge of a more open but less predictable public system. Nevertheless, they agreed that changes were necessary.

Jennifer Thornhill, a Roman Catholic student representative from Regina High School, identified the problems in her school:

This year we lost three and a half teaching units. We have half of a guidance counsellor for 512 students. That's just not good enough. There's single parents, there's so many family issues and we need a guidance counsellor. We need these teachers. Our programs have suffered.

We lost advanced placement Biology, advanced writing. There's so much being lost and this isn't a Catholic, Pentecostal, public issue. This is completely different. I think there needs to be more money put back into the system. There's too many cut-backs.

As for the voices of the parents, I was particularly impressed by two Roman Catholic mothers who presented on behalf of Education First, a group of multi-faith citizens of Newfoundland, who gave up much of their summer to a campaign — for which they raised their own funds — for a positive response to the referendum question. With respect to the issue of integration versus segregation, Oonagh O'Dea and Brenda Bryant said:

Children who have been educated in a non-segregated environment do not consider one religion or race superior to another, nor do they judge anyone on the basis of their religion or race. Integration of religions does not lower Christian values and morals of our students, but rather can strengthen and reinforce what we have taught them in the home and the church. If a society is tolerant of all religions and encourages its people to respect each other, then all religions are free to flourish.

The results of the referendum suggest that the majority of parents in the province agree with this statement.

With respect to the second set of issues, I would like to remind honourable senators that the fundamental rights of children to freedom of information and freedom of religion are guaranteed by articles 13 and 14 of the United Nations Convention on the Rights of the Child, which Canada ratified in 1991. These articles state:

The child shall have the right to freedom of expression; this right shall include freedom to seek, receive and impart information and ideas of all kinds, regardless of frontiers, either orally, in writing or in print, in the form of art, or through any other media of the child's choice.

That is article 13(1).

State Parties shall respect the right of the child to freedom of thought, conscience and religion.

Freedom to manifest one's religion and beliefs may be subject only to such limitations as are prescribed by law and are necessary to protect public safety, order, health or morals, or the fundamental rights and freedoms of others.

That is article 14, (1) and (3).

Honourable senators, I am firmly convinced that these rights, which to me are more fundamental human rights than the right of any church to control its schools at public expense, are fully respected in the new Term 17. I have carefully examined the curriculum in religious studies that is currently in use in the integrated schools and have listened to what the young people had to say about it. I am impressed by it, by its sensitivity, its breadth, its depth and its generosity.

It was stated during our hearings that the Newfoundland and Labrador Department of Education is firmly committed to working with all concerned — church representatives, parents, other community members, and curriculum experts — to ensure the curriculum to be offered at every grade level is a rich and appropriate one and that there are adequate opportunities for student choice. I have no reason to doubt this.

There has been some question about including in the new Term 17 the requirement that the legislature “shall provide for courses in religious education that are not specific to religious denomination” and that “religious observances shall be permitted in a school where requested by parents.” However, in the climate that has been created on these matters elsewhere in Canada by the Charter of Rights and Freedoms, I can only envy the children of Newfoundland, their constitutional guarantees to learn about religion and participate in or observe religious practices in their school setting. I could wish the same for my own grandchildren in the public system of Ontario.

Honourable senators, with respect to Term 17, we have three possible courses of action before us: We can suggest to the House of Assembly of Newfoundland and Labrador that it amend the term that it has placed before us; we can reject the resolution and allow our suspensive veto to run its course; or we can pass the resolution as it stands. If we follow the first course, we will, according to the testimony of the Minister of Education, Robert Grimes, start up the process all over again, and there is no doubt we will anger a large number of Newfoundlanders along the way. If we follow the second course, all we will accomplish is a delay in planning for the next school year, leaving the children, their parents and their teachers in ongoing uncertainty. If we follow the last course, however, we will be in a win-win situation.

• (1410)

On the one hand, the Government of Newfoundland and Labrador will be able to proceed with the necessary reorganization of the school system; on the other, the children of Newfoundland will have a constitutional right to be educated about religion if they so choose, and to participate or not in religious practices within the schools they attend.

I am convinced that this is what is wanted by the majority of the people of Newfoundland and Labrador, including the students currently in the system. They are looking for a better future. We should do what we can to make it possible for them to attain it.

Hon. Noël A. Kinsella (Acting Deputy Leader of the Opposition): Honourable senators, Senator Pearson addressed the resolution. As honourable senators know, tomorrow morning at 9 a.m. we will be in Committee of the Whole to hear from the Canadian Conference of Catholic Bishops on Term 17, then from another group of witnesses, and then from the honourable minister. We will then be dealing with both the report and the resolution. Therefore, I will move the adjournment of the debate on the resolution, to be taken up again tomorrow.

On motion of Senator Kinsella, debate adjourned.

BUSINESS OF THE SENATE

Hon. Sharon Carstairs (Deputy Leader of the Government): Honourable senators, I should like to put the following question before the Senate. I have been informed that, apparently, the television cameras cannot work without extremely strong lights. If it is agreed, then we will have the lights turned on, in order for the Committee of the Whole to be televised.

Hon. Nicholas W. Taylor: Honourable senators, I have a suggestion. In some legislatures, formal rules of dress do not apply at committee stage. That does not mean that the members can run around in bathing suits, but you can certainly take off your jacket and loosen your tie.

Some Hon. Senators: No!

Senator Taylor: Beauchesne agrees that that is acceptable. Does that apply here in the Senate, or will it culminate in getting too much "Florida sunshine" from the light bulbs?

The Hon. the Speaker: Honourable senators, with respect to the comments of the Honourable Senator Taylor regarding the dress code, I refer to rule 84(1), which states:

The Rules of the Senate of Canada shall apply in Committee of the Whole with the following exceptions:

- (a) a Senator may speak any number of times;
- (b) during debate in Committee of the Whole no Senator shall speak for more than ten minutes at any one time;
- (c) any standing vote shall be taken immediately without the bells to call in the Senators being sounded;
- (d) arguments against the principle of the bill shall not be admitted; and
- (e) no motion for the previous question or for an adjournment shall be received.

Therefore, honourable senators, there is no leave insofar as the dress code.

CANADA PENSION PLAN INVESTMENT BOARD BILL

CONSIDERATION IN COMMITTEE OF THE WHOLE

On the Order:

The Senate in Committee of the Whole on the Bill C-2, An Act to establish the Canada Pension Plan Investment Board and to amend the Canada Pension Plan and the Old

Age Security Act and to make consequential amendments to other Acts.

Hon. Sharon Carstairs (Deputy Leader of the Government): Honourable senators, I move that His Honour do now leave the Chair, that the Senate do now resolve itself into Committee of the Whole, and that the Honourable Senator Corbin take his place as Chairman of Committee of the Whole.

Hon. Michel Cogger: Honourable senators, I understand that when the Senate sits as Committee of the Whole, a senator may speak even though he is not sitting in his place. Is that not correct?

The Hon. the Speaker: Honourable senators, that is incorrect. There must be agreement on that. Is it agreed that honourable senators may speak from where they are seated in the chamber?

Hon. Senators: Agreed.

The Senate was accordingly adjourned during pleasure and put into a Committee of the Whole on the bill, the Honourable Eymard G. Corbin in the Chair.

The Chairman: Honourable senators, before we begin, because our proceedings are televised this afternoon, I will suggest that honourable senators receive recognition from the Chair before they speak. This is to facilitate not only the proceedings within this house but also the identification of those who have the floor for those persons who will be viewing these proceedings on television. It will make the proceedings more understandable, if I may use that expression.

Senator Carstairs: Honourable senators, I would ask that the Honourable Paul Martin, Minister of Finance, be invited to participate in the deliberations of the Committee of the Whole.

The Chairman: Honourable senators have heard the proposal. Is it agreed?

Hon. Senators: Agreed.

Pursuant to rule 21 of the *Rules of the Senate*, the Honourable Paul Martin, Minister of Finance, took his place in Committee of the Whole.

Senator Carstairs: Honourable senators, we have been joined by the Honourable Minister of Finance, who is accompanied by Mr. Bob Hamilton, Assistant Deputy Minister, Policy Branch, and Ms Susan Peterson, who is with the same branch.

[Translation]

The Chairman: Honourable senators, the Senate is now in Committee of the Whole to consider Bill C-2, An Act to establish the Canada Pension Plan Investment Board and to amend the Canada Pension Plan and the Old Age Security Act and to make consequential amendments to other Acts.

[English]

The Chairman: Shall the title be postponed?

Hon. Senators: Agreed.

The Chairman: Carried.

Shall clause 1, the short title, be postponed?

Hon. Senators: Agreed.

[Translation]

The Chairman: Mr. Minister, I welcome you on behalf of the committee. I invite you, if you so wish, to make a statement. We will then proceed to questions from honourable senators.

[English]

The Hon. Paul Martin, Minister of Finance: Honourable senators, thank you very much for inviting me here today. Before I begin, Senator Graham has pointed out that I am sitting not only in his chair but also in the chair that was once occupied by my father. This is quite an occasion for me. I do not know whether it was the same in his time, honourable senators, but I do not find it so very comfortable.

Honourable senators, first let me thank you for the opportunity to speak to you today about Bill C-2. This legislation will ensure that the Canada Pension Plan continues to provide a solid foundation for secured retirement for working Canadians and their families as we enter the new millennium. It is based on an agreement that has been worked out among the federal government, eight provinces and the Northwest Territories. That agreement was, itself, based on the most extensive process of joint public consultation conducted by the two orders of government in recent memory.

[Translation]

This non-partisan approach to preserving the CPP is only fitting under the circumstances because, as the consultations made clear, the Canada Pension Plan is woven deeply into the fabric of our country. It embodies core values cherished by the vast majority of Canadians. It is fact, not rhetoric, that the establishment of the Canada Pension Plan in 1966 was one of the most important public policy initiatives ever undertaken in this country. It reflected a national belief that retirement for working Canadians should not be a time of hardship. That a measure of our success as a nation must be the security of its seniors.

[English]

Honourable senators, the Canada Pension Plan captures the Canadian value of shared responsibility to protect those who are at risk. It does so by providing real and reliable assistance to some of the most vulnerable in our society — the disabled, the widowed and the orphaned. These values are as strong and as

sure today as they were in the heady era of the 1960s, which is why Bill C-2 is before you.

The inescapable fact is that the Canada Pension Plan, which has done so much for so many, is under growing pressure, pressure that requires action now before it is too late. The joint federal-provincial agreement which was reached last February paves the way for that action. The federal government and eight provinces were determined not to shirk our responsibility to act now while the problems facing the CPP are still manageable.

The measure of good government, I am sure we will all agree, is more than the ability to manage simply for today, it must include the foresight and capacity to act for tomorrow. We live in a time of accelerating historic demographic change. Today, there are around 3.7 million Canadian seniors. The baby boom will produce an explosion in the number of seniors, starting around the year 2011. By the year 2030, there will be some 8.8 million seniors in our country. Because the post-war baby boom was followed by the baby bust, these seniors will represent a much larger share of the country's population than ever before in our history.

In 1966, when the CPP was put in place, there were about eight working-age Canadians for every senior. Today, in 1997, there are about five working-age people for every senior. By the year 2030, there will be only three working-age Canadians for every senior.

[Translation]

This demographic dilemma is being further compounded by another dramatic change. Thanks to medical advances and higher living standards, life expectancy has expanded and will continue to expand. Canadians today can expect to live three years longer than in 1966. By 2030, they will be living an average of 4.5 years longer. This has a significant impact on the CPP. It means that when baby boomers retire, they will be collecting benefits for an average of 20 years, compared to 15 years when the CPP was established.

[English]

As a result of these new realities, the Canada Pension Plan is no longer sustainable as it is now structured. It cannot meet the challenges that lie ahead. Action needs to be taken now. If we do not take action, we will be placing a punishing, unjust burden on millions of working Canadians tomorrow, a burden which justifiably they could be unwilling and unable to bear.

The Chief Actuary of the Canada Pension Plan has spelled out this challenge in blunt, bottom-line terms. He estimates that, if we do nothing, the Canada Pension Plan rates will have to increase from today's level of just under 6 per cent to over 14 per cent to cover escalating costs, and this would be an increase of over 140 per cent for future generations.

Mr. Chairman, senators, we have no business, we have no right, to impose such a legacy on our children and on our grandchildren.

[Translation]

The answer lies in this legislation. Bill C-2 renews a shared commitment to ensure that the CPP is there, sustainable and affordable, for today's working Canadians and for the coming generations. It also reflects a wide consensus for change.

[English]

In joint federal-provincial hearings from coast to coast to coast, we heard from actuaries and pension experts, from social planning groups and chambers of commerce, from seniors' groups and youth organizations, and from many interested and articulate individual Canadians. The clear, concrete message we heard is that Canadians want, Canadians need, and Canadians count on the Canada Pension Plan.

Canadians were also clear, honourable senators, on what they did not want. They told us that the CPP should not be allowed to drift, that it should not be privatized, and that it should not be scrapped. Canadians told us that they want it fixed in a way that does not pass on an unbearable burden to younger generations. They told us that they want the CPP fixed now and fixed right.

They told us to preserve it by strengthening its financing, by improving its investment practices, and by moderating the growing costs of benefits. To strengthen the plan's financing, the provinces and ourselves are proposing to accelerate contribution rate increases over the next six years to 9.9 per cent of contributory earnings. This is paid one-half by employers and one-half by employees.

It is important to note that this 9.9-per-cent rate should be sufficient to sustain the CPP with no further rate increases. Let us not forget that, under the existing legislation, the contribution rates are already slated to go beyond 9.9 per cent. In fact, they were scheduled to reach 10.1 per cent in the year 2016.

The 9.9-per-cent rate will cover an individual's own benefits, plus a uniform fair share of the burden of the plan's unfunded liability which has been built up over the years because we have not been paying our way. This is the fairest way to honour our outstanding obligations. The cost of pensions will be spread evenly and fairly across generations. With this fuller funding, the CPP cash in hand will grow substantially.

Therefore, a new investment policy is being proposed to improve the way CPP funds are invested and to get the best possible return for each and every Canadian who contributes to the plan.

Every dollar earned from investments is one dollar less that must be met by working Canadians and their employers. Canadians deserve to earn the best possible rate of return, and at the same time to know that their benefits are completely secure.

Bill C-2 proposes that Canada Pension Plan funds be invested prudently in a diversified portfolio of securities and that this be

done by professionals. Great care will be taken to ensure that investment decisions are insulated from any form of political interference. The Investment Board will operate truly at arm's length from governments.

[Translation]

Mr. Chairman, we are coupling these major changes in financing and investment policy with some changes to the administration of benefits and the way they are calculated. But let me emphasize that these changes will not affect the pension benefits received by any current senior. And the bottom-line is that 75 per cent of the changes are on the financing side, and only 25 per cent on the benefit side.

[English]

Mr. Chairman, before concluding, I would like to touch on some of the alternative views and criticisms that have been levelled at the federal-provincial agreement on the Canada Pension Plan. To start, there are a few who argue that the CPP is not in immediate danger and that there is no need to rush to make fundamental changes. Let me just say that those who claim that there is nothing wrong with the CPP must live on another planet. The easiest thing for a government to do is to stick its head in the sand and pretend that there is no problem.

[Translation]

Simple mathematics and common sense make clear that the more we delay, the more contributions will have to be increased in the years ahead. Any rational, objective assessment leads to the same conclusion — that the fairest thing to do — the only responsible thing to do — is to make sure that people like you and me and the baby boomers in this room start paying more now while we are still working, so that our children are not stuck with a truly punishing bill.

[English]

A second issue of debate is the view that Bill C-2 represents a tax grab in the form of higher CPP contributions, and that it should be counterbalanced by cuts in EI premiums. With respect, this is an apples-and-oranges comparison. CPP contributions are not a tax. They are savings — savings that go to pensions and other family protection benefits. They go into a separate fund, not into government coffers, and they will be invested like other pension plans.

There is no question that taxes should be lowered. That is why, quite recently, we moved to cut EI premiums from \$2.90 to \$2.70. That is why we pledged to apply part of the fiscal dividend, when the federal books are balanced, to further tax relief. However, we must not let the need to preserve and to sustain the Canada Pension Plan become an issue of false trade-offs and inaccurate linkages. Canadians looking forward to security in their retirement years deserve real solutions, and that is what Bill C-2 provides.

This brings me, senators, to the other end of the spectrum. There are those who suggest that the CPP is beyond repair, and that better pensions can be provided through mandatory RRSPs at a better cost than the CPP.

[Translation]

First of all, Mr. Chairman, let me be clear that RRSPs are an essential and very important part of Canada's retirement income system. Canadians planning for their retirement depend on both the CPP and income saved in their RRSPs.

As I said in my economic and fiscal update, the tax assistance provided to Canadians saving for their retirement through RRSPs and RPPs will be improved as quickly as circumstances permit.

[English]

However, Mr. Chairman, Canadians from coast to coast to coast have also made it abundantly clear that they do not want all of their basic retirement pension resting on the success of private investment decisions, and they are thinking wisely.

Let us take a minute to recognize what a totally privatized RRSP scheme really means.

First, there would no longer be a guaranteed predictable component of retirement income. Canadians' retirement would depend totally on their ability to anticipate and manage, in an often volatile stock market such as we have seen over the course of the last month. For each and every Canadian, retirement planning would ultimately depend on luck or a degree of investment savvy virtually without parallel.

Second, time spent out of the work force raising children would mean a lower retirement income.

Third, entire families would no longer be protected against the loss of income due to the death or disability of a CPP contributor.

[Translation]

Most Canadians understand these concerns. That is why they want the security that is provided by the CPP as a public plan, with the government standing behind it. This is why they want the CPP fixed, not scrapped.

[English]

However, apart from the security that the CPP furnishes, what about the value it provides? I know, senators, that a moment ago I told you that I was about to conclude, but one of the things I learned from my father is that if you tell people you are going to conclude, they will believe you and they will listen to you a lot longer. However, having said that, I am about to conclude.

Is it really true that mandatory RRSPs could provide better or equivalent benefits at a lower cost than the CPP? I asked my

officials this precise question and I should like to share their analysis with you.

First, with the new investment policy, the CPP fund will earn returns as good as anyone investing privately could be expected to earn, with the added advantage of having the government standing behind the defined benefits which the CPP provides.

[Translation]

Second, the administrative costs of the CPP, and the costs of investing the pool of CPP funds, can be expected to be considerably lower than the costs associated with millions of individual plans. For example, we expect costs for the CPP Investment Board will be about one tenth of one per cent of assets — in line with large pensions plans. But the comparable cost for individual RRSPs is commonly about 2 per cent — 20 times higher. And factoring the full range of costs into account, it is likely that mandatory RRSPs would cost Canadians 15 per cent more to deliver what the CPP provides.

[English]

Third, the CPP protects families when a bread-winner becomes disabled or dies, and it protects the pensions of parents who take the time out of the workforce to care for young children. RRSPs cannot do that.

Mr. Chairman, how can critics of the CPP maintain that individual, mandatory retirement savings plans provide better value? I can only conclude that they are ignoring the very real cost of honouring outstanding commitments under the Canada Pension Plan, commitments not only to today's seniors but to those who have been paying into the CPP for years and who are counting on a pension when they retire.

Let those who would explode the CPP explain very clearly who will pay for the almost \$600 billion at issue here. Which taxes will they raise and by how much? No sleight of hand will take care of that \$600 billion. What would this mean for today's young workers and those coming into the workforce in the years ahead? Ultimately, replacing the CPP with some sort of mandatory RRSP would hit them with a triple whammy. They would be forced to honour the obligations to their grandparents, seniors currently earning pensions. They would have to honour the obligations to their parents, paying them the pensions they have been counting on for years and which they expect to receive when they retire. In addition, they would be expected to set up and contribute to their own RRSP accounts. Furthermore, if they wanted the same protection as the CPP provides, they would also have to pay for private disability and life insurance. The cost of all of this would be staggering.

Therefore, this government, and the governments of all of the provinces which support the agreement, will not renege on our responsibilities. The obligations of the Canada Pension Plan will be honoured. The Canada Pension Plan must continue to provide Canadians with a solid and secure base on which to plan their retirement, and at a cost they can afford.

Bill C-2 provides a landmark agreement which faces up to and meets this responsibility squarely and honestly. It deserves, honourable senators, your support and timely passage.

The Chairman: Thank you, Mr. Minister.

I remind honourable senators that the rules governing Committee of the Whole provide for a 10-minute question period, unless otherwise agreed to. I will apply that rule. I am, of course, listing the names of those senators who wish to ask question. I will recognize, first, the Honourable Senator Lynch-Staunton.

Senator Lynch-Staunton: Before dealing with the subject-matter of the bill, I would like to explain why, last week, the Senate opposition used the rule book to effectively stop consideration by this chamber of any legislation, and particularly this bill.

It was a position we took after more than two months of trying to convince the government to make use of the talent and abilities in this chamber for the consideration of Bill C-2. It is important to understand how we reached that position.

As long ago as October 9, Senator Kinsella rose in this chamber and pointed out that closure had been imposed on the debate on the same bill in the House of Commons, and that the Prime Minister himself had publicly stated that he hoped for an agreement before the end of the year. Senator Kinsella pointed out that, by his reckoning, the bill would not come to us until early December, and therefore he was recommending pre-study of the bill by this chamber even before it went to committee in the House of Commons. That suggestion was not acted upon.

Two weeks later, on October 23, Senator Kinsella rose again and said that this side was willing to enter into a pre-study of this bill. It is highly unusual for the opposition in a chamber to offer its help to that extent to the government in order to accelerate the passage of legislation. It is usually the government which asks the other chamber to help it by engaging in a pre-study, but in this instance the opposition, recognizing the importance of this bill and that it affects all Canadians, either directly or indirectly, offered what help it could. Again, effectively, there was no answer. During that time, our members on the Standing Senate Committee on Banking, Trade and Commerce were trying to come to an agreement with the Liberal majority on the committee to engage in coast-to-coast hearings on the bill in a pre-study fashion. Acceptance of that suggestion was based on a guarantee from us that the bill would be dealt with before the Christmas recess; a guarantee which, of course, we could not give until the bill was thoroughly studied.

• (1440)

At the end of November, we were told that the government side was willing to let the committee pre-study the bill as long as its report was tabled on Monday, December 1, at the latest. By that time, the House of Commons had agreed to give the bill third reading on December 3. Therefore, it was quite obvious that

any pre-study was useless because the House would have already passed the stage at which it could consider the pre-study recommendations of the Senate. In fact, the House gave the bill third reading on December 4, because the post office back-to-work legislation was dealt with on December 3.

We agreed to stay here on Thursday, December 4 to receive the bill and give it first reading. You can see, Mr. Minister and others, that throughout this time the opposition was acting more than responsibly.

On Monday, December 8, Senator Kirby opened debate on behalf of the government. At no time in his remarks or in the question and answer period which followed did he mention the urgency of having this bill passed by the end of the year.

On Tuesday, December 9, Senator Tkachuk rose as our first speaker, followed by Senator Stratton and Senator Bolduc. Thereafter, Senator Gigantès, a Liberal senator, moved the adjournment of the debate. We did not move the adjournment of the debate. It was moved by a member on the other side, again leaving the impression that the matter was not so urgent that another day could be allowed to pass with no problems.

On Wednesday, December 10, Senator St. Germain spoke, followed by Senator Meighen. During that sitting, we were advised by the Speaker that there would be Royal Assent at four o'clock. We are usually told about Royal Assent before we sit in order that we are able to plan our schedule accordingly.

When Senator Spivak's turn to speak arose, she noticed that there was not enough time before Royal Assent for her to give her entire speech and therefore moved adjournment of the debate in order that, when she did get up to speak, she would not be interrupted. The motion to adjourn the debate was accepted.

Immediately after it was unanimously accepted, the Deputy Leader of the Government gave notice of a motion for closure. It was an extraordinary contradiction in the government's attitude to approve the adjournment of the debate and immediately thereafter announce that closure would be imposed following debate the next day.

I stress again that there is illogic in the way the government has been handling this bill in this place, for which we are not responsible.

By that time, seeing that any effort on our part to participate in an assessment of this bill was being completely ignored, we went to the rule book, which at least set off some alarm bells.

You, Mr. Minister, were alerted, and you wrote about your apprehensions. Today, you mentioned that your father sat in the chair in which you are now sitting. I am sure he would be very proud to see you there. I do not know, however, what his feelings would have been had he known that you attended the Senate opposition caucus yesterday. However, I believe we had a good exchange and I am glad that it is being followed by this exchange.

Mr. Minister and honourable senators, that is why we took the position we did. Over the past two months, despite our best efforts to have a responsible assessment of this legislation, we were rebuffed and therefore we had to resort to a strategy which I hope need not be repeated.

Where are we now and what have we been asking for? We do believe, considering the status of the EI fund and its surplus which is growing, that some consideration should be given to further reductions to compensate for the very sharp increase in CPP premiums which will amount to over 70 per cent over six or seven years.

We believe that the public has been insufficiently informed on the implications of this bill. Of course there have been consultations, but not at the level that we believe we could have done them, that being the level of the taxpayer and the general public. We feel strongly that it was wrong to ram this bill through the House of Commons, and we did not want to be party to ramming it through this place in the same fashion.

In time, you will be proposing legislation regarding seniors' benefits, an equally important piece of legislation affecting millions of Canadians. We hope that before you leave today you will confirm that the offer which we made regarding Bill C-2 will be taken up on the seniors' benefits legislation, that you will encourage the Senate to deal with it at the earliest opportunity, that you will want to have a committee of the Senate hold consultations across the country, and that you will look forward to its recommendations which can only be helpful to the government. Coming from the opposition, that is an offer which I believe should not be refused.

We have expressed concerns regarding the accountability and independence of the Investment Board which will manage the pension fund, the assets of which your department estimates will be \$75 billion in 10 years, I believe. I hope that you will confirm today that the clauses dealing with the board will not be proclaimed until the Senate has had the opportunity to make recommendations following hearings.

Regarding our apprehensions about the board's accountability and independence, I draw to your attention Senator Pitfield's remarks of yesterday. Senator Pitfield has been very close to the federal government and its activities. He raised concerns about boards being created with the best intentions and suddenly losing their accountability due to neglect, disinterest or simply through the board being too powerful. We are trying to avoid that in this case. A good example is the Caisse de dépôt et de placement in Quebec, which started with the best of intentions. Its investment policy was patterned on that of life insurance companies governed by the insurance act which existed at that time. After a while, the government got a bit greedy and too partisan and too often used the funds of the Caisse de dépôt et de placement for investments with partisan interests rather than for investments in the interests of those who were to benefit from its activities. We want to avoid having this fund used for purposes other than

protecting the deposits of Canadians who will be contributing to it.

Minister, that is basically our position. My colleagues will elaborate with questions on the general issues which I have brought before you.

I want you and your colleagues to know and understand why we had to conduct ourselves in the manner in which we did. It is not something that we enjoy doing, and certainly is not something that we want to repeat. However, at the same time, we want you to appreciate that, no matter what is said about this institution, there are on both sides of this room individuals of remarkable talent, ability, and dedication. To us, it is simply wrong to not make full use of them, as we have offered and will be glad to offer again.

Mr. Martin: Thank you very much, senator. I would like to thank all senators for allowing me to come here, and I would like to thank you, Senator Lynch-Staunton, for the opportunity to speak to the Conservative caucus yesterday. However, through a sleepless night last night I kept hearing a voice saying, "Paul, Paul, what have you done?" However, I do want to thank you for the opportunity that was provided to me yesterday.

• (1450)

We want to bring the EI premiums down as fast as we possibly can. It is our intention to do so. I fully understand the point you have made. Even if it were not for that point, we would still want to bring the EI premiums down as soon as we possibly can and will do so given the overall financial capability of the government to do that.

We, along with the provinces, have engaged in probably the most extensive consultative process that has ever been done on this kind of thing. Not only was this consultation conducted by the federal government, but each province carried on consultations in their own jurisdictions. We really did attempt, as much as possible, to get the views of Canadians, and I think we got them from virtually every sector and segment of Canadian society.

There is no doubt about the capacity of the people on both sides of the Senate to deal with these kinds of issues, given their experience and their insight. A government would be foolish to turn down a non-partisan offer to ensure that we do the right thing. Obviously, I do not control how this will work out in the end, but I can certainly tell you that the advice and the insight which could be provided from the Senate would be, as far as we are concerned, very valuable.

On the issue of the governance of the board, we share your concerns very much, and we are trying to walk that delicate balance between arms' length from government so there is no political interference on the one hand and accountability, which is an essential part of our democracy, on the other. I am prepared to confirm that those provisions of the legislation will not come into force until April 1.

Senator Grafstein: Mr. Minister, thank you. I could not think but that your father's spirit, if not in your chair, is certainly in this room today, and we are delighted that you are here.

You touched on the pension fund and the size of the pension fund. It is estimated that the proposed pension fund will grow to between \$75 billion and \$125 billion. It moves, but it is in gigantic numbers. This would be the largest pool of investment capital in Canada, probably one of the largest pools in the world.

On my reading, the legislative history of banking and financial institutions in Canada was based on a simple thesis that economic power, financial power, should be divided, dispersed, competitive, and accountable. The thesis was that no one source of economic power could predominate or challenge or dilute the power of Parliament or the power of the people or such institutions as the Bank of Canada.

This argument was made, as was mentioned earlier by the Leader of the Opposition in the Senate, against the creation of the *caisse de dépôt* before it was established. We have heard since that the *caisse de dépôt* has been tempted to be used for political purposes. I do not want to enter into a factual debate about that, but let us assume for the moment that if they have not used it for political purposes, there is a great temptation to do so.

What are your thoughts, having in mind the size and scope of the investment fund that this legislation proposes?

Mr. Martin: Honourable senators, I understand the concern, and it is one that I share. There is less of a danger of funds being used for political purposes in the case of the Canada Pension Plan than might have otherwise been the case in that, not only will the federal government be involved — in other words, one government — but 10 governments and two territories, and, if you look at the political scene in Canada today, three political parties. That does provide a certain measure of protection.

However, on your question dealing with the size of the fund, and picking up on Senator Lynch-Staunton's question as well, one of the things that we were very conscious about as we discussed this matter with the finance ministers is that initially, this fund will be very small, \$2 billion over the course of the next three years, growing to the numbers that you have given. The administrative costs of competing funds are quite large, and there is a major saving in having one fund. That does not deal, of course, with your issue, but is simply a statement of fact.

It is projected that in 10 years this fund will be roughly the same size as the teachers' fund, roughly the same size as the *caisse*, and slightly larger than OMERS. In other words, it will be one of the five largest funds in the country, but it will not be the dominant giant at that point.

That having been said, the federal government and the provinces will have triennial reviews. The dangers which you raised are very real. If they in fact come to pass or are anticipated, then it will be within the powers of the various governments to split the fund into competing funds.

Senator Grafstein: Would it require agreement by the provinces to do so?

Mr. Martin: It would require a two-thirds agreement.

Senator Tkachuk: Minister, although my leader, Senator Lynch-Staunton may not have enjoyed our efforts to stall the efforts of the government by using stalling tactics, I might tell you that I have enjoyed it thoroughly.

As you might know, the Progressive Conservative Party believes that there must be a corresponding decrease in employment premiums or income tax to balance the increased contribution rate for the Canada Pension Plan proposed by your government, because we believe that the tax rate is too high and that payroll taxes like the CPP increases kill jobs. We have a difference of opinion on whether it is a payroll tax, but we will get to that later.

In fact, the increase that you are proposing equals a full week's wages to anyone earning less than \$35,800 per year. For someone who is self-employed, it is equal to approximately two week's earnings. At the same time, by the end of this year, you will have accumulated some \$20 billion in excess EI premiums over payouts. Can we expect to see some cuts in the next budget in either employment insurance premiums or income tax, and how much of an excess do you need in employment insurance funds before cuts are made?

Mr. Martin: Senator Tkachuk, I probably will not comment at the present time on what will or will not be in the next budget. However, in terms of the premiums, we had planned to bring the premiums down from \$2.90 to \$2.80. We brought them down to \$2.70 for precisely the reasons you are outlining. We recognize the necessity of getting them down. The EI premiums are dealt with in the month of November, and they would therefore not be a budgetary item. I can say we are very conscious of the necessity to lower personal income taxes, certainly for low- and middle-income Canadians, and employment insurance premiums, and we will proceed to do so as quickly as we can.

Senator Tkachuk: I want to get to your earlier statement where you talked about the CPP premiums not being payroll taxes but rather savings. Why have we not saved anything in the last 30 years?

• (1500)

Mr. Martin: Senator, the fact is that the governments have. The CPP's funds have been invested, up until now, at a slightly subsidized rate in provincial bonds and various obligations. These bonds will be rolled over, and they do constitute part of the assets of the fund.

The problem is that when it was originally set up in the middle 1960s as a pay-as-you-go system, it was based on a set of assumptions that have turned out to be incorrect. It was based on a set of assumptions that would have maintained roughly the same ratio of workers to seniors as existed at that time — 8 to 1.

We now see that it will be 3 to 1. It was also based on mortality tables that had Canadians living a much shorter period of time. Fortunately, we are living longer, but this imposes a cost.

A third thing that happened — and we have protected ourselves against it in this bill — is that there were additions to benefits. Those additions were not fully costed. The additions went in, a liability was created, but it was not paid for. As a result, the federal government and the provinces now find themselves with a \$600-billion liability, and we must find a way to handle it.

Senator Tkachuk: This is why our party is so concerned. As you have described the situation, in the last 30 years a number of mistakes were made with respect to actuarial tables and investments where we did not receive the expected return. We are now asking our children and our grandchildren to make up for those mistakes, and we find that fundamentally unfair. How can we say, “We lived through a 30-year period and made a series of mistakes but, by the way, if you are 25 years old, you must pay for them”? The government will not make any effort to reduce the effects of these mistakes. We do not think it is fair that a 25-year-old daughter or son should be paying for the rest of their lives because we could not get our act together in the last 30 years. That is why we have a real problem with this legislation, and why we are so adamant about what we are trying to achieve, which is a corresponding decrease. We want the government to say: “I am sorry. I made a mistake, too, and perhaps we should have tax decreases to help you as you begin your working career.”

Mr. Martin: First, senator, it would have been the easiest thing for governments of all political stripes to simply let this thing go because the crunch will not occur until the year 2011. However, we felt that we could not do so. The reason we had to act now is precisely the reason you have given — our children and grandchildren. If we had not acted, instead of a 9.9-per-cent rate, it would have been 14.2 per cent. That would have been an unbearable burden.

What we are doing is accelerating these rate increases and then capping them, so that my generation will pay a much greater percentage than it otherwise would have paid, and so that our children will pay a lesser percentage.

In fact, senator, what we are doing is exactly as you said. We are dealing with this question of intergenerational equity, not to the extent that we wish we could, but to the extent that we deem it possible for today's generation of workers to bear.

Second, senator, as a result of the government's success in reducing and coming reasonably close to eliminating the deficit, for the first time in a long time we are actually able to contemplate tax decreases. I hope that as we look ahead, we will be able to see that this was the beginning of the process whereby, instead of taxes going up, taxes went down, so that our children will have a lower tax level than we had.

Senator Tkachuk: How much of an excess do you need before you are comfortable with cutting EI premiums?

Mr. Martin: In estimating the size of the surplus, the chief actuary has said that it should be in excess of \$16 billion in order to protect the fund from any kind of downturn.

The second thing we must take into account is that the fund is consolidated in our accounts. This was done in 1986 at the insistence of the Auditor General. The number to bear in mind is that every dime in decrease costs \$700 million.

Senator Tkachuk: That is a lot of money.

Senator Pitfield: Minister, your presence in this wonderful demonstration of our parliamentary democratic system is terrific, and I want to thank you for making it possible, and for being here with us.

I will change the direction of the questioning a little, if I may. You will remember the words of the old nursery rhyme, that for want of a nail, a kingdom was lost. I think you would agree that it is true that you could lose all you are fighting for here if you have the administrative arrangements wrong. Some of us are very troubled that you may not have them right.

To put it bluntly, is the federal Minister of Finance responsible to Parliament and to his colleagues for this operation, or is he not? If he is not, who is?

Mr. Martin: Honourable senators, the board will report to Parliament through me. The Auditor General will have the overall responsibility to do the audit of the books of the Canada Pension Plan.

Senator Pitfield: I take it, minister, that there will be no need to indulge in the “how many angels can dance on the head of a pin” argument we get into with Radio-Canada, for example, where ministers say they report for, but are not responsible for, the corporation?

Mr. Martin: Honourable senators, it reports to Parliament through me. I am quite sure that if there were a problem, I would be held accountable. I am also quite sure that if things go well, the opposition will give me very little credit.

Senator Pitfield: This board can make investments as it sees fit, subject to the requirements of the act. It could embark upon a regional economic expansion as long as it is a good investment.

Mr. Martin: No, senator, it could not. Its mandate is very clear: It must invest in the best interests of its stakeholders, those who will be receiving pensions from Canada. There are very strict limitations with respect to those areas in which it can invest. At the present time, it could not embark upon a DREE program.

Senator Pitfield: Who would exercise that control?

Mr. Martin: It must operate according to the directives set down by the legislation and by the ministers of finance, both at the federal level and the provincial level. The only way that arrangement can be changed is if the ministers of finance essentially changed the direction in which the board could operate.

Senator Pitfield: If I may give you a further example which ties into the last one, one of the major difficulties in the administration of these government organizations is their capacity to spawn subsidiaries. It has not necessarily been Crown corporations but government corporations that have come up with 15 or 16 subsidiaries that the central government knew nothing about. How will that be dealt with? Is it forbidden, or is it under the control of the Treasury Board?

• (1510)

Mr. Martin: Initially, the Investment Board would not have the capacity to do that. We have set that board up with strict limitations, initially, on the things in which it can invest. In fact, for the first three years it can only roll over existing provincial obligations, except at market rates.

It is conceivable that down the road the board could take a more aggressive stance and become involved in other things. In order to do that, it would need to make a dramatic change in its mandate. To do so requires the agreement of two-thirds of the provincial finance ministers and the federal minister.

Senator Pitfield: Minister, I will not get into a debate with you. That is not my role here today. I could ask you — and I will, sometime — to show me where in the act, as it is now drawn, those sorts of rights and powers exist.

What exists is a corporation with all the capacities of a human being, which are pretty great. There are virtually no limitations on that. The power of the administration in the board is to invest. That is pure and simple.

For the life of me, I cannot see where the controls that you mention will be found, unless in the regulations under the act, which are mentioned in the legislation. If that is so, one wonders how you will square it with the provinces when the board gets into areas which the provinces believe are within their jurisdiction.

Mr. Martin: As far as your comment that you do not want to get into a debate, I am glad. I have been in debates with you in the past and I have not done well.

You are correct in terms of the regulations. We have said before that we are very much looking forward to having the Senate's view on those regulations.

The points you are raising will concern the provinces as much as it will concern us. If the Senate has views on the regulations that will deal with these issues, then those views will be taken into consideration. You are not dealing here with either provincial

finance ministers or a federal minister who disagrees with your basic concerns.

Senator Pitfield: May I ask further questions if there is a second round later?

The Chairman: You have two minutes left.

Senator Pitfield: I will waive your kindness and thank the minister. I will try to return to my question later.

Senator Oliver: My question relates to a particular section of this bill, namely, proposed section 61 in Bill C-2. Proposed subsection (2) states:

For each year after 1997 the amount of a Year's Basic Exemption is \$3,500.

In other words, the YBE, the Year's Basic Exemption, is actually frozen on the basic earnings below which the premiums cannot be paid.

The reading that I have done indicates that this freezing of the basic exemption hits hardest at low-income earners: women, students, seasonal workers and people in poor regions of the country such as Atlantic Canada — in particular, Nova Scotia. One of the things that we are supposed to do in this Senate and in Parliament is to propose and to implement good public policy, and good public policy that favours all Canadians. Would the minister agree with me that this particular policy which impacts so hard on low-income earners, women, students, and so on, is not good public policy?

My second question flows from the same area of concern. Is this not a tax on the poor? Why not agree to indexing so that the ceiling can be moved up and more people can be protected?

I have done some research. I have found out that the average pension fund in Canada over the last 25 years has had a return of 11 per cent. I understand that your actuarial projections are less than that. If, in fact, you start to receive a return on your investment of around 11 per cent, which is the Canadian average over the last 25 years, you can afford to index.

Mr. Martin: First, as you can appreciate, agreement on this measure involved negotiation among all of the provinces and the federal government. There were a number who felt, for instance, that the basic exemption should have been abolished; there were others who felt that the indexation should have been continued. As in any negotiation, there is a give and take, and there are trade-offs. In this particular case, this is where the consensus was established.

As is inevitably the case when you establish a consensus and a give and take, you end up with that which is feasible in a total context, not necessarily that which is, itself, exactly perfect. The \$3,500 widens the base, enabling us to reduce the premiums. The premiums would have had to have been higher — in fact, 11.3 per cent instead of 9.9 per cent — if the \$3,500 had continued to be indexed.

We also must take into account that this is one piece of an overall effort to protect and enhance the retirement income system. The government will be introducing a Seniors Benefit. One of the major goals of that benefit will be to protect the revenue stream on retirement for lower-income Canadians, the vast majority of whom, in this particular case, will be women. As you have said, you cannot look at the Canada Pension Plan in isolation from what it is the government's intention to do in terms of the Seniors Benefit.

Finally, I would hope that the return will be higher than what we have projected. However, it was important not to make the mistake that was made in the past, which was to assume that Canadians would get high returns, and that the world would continue as it had. It is far more important that the government be prudent in its projections. If we do better, then governments will have a choice between lowering the premiums further or increasing the benefits. This might well be one of the increases in benefits that they could look into, but that is a decision that will have to be taken when — it is to be hoped — those higher returns are realized.

Senator Oliver: Do I understand, minister, that the main reason why the return is frozen is that the provinces drove you to it, and that it would not be frozen if the provinces had not directed you to do that?

You did not really address the fact that this measure is hurting this class of people more than any other. I asked you to comment on whether or not it was good public policy to be imposing such a heavy burden on those who can least afford to pay it.

Mr. Martin: First, this was a consensus arrived at between the federal government and the provinces. The federal government — and I am sure any of the provincial finance ministers would say the same thing — stands behind every provision. I would not say that anyone was driven or singled out as having advocated anything.

Your basic point about the necessity of protecting low-income Canadians is quite correct, but you must not look at it only within the context of the Canada Pension Plan. Take a look at the other measures that the government has brought in, such as the Seniors Benefit that we will be introducing, which is targeted directly to helping low- and middle-income Canadians. There is also the Child Tax Benefit, which is part of government policy and deals directly with those people. In other words, we are telling low income families with children that, over the course of this mandate, we will be providing another \$1 billion or \$600 million in order to help them.

While your point, in isolation, is valid, when taking it within the context of the overall government policy and what we are doing for low-income Canadians, I think that you will see that we have a balanced and fair approach.

Senator Oliver: In response to Senator Tkachuk, you told him that you have done extensive consultations and research in relation to this piece of legislation.

• (1520)

Did this comprehensive research include impact studies on the consequences of this tax on the classes of people I have just enumerated: those from Atlantic Canada, women, youth, and students?

Mr. Martin: We did impact studies in a number of areas, senator. As well, our overall assessment of the situation took into account the other social measures the government is in the process of bringing down or already has brought down.

Senator Oliver: Is it possible for you and your officials to table those impact studies so that senators could study them in our future deliberations?

Mr. Martin: We can table some of them. For instance, since you have raised the issue of women, we would be delighted to provide our gender analysis.

However, I want to be clear. In a number of areas no specific impact analyses were done, rather an impact analysis of the overall thrust the government was taking was carried out.

We will table with you those we have available.

Senator Oliver: Thank you, Mr. Chairman.

[Translation]

Senator Joyal: Mr. Minister, my main concern is to understand the role or status of the Auditor General of Canada with respect to the activities of the Investment Board to be created by Bill C-2. I am sure you are aware that one of the major criticisms of the caisse de dépôt, coming mainly from the MLAs in Quebec City, relates to the ability of the Auditor General to ensure that the rules and the use of its funds are in the taxpayers' best interests.

In the bill as presented, what changes are there concerning the role of the Auditor General compared to that role under the present Canada Pension Plan? Can the minister confirm that the Auditor General of Canada will exercise the same authority with respect to the activities of the board as he can with respect to other activities of the Canadian government? The Auditor General is not an official of the government. He is an official of Parliament. He reports to the Parliament of Canada. Parliamentarians retain the possibility of obtaining the necessary guarantees from the Auditor General to ensure that public interest is being preserved. Can the minister set out clearly for us what the changes in the Auditor General's responsibilities are with respect to the creation of the board?

Mr. Martin: The Auditor General retains his powers as far as the Canada pension plan is concerned. He has overall responsibility. It is possible that, where the pension fund itself is concerned, the board could appoint an outside auditor, or the Auditor General. It will be up to them to decide.

The Auditor General will, however, have sufficient access to all of this information to be able to report on the plan as a whole. We met with the Auditor General. I believe there is a letter from the Auditor General indicating that he is satisfied he will get the information he requires and that he is certainly in a position to fulfil all of his duties.

Senator Joyal: The minister is satisfied, therefore, that the situation of the fund will differ from that of the *caisse de dépôt*, concerning which the Auditor General of Quebec appeared before the parliamentary commission reviewing the activities of the *caisse de dépôt* last fall, complaining that he did not have access to the information he needed to guarantee that the activities of the *caisse* were being carried out in the best interests of the taxpayers of Quebec.

Mr. Martin: Yes, we have a letter from the Auditor General indicating that he is satisfied that he will have all of the necessary information and all of the required powers, so I am satisfied in this case.

[English]

Senator Meighen: Welcome, minister. Inspired by Senator Pitfield's line of questioning, I would begin by asking you why, given the importance of accountability respecting this fund and the fact that the moneys in the fund are the savings of Canadians, you apparently rejected the idea of the fund reporting to a parliamentary committee, instead choosing that it should report to Parliament through the Minister of Finance.

I have every confidence in your integrity, minister. However, you will not be Minister of Finance forever. What happens if the person who succeeds you is not a person of such honour as yourself? A parliamentary committee does spread the risk somewhat. Do you have a closed mind on that, or are you waiting to hear what the Senate has to say when we study the whole question of governance?

Mr. Martin: I certainly understand your great concern as to who my successor might be, senator. It does seem to me that, essentially, individual ministers, normally, are responsible. They must stand up and either defend or comment on the situation. That is by far the best way to proceed. We are looking for the best way to operate. That happens to be our particular judgment call.

As I mentioned before, we are most interested in the views of the Senate. The questioning that is taking place right now in this particular meeting demonstrates the capacity of the Senate, and we will await the Senate's findings.

Senator Meighen: Thank you, minister.

On the subject of confidence, the Canada Pension Plan account covers about two years of benefits. Passage of this bill, Bill C-2, will increase that, as I understand it, to about five years of benefits in 20 years. What senators may not be aware of is that the account-to-benefits ratio will be peaking at this 20-year point

and then it will decline to between three and four years at the last point of calculation when, presumably, not many of us will be around, although our children and grandchildren might be.

Minister, you are certainly aware of the CIBC survey which came out last week indicating that Canadians believe that the CPP legislation offers no assurance of a secure retirement income. Apparently, it demonstrated that two-thirds of Canadians do not have confidence that the changes proposed in Bill C-2, including a 70-per-cent increase in contributions, will provide them with retirement benefits when they retire.

Could you explain, minister, to Canadians why they should believe benefits will not be cut and contributions will not rise in the future when, according to your own numbers, the CPP account will increase to just under five years of benefits in 20 years and then move back toward today's levels?

Mr. Martin: Senator, first, the chief actuary has calculated that this is what is required to keep it at 9.9 per cent. That is why it has been structured with the degree of fuller funding exactly in that way. It is to maintain the rate. That is how the actuarial calculations are made.

Your more fundamental point relates to the question of confidence. I think that you are "dead on." The great tragedy of the failure to deal with the Canada Pension Plan earlier resulted from the fact that a huge number of young Canadians, when polled, said that they did not believe it would be there for them. That is why it is important that this bill be passed.

It is important to understand, senator, that this will act as a regular pension plan. In other words, there will be quarterly reports. There will be full transparency. I believe that, as a result, Canadians will come, over time, to look at the Canada Pension Plan in the same way they look at other pension plans which report to them in an open and public way. It will not happen tomorrow because for too many years Canadians did have a legitimate worry, because governments, both at the federal and provincial levels, did not deal with this.

• (1530)

You also talked about the overall retirement and pension scheme for Canadians. It is important to understand that this scheme is one of the three pillars; it is not the only one. The Seniors Benefit when it comes down and, of course, registered pension plans and RRSPs will be very important parts of the overall plan.

Senator Meighen: Indeed, I only regret that we could not deal with all three at the same time and take a more coordinated approach, but that perhaps is water under the bridge at this stage.

I do commend to you the idea of reconsidering the cut in EI premiums which, according to some experts — and I do not think you would disagree — would add upwards of 150,000 jobs to the economy. That is upon reducing the premium to zero. With that additional number of Canadians working, there perhaps would not be the same concern of a peak and then a drastic descent

20 years from now. You would be able to amass a fund that would carry you through for more than just two or three years, rather more like six or seven years. However, you have given us your answer and I heard it loud and clear.

My final question concerns the individual provinces. I fully appreciate this is a national pension plan, but it seems to me that the provinces perhaps did not ask all the necessary questions during the rounds of negotiations. The provinces have fared differently since the inception of the Canada Pension Plan. I distributed to honourable senators a series of graphs which indicate a number of interesting findings. Perhaps the most startling statistic refers to the province of Alberta where Albertans, since the inception of CPP, have received far less than they have paid in. This has been steady and consistent.

Do you have some explanation for that? Do you think it would be in the best interest of Albertans to seek a variance for what is being proposed or should they, rather, support the bill?

Mr. Martin: Senator, in most cases — and I believe this is the case in Alberta — the age of the population has an enormous effect. Alberta has had a very steady influx of relatively young people from other provinces. Clearly then, the payments from the Canada Pension Plan will be lower to Alberta compared with provinces where young people are emigrating and the older citizens are staying at home.

You raise an important point. Eventually, Alberta's population will age. At that point, the situation may well turn around and Alberta will be glad to be part of the Canada Pension Plan.

I know some of the speeches that the senator has made, so I know he will agree with me on this. I do not think Canadians necessarily buy into a balance sheet way of looking at their country. They really do look at the country and at the values that hold us all together. They recognize that, at any given point in history, one region or another will be seen to benefit but, in the end, the country is all the stronger for recognizing that degree of interrelationship.

Senator Meighen: I agree. I only suggest to you in closing that perhaps one of the reasons for the situation in Alberta is that it is a province with a very low tax rate.

[Translation]

Senator Pépin: Mr. Minister, you have said that no study was done on the impact your bill will have on women. Did I misunderstand?

Mr. Martin: Perhaps I did not express myself clearly. We did an impact study on the effect of this bill on women, and we can certainly give it to you.

Senator Pépin: Specifically in the case of women at home on maternity leave or other leave to look after their children, could you explain how you think these women will not be penalized by this new approach?

Mr. Martin: Women at home or women on maternity leave will keep the benefits of the Canada Pension Plan. When we compared the Canada Pension Plan with the purchase of private RRSPs, the difference is that there are no benefits for women on maternity leave. However, we have kept the benefits with the Canada Pension Plan.

Senator Pépin: They will be at the same level.

Mr. Martin: Yes, Senator Pépin.

[English]

Senator Eyton: Minister, thank you for being here with us today. It is a lovely precedent and one of which I hope you will take more advantage in the future. Moreover, I hope your chair there becomes more comfortable with time.

I suspect that Canadians do not understand the implications of Bill C-2 including its effects on senior Canadians in the mix of safety net, income replacement and volunteer retirement savings. I pick up on Senator Meighen's suggestion that it was too bad that we could not review of a piece all of the elements of those three programs.

Certainly, Bill C-2 of itself is important and far reaching. Of particular interest to me is the foreign property rule which will apply to the proposed CPP investment fund. As the minister may be aware, later today Senators Meighen and Kirby will ask the Senate to urge you to amend the Income Tax Act and increase the foreign policy rule to 30 per cent in the February 1998 budget.

My question is simply this: Are you prepared to increase the foreign policy rule to 30 per cent as the Senate may suggest?

Mr. Martin: Senator, I believe that the time will come when, in fact, the Canadian government will want to take that action. I do not believe that time is now. The time to contemplate such a move is when the nation's finances are even more solid than they are today, when the percentage of our foreign debt is lower than it is today.

I certainly understand, from the point of view of any individual pension fund manager, the desire to have a greater diversity of markets to access. However, when I look at overall pluses and minuses in terms of the Canadian economy, in terms of the national balance sheet, it is my view that that time is not now. I am very open to the suggestion. It is simply a question of timing, senator.

Senator Eyton: As a final comment, minister, changing the foreign policy rule does, of course, have a direct impact on the kinds of returns that Canadians may expect to receive on invested funds. It also relates directly to the points made by Senator Oliver just a little while ago.

Mr. Martin: Senator, eventually, when the fund reaches the sizes that we have discussed, in 10 years, it may well be that there would be a disadvantage of being limited to the Canadian market, but that will not be a problem in the initial period.

Senator Taylor: Honourable senators, there has been much talk about how many jobs would be created if the contributions were left in the hands of the employees. Has any count been taken on how many jobs will be created from the 80 per cent that will be invested in Canada? In other words, has there been a set-off or a net made between the jobs cost and the jobs created?

Mr. Martin: Your point is well taken. There is no doubt that those funds, invested in Canada, will permit other funds to be invested elsewhere. That will be an important source of job creation as is our overall financial stability. We are wary of anything that would jeopardize that stability. We must understand where we were four years ago and how quickly we have come this far, but the job is not finished.

It is job creation and the protection of the overall balance sheet that impels me to say that now is not the time to expand the rule. Your point is well taken.

• (1540)

On the issue of jobs, the Government of British Columbia published a study on these premiums which concluded that, due to the increase in premiums, some 9,000 jobs would be lost. I find that somewhat ironic since it was the Government of British Columbia which did not sign on because it was the view of that government that the premiums could go higher.

Senator Taylor: When the investment fund was set up, was there any thought given to it being restricted to regions; for instance, the Maritimes, Upper and Lower Canada, and the west? I gather that it is set up in such a way that they can go anywhere to get the highest return. Would it not have been preferable to set limits on where investments can be made, such as the U.K. does?

Mr. Martin: Senator, the basic mandate of the fund is to invest for the overall benefit of the pensioners and those soon to become pensioners. After investment in provincial securities, in the initial stages it will invest passively in the indexes until sufficient experience has been built up.

Doing what you have mentioned would take us one step further, and that is the type of situation that the Senate, in its overall consideration of governance, will take into account. The board will have very strong regional representation. For exactly the reasons you have given, we do not want to have this regarded as a fund which benefits only one region of the country.

Senator St. Germain: Mr. Minister, you have said that this is not a tax grab. I come from the world of small business and I know how tough it is to meet a payroll when starting a business. I am sure that you are familiar with this. We have been told that this does not impact big business as much as it does small business. You graduated to big business, sir. I am still in small business and I know that this will have a severe impact on farm operations and various other operations with employees.

I wish to focus my questions on the aspect of accountability. Senator Pitfield and others have covered the accountability of the board in its management of this massive fund. I should like to concentrate on the selection process of the board.

Your government has been described, perhaps unfairly or perhaps in jest, as creating one of the biggest *tourtières* of the century with this legislation. In 1993, Mr. Minister, you are on record as having said that the most important asset of government is the confidence it enjoys of the citizens to whom it is accountable; and that a Liberal government will review the appointment process to ensure necessary appointments are made on the basis of competence. Do you adopt that statement today, Mr. Minister?

My question deals directly with the selection process of this CPP Investment Board. You, sir, have selected a gentleman by the name of Mr. Phelps to head the selection committee. I and many others here know him personally. He is a very competent, experienced and capable British Columbian. He has a proven track record in both the public and the private sectors. Based on his credentials, I believe he is qualified to do the job that you have asked him to do. However, the appointment of Mr. Phelps to this position brings into question the issue of transparency. Mr. Phelps has had longstanding and strong ties to the Liberal Party and once worked for Liberal cabinet ministers in the Trudeau government.

I do not mean to imply that Mr. Phelps would act inappropriately in any way. Indeed, I strongly suggest that he would not. However, as you know very well, coming from a political family, perception becomes reality in politics. Unfortunately, appointments such as this are perceived as pure patronage appointments.

Therefore, how will you bring about transparency in the selection process so that it cannot be criticized as patronage appointments of friends of the governing party? I am not concerned about the first board. I am thinking of the second and third appointed boards. That may be long after your time in your present role in the Liberal Party. How will you deal with this effectively so that all Canadians can have the confidence they should in this huge fund?

Mr. Martin: Senator, I understand your question, but I have some difficulty with the premise. You described Mike Phelps, quite correctly, as a Canadian of outstanding character and integrity who has made a great contribution to this country. You then spoke about the perception that his appointment creates. It sounds to me as though the comment creates the result that you want to avoid.

The fact is that Mike Phelps is operating at arm's length from government. He is from your part of the country, which is very important to ensure that this board is not made up of people from only one region of the country. We deliberately chose someone from Western Canada. Mr. Phelps is simply the chair of a federal-provincial committee. The provincial governments, the majority of which, unfortunately, are not Liberal, named their representatives. Those representatives, in turn, a non-partisan group, will name 20 people. From those 20 people, the federal Minister of Finance, in consultation with the provinces, will choose 12.

Senator, it is very difficult for me to see how there can be any political patronage involved in this.

In addition, I certainly stand behind my words. I think that the appointments the government has made since we came into office have demonstrated the validity of those statements.

Senator St. Germain: Many of us on this side and across the country would take issue with how transparent all your political appointments have been, Mr. Minister. However, I do not want to get into that. I want to stick to Bill C-2.

My next question deals specifically with the involvement of the provinces. You pointed out that you picked a westerner. However, of 19 days of hearings, six days were spent in Ontario and only one was spent in British Columbia. Since your committee spent so much time in Ontario, I am sure you are familiar with the set-up of the Ontario Teachers Pension Fund, which is the largest investment pension fund in the country. From information I have received and researched, I understand that the government selects one-half of the advisory board of that fund and the teachers' federation selects the other half. They then choose a neutral chair.

With all due respect, Mr. Minister, I have no doubt that you are prepared to proceed as you have indicated. However the Governor-in-Council method of appointment in the bill is no different from any other Governor-in-Council appointment that exists today.

In the deliberations that will take place between the various officials, and in the inquiry which the Standing Senate Committee on Banking, Trade and Commerce will be undertaking, would you give support to a selection process for the investment board wherein the provinces would choose half, the federal government would choose half, and a neutral chair would be chosen to give the appointments the transparency and accountability which I think a fund such as this deserves?

• (1600)

Mr. Martin: Senator, if there were more hearings in Ontario than elsewhere, it is because the nation's capital is in Ontario. In fact, whether or not you go across the country, you end up holding more hearings here in Ottawa. Every province had hearings. There were hearings in British Columbia led by the Government of British Columbia with the participation of the federal government. It was the same in Alberta, Saskatchewan, and throughout the country.

As far as the way in which the board has been selected, this was the result of extensive consultation both outside and with the provinces. The provinces checked off on this, and this is the way they wanted to see it proceed. We are certainly open, but I would need to sit down with the provinces for precisely the reason you have given. In order to protect all of the stakeholders, I would want to sit down with the provinces and see if there was a better way. This is the method they agreed to, senator.

Senator St. Germain: If the Standing Senate Committee on Banking, Trade and Commerce makes the studies that have been

discussed here today, is it through regulation that you plan to implement any recommendations? Will these recommendations need to be ratified by the provinces, or will it just be an exercise in futility? If the Standing Senate Committee on Banking, Trade and Commerce takes the time to study the aspects of accountability not only from the selection of the board but as far as how the fund operates, what will happen? We are passing the legislation. You are saying that sections 1 to 57, 89, 90 and 91, I believe, will be hoisted. I would like you to explain to honourable senators and to Canadians how any changes recommended by the Standing Senate Committee on Banking, Trade and Commerce would be effected.

Mr. Martin: The regulations will need to be ratified by the provinces. Also, we should not forget there will be a triennial review. Every three years this legislation will be reviewed by the federal government and the provinces, and there will be enormous opportunities for input from the Senate.

Senator Haidasz: Welcome, Mr. Martin, and thank you for appearing here today. Your being here reminds me of my time in the other place when the Honourable Judy LaMarsh, then Minister of Health and Welfare, brought in the first Canada Pension Plan bill. I was her parliamentary secretary at that time. I recall her bill contained a clause establishing a Canada Pension Plan advisory committee which also advised the minister about the investment plan at that time.

Do you have an advisory committee now similar to the one that was envisaged in 1963?

Mr. Martin: No. In fact, this bill eliminates that advisory board because in fact the investments will be made by the board itself.

Senator Haidasz: Before the initial legislation came into effect, Mr. Pearson, the then prime minister, had to send Tom Kent to Quebec to negotiate a Quebec pension plan. Will this Investment Board oversee the investment of the Quebec Pension Plan?

Mr. Martin: No, senator.

Senator Haidasz: Then they are totally responsible for their own investments?

Mr. Martin: Yes, that is right.

Senator Haidasz: How much of the pension plan funds will the Investment Board that you will be overseeing be allowed to invest overseas, outside Canada? When will they be permitted to invest outside Canada, and what percentage?

Mr. Martin: They would be subject to the same rules as any other pension plan, senator, which is 20 per cent.

Senator Haidasz: What if requests are made for investment from this fund by Canadian firms? Do they have precedence over this 20 per cent allotted for overseas investments?

Mr. Martin: Initially they will only be investing in the market indexes. It will be passive. They will not be making the kind of aggressive investments that you are in the process of describing. That could come down the road once they have experience and looked at the regulations that govern. However, that would not be envisaged initially.

Senator Haidasz: I asked that question because there are many complaints, at least in my area of Toronto, by people who find it almost abhorrent that many of our so-called federal funds can be invested abroad, passing by Canadian requests for investment money.

Mr. Martin: I understand the problem, senator. Obviously this is one of the reasons that governments have brought in labour-sponsored venture capital funds and that we have put a fair amount of pressure on major financial institutions to provide such opportunities. Certainly initially, senator, we would not look to the Canada Pension Plan to do this. Initially, we will be looking to maximizing returns and doing so by investing, as I mentioned, in the broad indexes.

Senator Haidasz: Will the Quebec pension investment plan have a representative on this Canada Pension Plan Investment Board?

Mr. Martin: No. There may well be a member on the board from Quebec because there are a number of people in Quebec who receive the Canada Pension Plan. However, in terms of a representative from Quebec, no, because they operate through the caisse du dépôt.

Senator Haidasz: Thank you, Mr. Minister. I wish you every success with this bill.

[Translation]

Senator Bolduc: Mr. Minister, you are going to create a sizeable fund, everyone says so. You have spoken of \$75 billion. I have a note from David Slater, who was commissioned by the C.D. Howe Institute to carry out a study. According to him, it could eventually go up to \$145 billion. I am inclined to believe him, because I studied with him at the University of Chicago, and he was one of that university's leading "econometrists."

So this is a board that will have its hands on enormous sums of money. You say \$75 billion, he says \$150 billion; let us say it will fall somewhere between the two, or in other words twice what is spent in Canada on health in one year, or \$120 billion. That is the equivalent of all federal government programs put together.

Looking at the bill, I am forced to conclude that you are going to appoint 12 directors, and I am sure they will be carefully chosen. Yet this bill contains no standards to govern their conduct in terms of law. All we know is that, according to clause 5, they are going to invest all of the assets with a view to achieving a maximum rate of return, without undue risk of loss.

According to clause 35, the board of directors will act as a person of ordinary prudence.

I am forced to admit that this is a bit scary. You are going to give 12 unelected individuals powers that are greater than those of each federal minister, and are even the equivalent of the federal cabinet as a whole.

Would it not be proper for there to be more than just regulations governing their conduct? For example, clause 53 provides that:

The Governor in Council may make regulations

(b) respecting the investments the Board and its subsidiaries may make;

There is no reason for such wide powers. Mr. Minister, the first part of the bill, which relates to powers, needs to be reviewed and tightened up.

In Quebec City I have seen the situation with respect to the caisse de dépôt, the administration of which has been severely criticized. I would not want the same thing to happen to the Canada pension plan. We must take advantage of the experience with the caisse de dépôt so as not to repeat the same mistakes. It seems to me that you ought to make a special effort to make some additions to the bill. You say you may do so in the regulations. If what is to be put into the regulations is so clear, why do we not have those regulations in front of us?

Mr. Martin: That is what we expect to get from your comments. There may well be differences between my estimates and those of Mr. Slater — I do not have the document in front of me — but I think it is a matter of years. He is speaking of 10 to 15 years.

With all due respect, he is somewhat optimistic. However, on the point you raise, you are quite right: we will eventually end up with a fund of \$150 billion, even if it is in 15 years.

The points you raise are valid. All that will come under review in three years, long before the figures begin to increase. I share your concerns. I assure you that when we review the regulations in three years, we will bear your comments in mind: The provincial finance ministers share my viewpoint and yours.

Senator Bolduc: Mr. Minister, it seems to me we need more statutory guidelines. In other words, if certain provisions or regulations become fundamental, I think Parliament should enshrine them in its legislation. That is a major point. We are talking about a fund equivalent to the federal budget. There are no rules on the amounts that will be invested in stocks and bonds.

Suppose the board of directors decides that 40 per cent or 50 per cent should be invested in stocks — and these days, with the bond rates, a good investment manager will tell you to put at least 60 per cent in stocks. Can you imagine the effect on the Canadian market of \$60 billion going into stocks all of a sudden? It is incredible.

Mr. Martin: This is one reason we are initially going to invest in market indices so we can avoid what you are describing. You have raised another point — and this is a point the Senate will advise us on — and it concerns whether the directors should be told to go for an equity-to-debtenture ratio of 60:40, for example. The question we must ask is this: Are we not then tying the hands of the directors?

Senator Bolduc: One final question, Mr. Minister. Given the size of the fund, would it not be wise to consider subdividing it and having it managed by groups that are independent of each other? With this sort of monopoly, as is the case with electricity, and so on, it is hard to assess the performance of management. Since public money is involved, would it not be wise to consider three or four funds managed independently of each other? This way we could measure the performance of managers and sanction whomever warranted sanctioning.

Mr. Martin: We are going to be able to measure their performance, because everything will be transparent. We will be able to compare the Canada pension plan, Teachers, Omers and other funds, both nationally and internationally.

That said, the fund may well become too powerful, too big, and we will have to subdivide it. That decision will have to be made in due course. I understand your concern, and others share it. However, this will not happen in the next three to six years, because the fund will be too small.

[English]

The Chairman: Honourable senators, we are running into a problem. The minister has committed himself for approximately two hours. We are rapidly approaching that time.

I should inform the committee that I have on my list for the first round eight senators. As well, two senators indicated that they wanted to be put on the second round.

Can we find an accommodation here to satisfy both those who wish to put questions as well as the minister?

Senator Kinsella: I propose we shorten our time to five minutes each.

The Chairman: Is it agreed?

Hon. Senators: Agreed.

The Chairman: Is that agreeable to you, Mr. Martin?

Mr. Martin: I am at your disposal, Mr. Chairman.

The Chairman: It is also suggested that we dispense with the second round. Is it agreed?

Hon. Senators: Agreed.

Senator Stratton: Thank you, Mr. Minister, for being here today. I appreciate it very much.

I would like to focus again on the accountability portion of the bill, its transparency and public scrutiny. After all, it is the public's money. Numerous concerns regarding the accountability of the fund have been stated this afternoon.

I wish to refer directly to a letter from the Auditor General to the Chairman of the Standing Senate Committee on National Finance dated November 20. You probably know it by heart, sir. I quote from page 2 of that letter, the second paragraph:

I continue to believe that in fulfilling my mandate as Auditor of the Canada Pension Plan, it would be more efficient and cost-effective for me to be the auditor of the Board. Nevertheless, the standards that govern the auditing profession should provide me with the means to effectively receive from the Board's auditors the information that I consider necessary for the fulfilment of my audit mandate with respect to the entire CPP. It would have been preferable, nevertheless, to have seen this right of access specifically dealt with in the legislation, to ensure that there are no misunderstandings on the extent of this access.

I understand that you have allowed for access, sir. As everyone has said, we are concerned about what will happen down the road.

I would like to refer specifically to clauses 46 to 49 of the bill and ask this question: Is the government prepared to provide an undertaking that the results of any special examination or special audit be done by the Auditor General to ensure that there is clear accountability to the public?

Mr. Martin: Senator, it certainly could be done by the Auditor General. However, it is not mandatory that it be done by the Auditor General. What it comes down to — and I think you will agree with this — is where the requisite skill levels lie. The Auditor General does not have a lot of experience auditing large pension funds. If those skills exist within one of the other large accounting firms, and the Auditor General has total access to those, then I think that would be acceptable.

Senator, you quoted from the first letter, and then said that we had responded. If I could read this last paragraph, it may satisfy you. The Auditor General says that we will propose an amendment, and he has seen the amendment we proposed. He goes on to say: I regard the proposed amendment as a favourable development. My officials have been contacted by Finance, and they have agreed that since it was always intended that I have access —

“I” being the Auditor General —

— such an amendment would be desirable. In my opinion, if adopted, the amendment will ensure that we will be provided with the requisite information to enable us to conduct an audit and provide an opinion on the fairness of the presentation of the financial statements of the Canada Pension Plan.

I think we have probably answered the problems that the Auditor General had, senator, and I hope your own.

Senator Stratton: I appreciate how you have answered that question, sir. I understand that. It is really a question of perception. While it is to be hoped that you have handled it, the perception will be that the Auditor General should be directly involved, as he is now, albeit that he does not have very much experience, as you have stated, in auditing large pension funds.

However, to avoid the "Old Boy's Club" syndrome, as it were, it would be nice to have the independence of the Auditor General in play in the making of an assessment. By way of perception, it would be critical to have this.

Mr. Martin: That would have to be decided, obviously, in each individual case because here you are talking about special audits. However, given the accountability of Parliament, if the Auditor General felt that because someone else was doing the audit, and he only had access, he was not able to report properly, or was not able to correct the perception that you are worried about being created, I could not see a government going against the Auditor General.

• (1610)

Senator Stratton: Why not insist on it, in this particular instance, to avoid a situation in the future where a government would give the Auditor General the right to go in there at any time that he chose?

Mr. Martin: We must understand that this is a federal-provincial plan. It is for the federal-provincial plan to give that access. Otherwise, any one of the provinces could question why we have chosen our Auditor General rather than selecting a provincial Auditor General.

We are saying that we will give him the opportunity to choose or to decide. That is the only reason for leaving it that way. We will not leave the Auditor General standing outside the door, looking in and saying, "I cannot get access."

Senator Pitfield: That is the strangulation that we are worried about.

Mr. Martin: I understand. It is a fine line that we are trying to walk. We will be looking to you for advice on how to do that.

Senator Pitfield: As I understand it, the approach that you have taken is that we will deal immediately with the issues of policy as they relate to the benefits of the plan. The administration is important. You have said repeatedly that you will look upon them generously, but they are to be completed in the next few weeks, keeping in mind the events scheduled for April.

Our committee can work on this. We may then recommend certain changes that will receive your serious consideration. One of the remarkable things about this chamber — and this is something that has become very apparent this week during the

section 93 debate — is how much experience and background knowledge exists among the members of this house, in particular, our colleagues from Quebec. It is desirable and it would be useful if the government were to draw on this expertise.

Clearly, today we have not been able to deal with the issues that concern us on the administrative side. We hope to be able to do so before this legislation is passed.

Mr. Martin: I agree that exceptional skill and talent exists within this room and that the government would benefit from drawing upon those. I know many senators on both sides of this chamber. There is no doubt about the skill and experience they can bring to this particular issue. Any government would be foolish not to avail themselves of that.

Senator Cochrane: Bill C-2 will reduce the death benefit payable to CPP recipient's estates from the current maximum of \$3,580 to a new maximum of \$2,500. That is a \$1,080 less per recipient. There are approximately 30 million Canadians in Canada today. Do you agree that this one provision of Bill C-2 will cost Canadians a total of \$30 billion, spread over the next century?

Mr. Martin: I have not made that calculation. The officers who are with me today are in the process of making that calculation.

Let me deal with the underlying point. Of the changes that were made here, 75 per cent were made to the premium side; 25 per cent were made to the benefit side. I wish we did not have to do anything on the benefit side. To be quite honest, I wish we did not have to do anything on the premium side, either. However, we do have a problem, namely, the \$600 billion liability. That being so, we had to make a number of difficult trade-offs, and the death benefit is one of them.

Any one of those trade-offs is hard to justify on its own. However, when you consider the alternative, which was to allow the Canada Pension Plan to die, I think you will agree that the provincial governments and ourselves have made the right decision.

Senator Cochrane: Minister, do you have an estimate of the total annual reduction in benefits that this provision will create?

Mr. Martin: You asked how much the reduction on the death benefit costs annually. In order to answer that question, I would have to know the number of people who are members of the plan who are dying.

The maximum death benefit is \$2,500. Recipients have an opportunity to take the equivalent of six months retirement benefits in lieu of that amount.

Senator Cochrane: The death benefit in the CPP is intended to pay for funeral arrangements and other costs associated with the CPP recipient's estate. For many low-income families, this is the only source of money that they have to pay these

expenses. Do you have any estimate of the number of low-income families who will be forced by Bill C-2 to borrow money or to seek charity to pay for funeral expenses in the future?

Mr. Martin: I do not. That would require quite a detailed investigation into virtually every family in the income class that you have described, and what provision they have already made.

I do understand that, as with any change, some people will be affected by it. Again, however, the only alternative was to allow the plan to die. Under those circumstances, those people who you are seeking to protect would have been hurt a great deal more.

Senator Spivak: We might be trying your patience, but I want to question you further concerning what my colleagues, Senator Pépin and Senator Oliver, asked you about, that is, the impact on Canadian women of the changes contemplated in this bill, in particular, the impact on elderly women.

As you know, the poverty rate among elderly women in this country who live alone exceeds 50 per cent — a half million women aged 65 and over live in poverty. Critics claim that the reforms that you are proposing will reduce the financial security of these women, and will do nothing to close the large gap between the resources available to them and what they need to live out their retirement in dignity.

Under this bill, women will lose benefits. For example, the death benefit, as Senator Cochrane mentioned, has been reduced. Women will lose through the recalculation of the Survivors Benefit combined with retirement benefits. When the new Seniors Benefit is put into effect, women will lose money as a result of the new calculation that is based on family income, not on women's income alone. As a result, women will receive lower pensions on retirement.

What broad policies will the government introduce to ensure that Bill C-2 does not mean that more elderly women will become impoverished?

Mr. Martin: First, a gender analysis has been prepared and we will make it available to you.

Second — and this is the important point — you are correct in saying that women depend more on public pensions than men.

• (1620)

As a result of that, obviously if there are changes, then those changes will affect women more than men. More important, if the governments had not acted, this plan would not survive. The chief actuary said we would run out of money by the year 2016. If the plan were allowed to die, if it were not there, then women would have suffered grievously. I wish we could compare it against an ideal but we have to compare what we did against reality. What reality said is if the plan went down, women would suffer far more. In fact, as a result of the actions that have been taken, women will benefit.

Senator, when the Seniors Benefit comes before you, you will see that, in fact, what it really does is ensure benefits for that segment of the population that was simply unable to save sufficiently for their retirement because of low income. Again, senator, the majority of those people are women. I think you will see that the combination of the Seniors Benefits and what has been done on the CPP is very beneficial for women. In fact, it is directed to ensuring that those who most live in poverty are able to rise above it.

Senator Spivak: Unfortunately, we do not have time in this forum to go into the alternative suggestions made by the Caledon Institute and others to mitigate these reforms. The other question I want to ask you is in connection with the monthly benefit. Among women who retired in March of last year, the average monthly CPP cheque was \$293, which is barely enough to pay the heating bill and to buy groceries. Could you tell us how this average monthly benefit will be affected by the changes in the CPP? Again, do you think it is good policy given the many women who, through such factors as life expectancy, work patterns — because women are society's caregivers — lower contributions to CPP, and little retirement income from other sources, are living on too little? How will this benefit be effective?

Mr. Martin: Senator, initially, there will be a slight decline, but as time goes on, women, in fact, will be better off. In other words, there will be a slight decline and then the recipients will receive more money.

Obviously, as there are more women in the workforce, quite apart from the provisions of the plan, their pensions will go up because there will be more women working.

Certainly, when the Seniors Benefit is brought in, women will benefit. I can tell you, senator, that the Seniors Benefit was heavily influenced by the reports of the Caledon Institute.

Senator Kinsella: Mr. Chairman, thank you, I think I am the sixteenth questioner, and we are doing very well.

The Chairman: Eighteenth.

Senator Kinsella: I stand corrected.

It is my understanding now, based on your testimony — and I wish to have it confirmed — that between now and April 1 clauses 1 to 57 will not be coming into force. The Standing Senate Committee on Banking, Trade and Commerce will give focus to the issue of governance. Many issues have come up here around the issue of governance, and our committee will be making recommendations to you.

Also, I would like your assurance that the committee will have an input into the regulations as well. Is that your understanding?

Mr. Martin: Yes.

Senator Kinsella: Do I understand that you would support a study by a Senate committee that would hold hearings in the new year around the general issue of our public retirement system with special focus on the OAS and GIS? Inevitably, in public hearings, the issue of the EI premium and the CPP will be raised, so you will not be surprised if that committee says that this topic came up. We have your testimony on your interest in getting rid of that as well, which as you know is shared by many of us.

Also, I should think some of the other issues raised by honourable senators in our Committee of the Whole this afternoon might come up, so I trust that you would be open to hearing the recommendations of that committee and not be surprised if these issues come up.

Mr. Martin: Senator, I think that the advice from the Senate on the overall retirement system would be valuable. We would certainly look forward to seeing it. I remember Senator Lynch-Staunton making the remark that this would be approached in a non-partisan way. I think that is what will build confidence among Canadians. We share that view and that desire.

Yes, I suspect that I might hear from you on EI premiums and on taxes. The only thing I would say there is that it is important to understand the tremendous change that has taken place in this country over the last four years. Four years ago, we could not talk about dropping premiums or reducing taxes. There is no one more than this Minister of Finance or this particular government that wants to reduce those premiums and those taxes. We will do so as quickly as possible. I fully understand that you will be commenting on those areas.

Senator Forrestall: Mr. Chairman, it is interesting you are trusting this money to a handful of people. When I came to Ottawa a few years ago, your total budget over in the other place was between \$6 billion and \$7 billion. Look at the mess you made of that in 30 years. I hope you do not make the same kind of mess out of this.

May I ask a specific question? Has the government prepared or had prepared for it any economic studies regarding the impact of the CPP changes on employment? If not, why were they not done as a prelude to this legislation? If they were done, can we see them?

I noted that Jim Jones, our finance critic in the other place, had asked a number of questions and one or two were not answered, specifically questions of the chief actuary about year-to-year projections. If some of these studies have been done, could they be made available to us? The point of my question is that if they have not been done, it will leave some of us, as Senator Pitfield has suggested, just a bit upset and worried about how you are proceeding. I have a bit of an impression that you may be flying just a wee bit blind on this.

Talking about flying, could I mention helicopters?

Mr. Martin: Senator, we do have certain impact studies relating to your question and we would be delighted to make them available to you, and we will. You made reference to the 30 years in the House. Senator, you and I are old friends. For most of those 30 years, I was in business, and for most of those 30 years, you were in the other place.

Senator LeBreton: Mr. Chairman, I have a very brief follow-up to questions raised by Senators Oliver, Pépin, Spivak and now Senator Forrestall on the impact studies. Last month, Jim Jones, the Progressive Conservative finance critic in the other place, sought answers to five questions, two of which have not been answered. One of the questions not answered was on the impact of the premium increases on low-wage earners. I was wondering, Mr. Minister, if your department has completed that study and when we might expect to have it.

You also committed today to table the impact study on women.

I should like to know specifically when we might expect to have the study that was promised to Mr. Jones in the other place and the impact study on women.

Mr. Martin: Senator, I will have to find out where the study on the low-wage earners is. We tabled an impact study on jobs with the other committee, and we would be delighted to table it here. As well, we did table the one on gender analysis, and we will get it to you forthwith.

• (1630)

Senator Kelleher: Mr. Chairman, I think I can help you out. As our colleague the Honourable Jean Charest has learned in the other place, one of the problems of being way down on the list of questioners is that your question has likely been asked and the answer given before it is your turn. I will defer and assist you in that regard.

I do welcome the acknowledgement by the honourable minister that, indeed, we are heavily taxed at this time and that he will move as quickly as he can to reduce the tax load of Canadians.

Mr. Martin: Thank you, senator.

Senator Bryden: Mr. Minister, as I listen to the discussion about the pension board managing the fund, I get the impression that we almost foresee 12 people sitting around a table picking stocks. From my involvement with pension funds, which are not nearly as large as this one but are very significant funds, the people on the boards of those funds set policy. In fact, within parameters, they determine the splits between bonds and equities and cash and foreign. They also have access to a great deal of expertise. For example, you can have somebody advise you on who will be managing your funds. You have a great number of advisors. A fund of this size would not be managed by one group but by a large number. Is that process open and is that what is foreseen for the role of this board?

Mr. Martin: Yes, I am glad you brought up that question. That is the way it would operate.

[Translation]

Senator Simard: Mr. Minister, I will begin by saying right off that Bill C-2 contains numerous flaws. Some of those have been pointed out by my colleagues this afternoon. First, a number of aspects of this bill are unfair; second, it imposes an extraordinary increase in taxes; third, passage of this bill will make thousands of Canadians lose their jobs; fourth, the bill does not guarantee the desired transparency of the new and extremely powerful Canada Pension Plan Investment Board.

We are far removed from the statement made this past Valentine's Day, February 14, by a Liberal minister in my province. This example of perfection was cited by Mr. Blanchard, the MLA for Campbellton, in the presence of his friend and leader, Mr. McKenna, and I quote:

New Brunswick has worked hard to find a viable solution for all Canadians who count on the CPP.

The reforms strike a balance between increasing contribution rates and changing benefits, and give fair treatment to employers and employees, to today's and tomorrow's pensioners, to the disabled, to seasonal workers, as well as to men and women.

What Liberal propaganda! What smoke and mirrors! What a smoke screen! What perfection!

Why has the federal government waited until after the June 2 federal election, until the beginning of October, to table this ill-begotten and poorly planned bill, which will penalize the most disadvantaged, the working poor, employers, and youth in particular? If this bill is passed in its present form, without amendment, my conclusion will not be the same as Mr. Blanchard's, the New Brunswick minister. I gave up making political predictions 20 years ago. But I am going to take a chance now.

The only clause I accept immediately in this bill is the provision for a review every three years. Why penalize every category of employee and Canadian citizen, low-income workers, the most disadvantaged, and do them irreparable harm?

Why does the government not do its homework for once and delay passage of this bill until next June?

Mr. Martin: You will understand my saying I do not agree with the preamble to your question. You will understand my saying I agree entirely with what Edmond Blanchard said in his statement.

You say, Senator Simard, that the agreement was made public only in October. It was ratified in February. It was signed and promulgated before the election. The people of Canada had the opportunity to judge its content during the election campaign, because everything was public knowledge.

You also talk of a Liberal agreement. I would point out that three Conservative governments — those of Ontario, Alberta and Manitoba — not only signed the agreement, but played a very important role in the negotiations.

You say we should delay passage of the bill. I would point out, if I may, that this approach, which discourages governments from facing challenges and finding solutions, is what put the Canada Pension Plan in the situation it is in.

All I can say is that the federal and provincial governments, both Liberal and Conservative, decided that it was time to stop delaying, that the time had come to find solutions to our problems.

[English]

The Chairman: I will now ask Senator Graham to thank the minister.

Senator Graham: Honourable senators, I would like to thank the honourable minister for coming here this afternoon and for giving so generously of his time.

Having said that, minister, while your father was very comfortable in that chair, I would not want you to get too comfortable, at least for the moment.

We are all aware of the open manner in which you have approached this very important legislation. I am conscious of the dialogue that we have had on this subject as well as the discussions that you have had with members on both sides and with the undertakings that you have given honourable senators. I cannot help but take advantage of this occasion to emphasize the importance of this kind of exchange. I am sure you will pass on to our colleagues the value of such dialogue.

• (1640)

While we recognize the respective roles of both Houses of Parliament, I believe the process we have seen here today will contribute greatly to achieving a better understanding of issues which are of critical importance to individual Canadians. Our joint responsibilities, indeed our common goal, must be to find the kinds of accommodation which are in the best interests of the people we represent.

Again, our warmest thanks for your time, for your patience, and the very important contribution that you have made to our deliberations.

Mr. Martin: Senator, in reply, I thank all senators again for giving me this opportunity. There is no doubt about the capacity of the Senate to make a great contribution in this, as, obviously, in most other areas. The discussions we have had today bear testimony to that fact.

I am grateful for your advice and questions. I must say to both Senator Graham and Senator Lynch-Staunton that I am grateful for the attitude and the tone in which this discussion took place. I think it was constructive, and I thank you.

Senator Carstairs: I would ask that Mr. Walter Robinson, the federal director of the Canadian Taxpayers Federation, be invited to participate in the deliberations of the Committee of the Whole.

The Chairman: Honourable senators have heard the proposal. Is it agreed?

Hon. Senators: Agreed.

Pursuant to Order of the Senate, Mr. Walter Robinson was escorted to a seat in the Senate chamber.

The Chairman: Honourable senators, on your behalf, I welcome Mr. Walter Robinson to the Committee of the Whole. Mr. Robinson, I invite you to proceed by, first, delivering a statement, and then we will have questions from the honourable senators.

[Translation]

Mr. Walter Robinson, Federal Director, Canadian Taxpayers Federation: I am very happy to be here this afternoon to present the Canadian Taxpayers Federation's position on Bill C-2. I will make my statement in English, but I will try to answer your questions in the language of your choice.

[English]

To begin, the Canadian Taxpayers Federation is a non-partisan, non-governmental, not-for-profit advocacy and educational and research organization. We act as a watch dog on government spending; we advocate fiscal and democratic reforms; and we mobilize taxpayers to exercise their rights and responsibilities.

Before I begin my remarks, I would commend Minister Martin for appearing before you today. It is an important and precedent-setting appearance. I reiterate my respect for the stewardship that Mr. Martin has shown in the public finances of this country.

Bill C-2, the CPP bill, represents the most fundamental change in Canadian social policy in my tender lifetime. Sadly, it is our position that Bill C-2 is fundamentally flawed. Instead of showing courage and embarking upon the creative route to public pension reform, as evidenced in many countries from Chile to Australia to the United Kingdom to Peru and now sweeping across eastern Europe, our government has reverted to the familiar method of once again hiking taxes, CPP taxes, to be exact — a job-killing payroll tax in a vain effort to prop up the Canada Pension Plan. I do agree with the minister that to do nothing would have been the easiest route. However, I believe the government has chosen the next most easy route, that is, hiking CPP taxes.

Let me be clear if you have not understood from the tone of my words already: I appear before you this afternoon with a single intent. I implore you to defeat this piece of legislation. The reasons for this are simple and clear. Bill C-2 represents a broken covenant between the Canadian government and its taxpayers.

Just under two years ago, the joint federal-provincial-territorial consultations to reform the CPP began. If I can quibble with Mr. Martin's interpretation, while these consultations were extensive, I do not believe they encompassed a national debate. To put it into perspective, the joint provincial-territorial consultations heard from a maximum of 350 witnesses, groups, or written submissions, and the CPP secretariat's 1-800 line received about 6,000 phone calls from Canadians. That is a good start, but contrast this with the Ontario Fair Tax Commission which received over 20,000 submissions and comments. I think we have a long way to go to engage Canadians in a national debate on Bill C-2.

At the time, the government and the provinces, and I will table all these documents, produced an information paper for consultations on the Canada Pension Plan. They held out three benchmarks by which any changes to the Canada Pension Plan could be judged at the time. The changes that were advocated, we were told, would be sustainable, affordable, and fair. These principles were interpreted as inviolable by many Canadians — a covenant, if you will.

However, these principles have been violated, in our opinion. Despite the so-called move to fuller funding, the CPP is still essentially a pay-as-you-go scheme. The plan is only sustainable as long as you have a larger pool of workers funding the retirement benefits of a smaller cohort of retirees. Demographic shifts, declining fertility rates, and increased life expectancy have rendered this method of financing utterly obsolete. Allow me to go further: The original projections of the architects of the CPP due to these reasons have been decimated.

As for affordability, a 73-per-cent hike in premiums over six years represents, by our calculations, a net increase of an extra \$48 billion taken out of the pockets of working Canadians. This amounts to \$3,100 per each working Canadian, approximately 15.1 million. This payroll tax will kill jobs. The effects of this payroll tax will be doubly devastating for self-employed Canadians who must pay the employer and the employee contributions components of the CPP. Almost one in five Canadians, or 17 per cent of the workforce, are now self-employed.

During the minister's remarks earlier he said that this was not a tax. I notice, from reading the debates, that some honourable senators have disagreed with this assumption. In the 1994 economic statement of the Minister of Finance, he referred to the CPP as a payroll tax. In 1995, in *The Globe and Mail*, Minister Martin said that payroll taxes are a cancer on jobs. Chief economists across this country — David Slater from the C.D. Howe Institute, J.C. Herbert Emery from the University of Calgary — have all referred to the CPP as a payroll tax.

We also believe it is patently unfair to ask one generation of Canadians to finance the pensions of another to the complete detriment of their own future retirement security. According to the chief actuary of the CPP, the year in which you were born

determines the return you can expect to receive on your CPP contributions. Those Canadians born in 1911 receive about a 22.5-per-cent return on contributions; 1929, 10.1 per cent; 1968, two years after I was born, 2.5 per cent. With the implementation of the proposed reforms in Bill C-2, the generation of Canadians born in 1988 can expect to receive a 1.8-per-cent return on CPP contributions over their lifetime.

• (1650)

In effect, this last generation of Canadians will pay out more than they will ever receive in benefits. We have already shifted the burden of our \$600 billion national debt to this last generation of Canadians. To ask them to pay more to receive less on top of this burden is, frankly, immoral.

Canadian confidence in the CPP is at an all-time low. You have already heard from Senator Meighen who quoted the CIBC study, while in September, *Maclean's* magazine reported that 66 per cent of Canadians believe the CPP will not be there for them when they retire. In addition, last month, Royal Trust reported in its annual survey of investors that 46 per cent of Canadians disapprove of the government CPP reforms.

However, we need look no further than data from Statistics Canada. They recently reported that Canadians invested a whopping \$26 billion into RRSPs in 1996 alone. Canadians have voted with their dollars already. This represents a 6-per-cent increase in participants from 1995 and a 13-per-cent jump in contribution's over the same period. StatsCan reports that part of this growth may be attributed to the uncertainty about the future of retirement programs.

We believe the CPP must be replaced with a mandatory retirement savings plan, as we first advocated in 1996 and have now updated to reflect the state of the CPP's finances as published in the sixteenth report of the chief actuary of the CPP.

Contrary to the assertions of the Minister of Finance, our plan does deal with unfunded liabilities of the CPP, replaces the pay-as-you-go scheme with a system where each individual reaps what he or she sows, and stimulates economic growth through greater investment in the market.

I have tabled copies of this document with the clerk of the committee, and I encourage you to look at it before you vote tomorrow.

Honourable senators, the well-publicized truancy of one of your colleagues has brought your institution, a glorious institution, into disrepute in the minds of many Canadians. Today, you have the opportunity to demonstrably limit perceptions of this unfortunate issue by exhibiting a relevance to Canadians. If there was ever a piece of legislation that deserves sober second thought, Bill C-2 is it. I would encourage you to devote your talents and expertise to this task.

When the CPP was first introduced in 1966, we were told that premiums would never rise above 5.25 per cent. Indeed, CPP premiums were projected to reach 5.1 per cent only in the year

2025. Well, the future has come a lot sooner than was previously anticipated. Moreover, since 1987, CPP premiums have risen every single year, with no exception. Now, are we to accept on blind faith that when we reach 9.9 per cent in 2003, that all will be solved? History, 31 years of history, validates our scepticism.

In addition, when pressed on this issue in the "other place" — as you refer to the House of Commons, honourable senators — the Finance Minister refused to rule out future premium increases. This is indeed ironic because literature issued by Minister Pettigrew and his Department of Human Resources Development basically guarantees that premiums will not rise above 9.9 per cent, and this is information they have given to future retirees. I will also table this with the Committee of the Whole.

Our question is simple. Who is telling the truth here? Millions of future retirees are now looking to you to show leadership and kill this bill. You have the opportunity and, I believe, a duty to send a message to Ministers Martin and Pettigrew that simply hiking taxes is not the way to address a fundamental social policy challenge.

Honourable senators, Bill C-2 must be defeated. The challenge is yours to take up for the sake of retirement security for all Canadians. I urge you to look beyond your partisan convictions and to look to the futures of your children, your grandchildren and, in some cases, great grandchildren and do what is right for them. Canadian taxpayers are counting on you to give this piece of legislation real sober second thought.

The Chairman: Honourable senators, the witness has offered to table certain documents. Is it agreed?

Hon. Senators: Agreed.

Senator St. Germain: Mr. Robinson, I agree with you that this bill is a tax grab. It will kill jobs and stifle the economy. It will be a burden on the poor regions of this country. We have been stuck at a level of 9-per-cent unemployment, and I think this bill will exacerbate the situation.

When I speak to Canadians about this issue, they are shocked that they will have to pay this much. How is it that your organization and others have failed in bringing your message to the government about this piece of legislation?

Mr. Robinson: There are a multitude of reasons. With respect to the government, through no fault of its own, there was an election last June and a lot of legislation died on the Order Paper in both Houses. This bill was brought back to the other place in September. The government, for whatever reasons — and I do not wish to speculate on them — has tried to limit debate on this issue in both Houses. That is a fact. Ignoring it does not make it disappear.

The other problem with pension reform and the Canada Pension Plan as it is presently structured is that we have not been able to effectively communicate our ideas and options to the Canadian public. I take some blame for that.

The problem with the pension issue is that for any issue to have legs — and as many of you know through your long and distinguished political careers — it must be emotional. This is an emotional issue, but it must be simple to understand. This is the age of the eight-second sound bite, and it is pretty hard to explain a mandatory retirement savings plan to people when the Finance Minister is on the evening news saying that the Reform Party, the taxpayers or whoever, do not have a plan for the unfunded liability. Well, we do. It is just a question of informing Canadians of our plans and asking them to decide.

The other issue is that this bill has not been articulated. Canadians have quite frankly slept through this debate. I do not know how to explain that, senator.

Senator St. Germain: Given that the majority in this place is on the government side, this bill will become reality, in all likelihood, if it goes to a vote, in spite of your pleas and the information you have brought forward today.

Yesterday and today during questioning, Senator Michael Pitfield, who has a vast background in government administration, has put into question the accountability of the administration of the fund — the auditing of the fund and how the fund will be directed. My concern is accountability as it relates to appointing the board. This is written into the legislation like any other piece of legislation, as strictly a Governor-in-Council appointment. They make them day after day. It is purely a patronage appointment. The Liberal government, in spite of the fact they may say they have done things differently, has done things exactly the same as they have always done them.

The minister indicated that he is prepared to take recommendations seriously from the Standing Senate Committee on Banking, Trade and Commerce. Do you see your organization and the various organizations that have a direct interest in the well-being of pensions for Canadians coming to this forum and making their presentations? Let us make Canadians aware of what is transpiring on this very important issue. Do you see any way that we could bring this issue to the fore and make Canadians aware of the impact this will have on their lives?

• (1700)

Mr. Robinson: I cannot speak for the other organizations. We will definitely avail ourselves of the opportunity to appear before the Standing Senate Committee on Banking, Trade and Commerce.

I will continue this fight on principle against this legislation until the last provincial Order in Council is signed. I agree with you that the premiers have been let off scott free on this one, while the political heat has been turned on in this place and in the other place. Should the legislation pass — and I am a realist as much as an idealist — we will definitely avail ourselves of that opportunity.

With respect to the Auditor General's role, the ironic thing here is that the minister, as he indicated in his remarks this

afternoon, is, ultimately, accountable. As a minister of Parliament, we believe the Auditor General should have access to those books as we move down this road to pension reform, although we believe it is the wrong way to go.

A “pay-as-you-go” philosophy swept the world in the fifties and sixties. Canada, being very cautious, stayed behind and did not introduce the plan until 1966. The privatization or the marketing of public pension plans around the world has gone the other way. Again, Canada has lagged behind. I received some documents from a conference of economists held in London last week. International experience was shared on the privatization and the merits of public pension plans.

The accountability issue is important. I think the Auditor General should have access to those books, as well as a qualified firm that would audit the books of the pension plan, whether that be OMERS, or OTF, or whatever. Such scrutiny and visibility reinforces confidence among Canadians. We will be arguing that point.

Senator Hays: You will know by the side of the aisle from whence I speak that I will have a bigger problem accepting your position than some on the other side might have.

Some of the things with which I am troubled are the basis of your assumption that your generation would see a 1.8-per-cent return on their contributions. Is that under the proposed plan — that is, with the proposed changes — with this fund that is to be invested, or is that as though the plan continued on in its present state?

I will ask all my questions now, although I may have a follow-up question later.

The other thing that troubles me is the way in which you see the \$600-billion obligation that exists on the books now being discharged or dealt with. Your comment was that you would see a system replace the existing system, whereby each individual would reap what that individual sowed. Some elaboration on that theme would be helpful to me.

In that context, what other choices do we have under your scenario? You said that there are at least two: One was to do nothing, and one was to do what has been done. However, you do not like either of those choices.

Mr. Robinson: With respect to the 1.8-per-cent return, the sixteenth report of the chief actuary of the CPP released a report in September of 1997. It states that every time changes are made to the CPP above and beyond the statutory reporting requirements, the chief actuary must submit his report. He did so in this case.

At this time, I should like to make a correction on the record. I said that if you were born in 1988, the return would be 1.8 per cent. I stand corrected. It is 1.9 per cent. Under the proposed legislation, those Canadians who are born in the year 2012 will receive a 1.89-per-cent return on their investments in terms of “lifetime contribution.”

The short answer is, yes, it takes into account the changes that are proposed under Bill C-2.

With respect to the second question, in terms of discharging our \$587 billion or \$600 billion liability with respect to the unfunded liability of the Canada Pension Plan, there is no doubt that a contract has been made with the Canadians who paid into the Canada Pension Plan. None of us — least of all not the Taxpayers' Federation — would assume that we should dishonour that contract.

What is also important to mention is that this \$600-billion liability does not need to be paid out all at once. Let us assume that someone is working upon graduation from high school — that is, between the ages of 18 and 65 — and is paying into the pension fund. In that case, there is a 47-year period in which to pay off this \$600-billion liability. This is where the actuarial science and evaluations come into play.

We have proposed, as in the Chilean experience, that that pay-off would be done through various means. One would be through the proceeds from the privatization of government corporations. Possible targets that come to mind are the National Research Council; an acceleration of the Department of National Defence's Alternate Service Delivery, Base Management and Engineering Services Program; and the selling of Crown assets, which total around \$52.7 billion, according to the 1996 Public Accounts of Canada. We made our submission with respect to the pre-budget consultations to the committee in the other place. Those are just a couple of examples. Some would involve general surpluses that we would have, due to Mr. Martin's fiscal management. We could finance that obligation.

To return to your third question, what troubles us the most is the joint provincial-territorial consultations. We participated in them, and gave them our points of view at that time. I respect the opportunity to appear here to articulate our point of view again.

In Britain, individuals were permitted to opt out of their public pension scheme providing they paid a penalty or a surtax. In Australia, the same thing occurred. Over a decade, there was about a 90-per-cent take-up in Australia, so they moved to a legislated superannuation fund. The Chilean experience is held out by both opponents and proponents as the model system on what not to do. The biggest opponents of that movement was the large, strong, trade union sector in Chile at the time. Approximately 15 years hence, the biggest allies of the original architect of the reforms are the trade unions, who realize now that that was a better system for them.

With respect to the market returns, one of the fundamental ironies of what the Prime Minister said at his Confederation dinner at the end of November in Toronto and what the minister said here today is, "Imagine what would have happened if Canadians had invested in the market, given the market volatility we have seen?" My question is: Where does this super investment fund plan to invest its money? It is in that same market. The irony is — to ask a naive question and to challenge you in that sense — why is it all right for the government to

invest my money privately for my retirement, but not all right for me to do so?

I trust I have answered some of your questions in that respect.

Senator Hays: A component of the new CPP as proposed by Bill C-2 would include a market component. We are all reasonably familiar with market performance over a long period of time. You can do better or worse than the average, but the larger funds have tended to do better. I gather that that has been factored into the reference to actuarial studies which show 1.9 per cent for those born in 1988.

I do not want to take the time now, but I will be interested in looking at the details of that. It seems rather pessimistic, but perhaps it is true.

My understanding of what you propose is that, at some point in the near future, we cease taking contributions for CPP and we book the unfunded liability as a debt of the government. We negotiate out of it either by discounting its value to people who are entitled to payment, or by waiting until they become entitled and then paying them off. We then simply liquidate the assets, or find the money through the tax structure in another way to pay them out. Is that correct?

Mr. Robinson: I would not characterize it as discounting the book value. As I mentioned, Canadians have made a contract with governments in terms of paying those CPP premiums over their lifetime, whether they started working yesterday or 40 years ago. We would have to calculate the value of those contributions and look at the defined benefit schedules that they were supposed to receive in retirement and issue recognition bonds, as has been done in other jurisdictions. Basically, it would be a certificate much like a Canada Savings Bond, which is an authorized note that is redeemable when due. That recognition bond would have a component that would be paid out as a monthly defined benefit. I am no actuarial expert by any stretch of the imagination, senator.

• (1710)

With respect, has that answered your question, senator?

Senator Hays: It has.

You might want to comment on this, sir. I am left a little uncertain as to where we would leave people who have been contributing to the plan. Perhaps it is my advanced years and looking at my rate of return on contributions, or perhaps it is a concern about pitting generations against one another, but I question this pessimistic number you are using for returns to future contributors.

In any event, I thank you for your provocative presentation and comments. They certainly have given me some reason to think, and I will, although I must say I prefer the certainty of what is proposed to any uncertainty that there may be if these measures are not taken. However, that may change as I read your material.

Mr. Robinson: In conclusion, I would like to reiterate that the 1.8 per cent return is not my number. That is the Chief Actuary's number which is found in his sixteenth report. It is based upon the proposed changes contained in Bill C-2.

With regard to the rates of return, I think Senator Oliver may have touched upon this in his questions to the minister. The Chief Actuary also notes that over the last 25 years the CPP has had a real rate of return of about 2.5 per cent. The real rate of return, and I may wish to quibble with Senator Oliver on this one, on a representative group of private pension funds during that same period, which included two massive recessions and an oil shock, was 5 per cent. That is equivalent to an 11-per-cent rate of return, with the figure of 6 per cent used to adjust for inflation, or a 5 per cent real rate of return. Simple math would say that, if CPP funds had been invested into those sorts of instruments from the get go, and if the provinces had not been allowed to pull that money out at below market rates, then Canadians would have had twice the return. Those funds have been rolled over for another 20 years before they have to live up to those obligations.

A fundamental question we ask of our government is this: Why did we not get the best return? Our plan also deals with the other components, which include disability, disability income and death benefits. I know full well the value of a death benefit. I watched my mother collect it less than a year ago. I know those sorts of things are extremely important to Canadians. I hope we are not painted as heartless.

When we talk about pension reform, we pit generation against generation. That is inevitable. That is a function of many public policy debates. I think the real issue here is about arithmetic. From our point of view, respectfully, the government's numbers do not add up. We think we have a better alternative to offer.

Minister Martin also took great pains to talk about how his reforms were better than the proposals put forward by ourselves and others. To that, I would say: Astute political management would dictate that, if you have done the studies to show that yours is the most cost effective measure, then table those studies and make them public. Deflect the criticism and restore the confidence that we all wish to have restored in our public pension system. To date, the minister has not done that. If I can reiterate, the covenant still remains broken. We believe these changes are unsustainable, unaffordable and patently and immorally unfair.

Senator Taylor: I would like to thank the witness for pointing out something which I so rarely see, namely, the fact that the provinces did very well indeed in the last number of years. It was not really a case of the seniors using up the money faster than it could be replenished; it was more a case of the provincial governments getting their hands into the till.

You mentioned a 1.8-per-cent return. As someone who has spent most of my life operating in and out of foreign countries, a 1.8-per-cent return, or 2 per cent on a Swiss franc 25 years ago would far exceed 20 per cent on the value in lira, as far as a pension is concerned. It varies with the currency you are dealing in.

Whether the actuarial person thought we would be the new Swiss Bank or the next generation, I do not know. I just wanted to point out that 1.8 per cent is not bad, if it is in the right currency.

When the actuary came up with the 1.8-per-cent return, I had the strong impression that that was what the return would be. Since that announcement was made, you must remember that all hell has broken loose on Asian currencies. We are now talking about ratcheting up our own interest rates. I would think the actuarial forecast is haywire. Do you agree?

Mr. Robinson: Mr. Chairman, I do agree with Senator Taylor when he says that the provinces have had a great deal in that sense. I think their lack of visibility on this issue and allowing you in this place and your colleagues in the other place to take the heat, whatever it may be, is unfortunate. Since it is a shared agreement, they should share in the political heat and stand up if they really do believe in this agreement.

With respect to actuarial evaluations, I agree that we have seen a collapse of perhaps the eleventh largest economy on the face of the planet. I refer to the devaluation of the Korean currency which has had serious effects. I like to joke with my friends that I am suffering from the Asian flu physically at the moment, but other people are suffering from it as a result of currency speculation.

The point is that the Chief Actuary's estimates, and this is included in the sixteenth report, are based on wage growth projections and a whole number of other circumstances. It is an inexact science. You can look at population cohorts, demographic shifts and a lot of other factors.

I stand to be corrected, but I believe that the Chief Actuary's projections are based on 4.5 per cent wage growth assumptions over the next six or seven years.

At the back of our document, we assume a much lower rate of wage growth. We are more conservative in our estimate. We have the greatest fear that three years from now the Minister of Finance, whoever that may be, will have to stand up and tell Canadians yet again, "Oops, we goofed. We were wrong. We have to rejig our numbers."

What we have found in terms of the privatization models that have been employed in Chile, Peru and now the Australian superannuation funds, is that contributions are 9 per cent, 10 per cent or even more of gross income. However, it is to the individual's own fund, in which case it is less subject to those actuarial evaluations.

Senator Taylor: Even though the provinces have raided the fund in the past, they would have no need to say that this is a good plan. They have all signed up. How would you explain, politically or maybe even psychologically, that you have spotted something that was missed by the national finance minister and eight finance ministers from different political parties right across Canada?

Mr. Robinson: I am definitely not holding myself out as a superior intellect to any of those members who are duly elected. We are just offering an opinion, one which is shared and supported by our 80,000 supporters across the country.

In Alberta, Stockwell Day, the provincial finance minister, has mused publicly about going the way of Quebec. Today they issued their Order in Council and are just waiting for the Lieutenant Governor to sign it. At the same time, they are setting up a commission in Alberta, a commission of respected pension experts and actuaries, to look at the options just in case, as they fear, three years from now, or perhaps sooner depending on what happens, we may have to rejig the schedule of contribution rates and increase them. So we are looking at that. That is an important point to note.

• (1720)

It is also important to note that two weeks ago when our provincial director challenged Manitoba Finance Minister Stefanson on the effects of the tax on the province of Manitoba alone, he asserted, as reported in the *Winnipeg Free Press*, that they entered the agreement on the belief that there would be a consequent reduction in the EI fund. I am not privy to those negotiations but I can tell you that in two provinces, I believe, there are already some misgivings. I will not say they are serious, but there are misgivings about this plan and they are looking at options, as they should in terms of good government.

Senator Taylor: As a point of information, I know that Alberta Treasurer Stockwell says that they want a different plan because it is a booming province, with a younger population than other provinces, and they believe they are overcontributing as a result. In fact, it is just nothing but old-fashioned selfishness that makes them want to put their own plan together because they think they will have younger and longer-term contributors.

Mr. Robinson: It may be selfishness, although I would not characterize it as that. I would characterize it as good government, looking at what is in the best interests of the constituents of their province. I am a Toronto boy and now live in Ottawa, so please do not tell that to my supporters out west.

Senator Gigantès: Thank you for being here, sir. You are very articulate, and you put up a good argument. However, you have just said that no one can predict the future. If no one can predict the future, and you admit that you can not do so, how can we discuss at all what will happen?

I remember some years ago someone trying to interest me in buying stocks, in such things as Korean companies and companies from the other little tigers that have been collapsing into mangy pussycats. If I had had money, which I did not, and had invested in those companies, I would have lost my shirt. If I had invested in what Mr. Reichmann was doing, I would have lost my shirt. There are even colleagues in the Senate who have been in firms that have lost their shirts. So what are we discussing in the future? How can you criticize something the results of which are unknowable?

Mr. Robinson: It is like answering a hypothetical question. I can only look at the future from the experience of the past, the 31 years of increasing CPP premiums and the assumptions which time and again have been proven incorrect when new information comes to light. What we are saying is that our plan, which we believe may account for future contingencies that neither you nor I know of yet, would be better in that sense.

Senator Gigantès: So your estimation of the unknowable future is better than the estimation of the unknowable future of others.

Mr. Robinson: I will not talk about my estimations of the future with respect to others. The issue at hand is the CPP bill and the chief actuary's projections based on various assumptions and what the rates of return will be. Again, I reiterate that I am using Mr. Dussault's numbers and not ours. We are just saying that experience that we have found throughout the world has proven that another option might account for future contingencies better.

Senator Gigantès: Without knowing what the future will give?

Mr. Robinson: Yes.

Senator Gigantès: Thank you.

The Chairman: Honourable senators, that concludes my list of those senators who wish to address questions. It but remains for me to thank the witness on your behalf, honourable senators, for appearing this afternoon. Thank you very much, Mr. Robinson.

Mr. Robinson: If I may, I wish season's greetings to you all. Thank you for your patience.

The Chairman: Senator Carstairs, before we proceed to the next witnesses, I should like to do a little bit of business.

At the request of members of the committee, the honourable minister has already made available a document entitled, "Costs of Replacing CPP with a System of Mandatory RRSPs."

[Translation]

This document is entitled "Costs of Replacing CPP with a System of Mandatory RRSPs." Honourable senators, this document is available in both official languages at the table if you wish to get a copy.

[English]

Senator Carstairs: Honourable senators, I would ask that Mr. Armand Brun, Acting Chairperson of the National Council of Welfare, and Mr. Steve Kerstetter, Director of the National Council of Welfare, be invited to participate in the deliberations of the Committee of the Whole.

The Chairman: Is it agreed, honourable senators?

Hon. Senators: Agreed.

[Translation]

The Chairman: Honourable senators, our witnesses are Armand Brun, from the National Council of Welfare, and Steve Kerstetter.

[English]

The Chairman: Mr. Kerstetter, I do not have any indication if you are a member of the council or a functionary of the council.

Mr. Steve Kerstetter, Director, National Council of Welfare: I am the director of the council.

The Chairman: I welcome you both. I think Mr. Brun wishes to make a statement.

[Translation]

Mr. Armand Brun, Acting Chairman, National Council of Welfare: Mr. Chairman, my name is Armand Brun and I am from Shediac, New Brunswick. I am the acting chairman of the National Council of Welfare. I made my career in education and I also worked in the financial sector. I had the honour of working for 15 years as the director of the Polyvalente Louis J. Robichaud.

[English]

With me today is Steve Kerstetter, Director of the council secretariat and principal author of our 1996 report, "Improving the Canada Pension Plan." I understand that honourable senators have already received copies of the report.

The National Council of Welfare is a citizens advisory body to the Minister of Human Resources Development, the Honourable Pierre Pettigrew. Our mandate is to advise the minister on matters of concern to low-income people. Members of the council are appointed by cabinet and serve part-time. We are supported by a secretariat of four public servants who work full-time in Ottawa. Mr. Kerstetter is the head of the secretariat.

I should like to thank the members of the committee for this opportunity to appear during your consideration of Bill C-2, on the Canada Pension Plan. Our council has been a loyal and long-standing supporter of the Canada and Quebec pension plans and it grieves us very much to see this piece of legislation. We would have preferred to see the legislation withdrawn and a new deal for the CPP negotiated with the provincial governments. As drafted, the bill does not serve either workers or employers well. Our complaints cover both the substance of the proposal and the way they are developed.

• (1730)

Our first concern is the financing of the CPP. In terms of the substance of the bill, the case for steady state financing has not been proven to our satisfaction. The net result of the proposals in Bill C-2 is that workers and employers will be paying

higher-than-necessary contributions year after year in order to get a very small break in contributions many years down the road.

We presume that the main reason for accelerated contribution increases is to build up a CPP fund to invest most of the additional money in Canadian stocks and bonds. We would not object to market investments in principle, but the legislation provides very little guidance on the way these investments will be made. Surely such a radical departure from past practice should be thoroughly studied and carefully planned. The CPP consultation paper and the legislation itself treats this very important issue almost in passing.

Regarding improving the CPP benefits, the changes in benefits proposed in the bill are limited to a series of small cuts in benefits. Many viable options for improving benefits were never even considered by the government. Two of the most important improvements in the view of the Council of Welfare would be raising benefits for low-income and middle-income workers and allowing retirement without penalty at age 60.

Improvements in benefits would obviously entail increases in contributions. We believe this would be done in a way that would be acceptable to workers and employers. Our specific proposal would bring the Canada Pension Plan closer to social security in the United States in terms of both benefits and contributions.

Third is secrecy, secrecy, secrecy. With respect to the process that led to Bill C-2, we are upset by the highly secretive way government exercised its stewardship over the Canada Pension Plan. They got together behind closed doors and agreed on a very specific package of proposals. Then they made a public announcement and expected workers and employers would naturally be happy with the outcome, regardless of what was in the package. Our council has recommended that future federal-provincial meetings on the CPP be open to the public and that members of Parliament be able to propose amendments to any legislation on the CPP, even if it means going back to provincial governments to seek their approval at a later date.

Unlike much of the past government's research on pension plans in Canada, the research that went into the latest CPP consultation paper was abysmal. It is a pale shadow of the very fine work on pensions done by the federal government in the early 1980s, for example. When we were working on our 1996 report, we tried to ignore the consultation paper whenever possible because it was so bad.

We asked ourselves the question: How would we like to see the CPP evolve in the years to come? The answers to that question form the core of our report.

To sum up, we believe Bill C-2 is deeply flawed and should have been withdrawn. We sincerely hope that the process of reviewing the Canada Pension Plan will be different when the next review is conducted in, I think, three years. We hope that Canadians will have a chance to consider a wide range of improvements in the plan at that time.

Mr. Kerstetter has worked on retirement income policies for a number of years. He would be pleased to address any technical questions. He would also be prepared to discuss these issues with your research staff any time at their convenience. Again, thank you.

Senator Grafstein: Mr. Chairman, I wonder whether the witnesses have any comments with respect to the cross-examination of the minister, which I assume they heard, with respect to the governing structure of the pension fund under the legislation. Do they have any comments or views one way or the other? They have heard questions from this side and the other side about the control of the pool of funding.

Mr. Brun: As I just said, we have no objection to that. I think we could get better returns on the money that is invested in the fund. There are ways of doing it. For example, just before coming here, I picked up a pamphlet from the Pension Fund Society of the Royal Bank of Canada. In 1986, that fund invested 27.6 per cent in bonds, 23.2 per cent in mortgages and real estate, 45.3 per cent in equity, and 3.8 per cent in short-term investment, in bank deposits.

This information is out there with the experts. Pooling the findings of experts will bring us to a fine solution. I hope the committee will be able to balance investment with job creation. It has been mentioned this afternoon that some people would like to see some money invested outside Canada to get a better return. However, if we get a better return outside of Canada and we do not nurture jobs in our country, I do not think we are moving ahead. I do not know if it is the function of that committee to decide that. It should be the function of Parliament to decide that.

Senator Grafstein: Perhaps my question was not clear. What will happen if the stakeholders in the pension fund — the Canadian citizens — are unhappy with the results? Perhaps the investment pattern is not good. Perhaps they are unhappy with the investment policy or the rates of return. Perhaps the rates of return are nowhere close to what they expected or are lower than would otherwise be available in other funds. A dispute arises. A group of Canadian citizens get together to complain. To whom do they complain? Who is responsible?

Mr. Kerstetter: Senator Grafstein, that is an interesting question. It is certainly one of many questions we have asked as members of the council when considering the operations and personnel on the CPP investment board as proposed in the legislation. This is certainly a major new departure in the way our public pension system is being financed.

If you go through the legislation, as I am sure all honourable senators have, you find only three or four paragraphs in the entire bill which describe the way in which investments are to be made and which set out some of the criteria to be used.

For example, it was interesting when the minister talked, in his comments earlier today, about the initial stage of investment policy being the mirror of the TSE index. You do not find any mention of that in the bill.

There were some questions about the proportion of foreign ownership that may be appropriate down the road. I do not see any mention of that in the bill. Basically, the bill seems to say that investments will be made in a prudent manner that will maximize returns for contributors, but there is nothing in the bill beyond that. That gives us cause for concern.

Senator Grafstein: I hope your group will follow this issue and make further representations to the Banking Committee during its study. I have a concern which you might address in your further brief in the future. If there is a complaint, as I mentioned, we now go to the board. If the board does not respond, we go then to the “godfathers” of the board, the federal-provincial group to whom the pension fund is accountable. There we find a membership of one-third federal government and two-thirds provincial government.

To whom do we complain there? If we are unhappy, whom do we throw out of office? That is, in effect, the ultimate measure in a democracy for a citizen to deal with an accountable body. I am not looking for a response today, but it may very well be that your group could give some guidance to the Senate committee. Both sides of this chamber are mightily concerned about the question of accountability, accountability to the ultimate stakeholder.

• (1740)

Senator Gustafson: Is there an inflation factor built into the program? Let us say there is 3-per-cent inflation every year. Is that taken into consideration?

Mr. Kerstetter: Perhaps the senator could elaborate. Are you referring to an inflation factor with respect to the level of benefits or the contributions?

Senator Gustafson: To the pension plan.

Mr. Kerstetter: In terms of benefits?

Senator Gustafson: Let us say we have 3-per-cent inflation for 10 years. Someone born in the 1980s getting a return of 1.8 per cent will be in the hole. Is there an inflation or a deflation factor built into the program?

Mr. Kerstetter: I expect the minister could answer that.

Mr. Brun: The cut-off benefits have been frozen at \$3,500 and the death benefit at \$2,500. We were not in favour of freezing these provisions because anything that deals with pensions should be indexed, as far as I am concerned.

Senator Gustafson: I do not think you are understanding my question, and perhaps I am not being clear. Today, \$10 buys a certain product. With inflation, \$10 in 25 years may not buy much. A person who has invested in their program, if there is no inflation factor or indexing built in, will get very little return, if any, on his investment. Do you know whether there is a built-in factor?

Mr. Kerstetter: I gather, senator, that the projections made by the Minister of Finance would presume that investments made in market instruments would do substantially better than the rate of inflation as a matter of course and presumably do slightly better than the type of investments in provincial government bonds at the present time. I presume that is an underlying but unspoken premise behind the government's calculations. I suspect the minister or his officials are probably in a much better position to answer than we.

Senator Gustafson: There would be no guarantees?

Mr. Kerstetter: No.

The Chairman: Honourable senators, the general noise level has been going up gradually, and it is getting a little difficult to hear the witnesses. I beg you, if you must converse, please do it outside the bar.

Senator Gigantès: Did I understand you correctly, that you have some concern because of the minister's remark to the effect that the investments would be in market indexes and that is not in the bill? Am I right, or did I not hear you properly?

Mr. Kerstetter: Our general concern is that, while there is a general clause in the bill that investments would be made in a prudent manner to maximize returns for contributors and plan members, there is no guidance on how that would be done. The minister said some interesting things earlier in the house, but we do not see them in the bill.

Senator Gigantès: Are you suggesting that the patterns of investment of this fund should be set in legislation so that every time the managers of the fund say, "We are holding some stuff which is not very good, and we should sell that and buy something else," they would have to come before Parliament, and there would have to be new legislation on what the managers of the fund would be doing?

Mr. Brun: We are not suggesting that.

Senator Gigantès: Then why are you saying he should put the indexes in the bill?

Mr. Kerstetter: I am saying there is a general statement of how investments are to be made by the CPP investment boards, but there is no detailed guidelines of any kind in the legislation.

Senator Gigantès: Surely there should not be. If the board is to consist of experts who will consult other experts, we should leave them the flexibility to decide the best way to handle the fund for the interests of its stakeholders, the public. Otherwise, it will become a political football in both Houses of Parliament.

Mr. Kerstetter: If I could respond, senator, there seems to be a huge amount of detail in the bill about the physical administration operations of the board and very little on investment guidelines. It seemed like an unusual balance given the bill as a whole.

Senator Gigantès: Administration is something that is supposed to be more permanent. The structures are supposed to

be more permanent than the portfolio. The portfolio should be changed as necessary. Mentioning the indexes would restrict the ability of the managers to have the best portfolio at all times.

Mr. Brun: I suppose much of this will come in the regulations when they are set up. I think the minister is now looking for guidance on that area.

Senator St. Germain: You heard the deliberations that have taken place here today, witnesses. I think the accountability factor was clearly enunciated by Senator Pitfield and Senator Bolduc, and I have mentioned accountability for making appointments. This is my major concern, and I wonder whether you share this concern as well. The provisions in the bill as written are just like any other provisions for GIC appointments, appointments to the Bank of Canada or whatever board in this country. My question to the minister was about accountability in how these appointments are to be made, and I suggested that they should be made differently. Do you share this concern?

Mr. Brun: I think the minister found it a very difficult question. I probably do not have the expertise he has, and I would find it difficult. I do not know in detail how government operates, but I think there must be some concern about accountability.

The Chairman: If no other senators wish to ask questions, I thank both Mr. Brun and Mr. Kerstetter for attending before the committee this afternoon.

Honourable senators, we have now reached the stage where the bill will be examined clause by clause. You will recall that we have already stood the title, as well as clause 1, the short title. I will now put all questions *seriatim*.

Shall clause 2 carry?

Some Hon. Senators: Carried.

Some Hon. Senators: On division.

The Chairman: Carried, on division.

Shall clause 3 carry?

Some Hon. Senators: Carried.

Some Hon. Senators: On division.

The Chairman: Carried, on division.

Shall clause 4 carry?

Some Hon. Senators: Carried.

Some Hon. Senators: On division.

The Chairman: Carried, on division.

Shall clause 5 carry?

Hon. Senators: Carried.

[Translation]

The Chairman: Shall clause 6 carry?

Some Hon. Senators: Carried.

An Hon. Senator: On division.

The Chairman: Carried, on division.

The Chairman: Shall clause 7 carry?

Some Hon. Senators: Carried.

An Hon. Senator: On division.

Senator Bolduc: The following clauses up to clause 57 or 60 deal with the board of directors. Why not handle them as one block?

[English]

The Chairman: Honourable Senator Bolduc suggests that we adopt in one block all clauses up to clause 57. Is that agreed, honourable senators?

Hon. Senators: Agreed.

The Chairman: Shall clauses 8 to 57 carry?

Some Hon. Senators: Carried.

Senator Kinsella: On division.

The Chairman: Clauses 8 to 57 carried, on division.

Shall clause 58 carry?

Some Hon. Senators: Carried.

Senator Kinsella: On division.

The Chairman: Carried, on division.

Shall clause 59 carry?

Some Hon. Senators: Carried.

Some Hon. Senators: On division.

The Chairman: Carried, on division.

Shall clause 60 carry?

Some Hon. Senators: Carried.

Some Hon. Senators: On division.

The Chairman: Carried, on division.

[Translation]

Shall clause 61 carry?

Some Hon. Senators: Carried.

[English]

The Chairman: Shall clause 62 carry?

Hon. Senators: Agreed.

The Chairman: Shall clause 63 carry?

Some Hon. Senators: On division.

The Chairman: Shall clause 64 carry?

Some Hon. Senators: On division.

The Chairman: Shall clause 65 carry?

Hon. Senators: Agreed.

The Chairman: Shall clause 66 carry?

Hon. Senators: Agreed.

[Translation]

The Chairman: Shall clause 67 carry?

Some Hon. Senators: Carried.

The Chairman: Shall clause 68 carry?

Some Hon. Senators: Carried.

The Chairman: Shall clause 69 carry?

Some Hon. Senators: Carried.

The Chairman: Shall clause 70 carry?

Some Hon. Senators: Carried.

[English]

The Chairman: Shall clause 71 carry?

Some Hon. Senators: On division.

The Chairman: Shall clause 72 carry?

Hon. Senators: Agreed.

The Chairman: Shall clause 73 carry?

Some Hon. Senators: On division.

The Chairman: Shall clause 74 carry?

Some Hon. Senators: On division.

The Chairman: Shall clause 75 carry?

Hon. Senators: Agreed.

The Chairman: Shall clause 76 carry?

Some Hon. Senators: On division.

The Chairman: Shall clause 77 carry?

Some Hon. Senators: On division.

The Chairman: Shall clause 78 carry?

Some Hon. Senators: On division.

The Chairman: Shall clause 79 carry?

Some Hon. Senators: On division.

The Chairman: Shall clause 80 carry?

Some Hon. Senators: On division.

[*Translation*]

The Chairman: Shall clause 81 carry?

Some Hon. Senators: Carried.

An Hon. Senator: On division.

The Chairman: Shall clause 83 carry?

Some Hon. Senators: Carried.

An Hon. Senator: On division.

The Chairman: Shall clause 84 carry?

Some Hon. Senators: Carried.

An Hon. Senator: On division.

The Chairman: Shall clause 85 carry?

Some Hon. Senators: Carried.

An Hon. Senator: On division.

The Chairman: Shall clause 86 carry?

Some Hon. Senators: Carried.

An Hon. Senator: On division.

The Chairman: Senator Bolduc proposes that we adopt clauses 87 through 100 as a block.

[*English*]

Shall clauses 87 to 100, inclusive, carry?

Some Hon. Senators: On division.

The Chairman: Shall clauses 101 to 107 carry?

Some Hon. Senators: On division.

[*Translation*]

The Chairman: Shall clause 108 carry?

Some Hon. Senators: Carried.

An Hon. Senator: On division.

The Chairman: Shall clause 109 carry?

Some Hon. Senators: Carried.

An Hon. Senator: On division.

The Chairman: Shall clause 110 carry?

Some Hon. Senators: Carried.

One Hon. Senator: On division.

[*English*]

The Chairman: Shall the schedule carry?

Some Hon. Senators: On division.

The Chairman: Shall clause 1, the short title, carry?

Hon. Senators: Agreed.

The Chairman: Shall the title carry?

Some Hon. Senators: On division.

The Chairman: Shall I report the bill without amendment?

Some Hon. Senators: On division.

The Hon. the Speaker: Honourable senators, the sitting of the Senate is resumed

REPORT OF COMMITTEE OF THE WHOLE

The Chairman: Your Honour, the Committee of the Whole, to which was referred Bill C-2, and Act to establish the Canada Pension Plan Investment Board and to amend the Canada Pension Plan and the Old Age Security Act and to make consequential amendments to other Acts, has examined the said bill and has directed me to report the same to the Senate without amendment.

THIRD READING

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

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

ALLOTMENT OF TIME FOR DEBATE—MOTION WITHDRAWN

On the Order:

That, pursuant to rule 39, not more than six hours of debate be allotted to the consideration of the motion by the Honourable Senator Kirby, seconded by the Honourable Senator Joyal, PC, for the second reading of Bill C-2, An Act to establish the Canada Pension Plan Investment Board and to amend the Canada Pension Plan and the Old Age Security Act and to make consequential amendments to other Acts;

That when debate comes to an end or when the time provided for the consideration of the said motion has expired, the Speaker shall interrupt, if required, any proceedings then before the Senate and put forthwith and successively every question necessary to dispose of the said motion; and

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

Hon. Sharon Carstairs (Deputy Leader of the Government): Honourable senators, I would ask unanimous consent to remove this item from the Order Paper.

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

Hon. Senators: Agreed.

Motion withdrawn.

BUSINESS OF THE SENATE

The Hon. the Speaker: Honourable senators, the clock says six o'clock. Is there agreement that I shall not see the clock?

Hon. Senators: Agreed.

ASIA-PACIFIC REGION

REPORT OF FOREIGN AFFAIRS COMMITTEE PRESENTED

Leave having been given to revert to Presentation of Reports from Standing or Special Committees:

Hon. John B. Stewart, Chairman of the Standing Senate Committee on Foreign Affairs, Science and Technology, presented the following report:

Wednesday, December 17, 1997

The Standing Senate Committee on Foreign Affairs has the honour to present its

FOURTH REPORT

Your Committee which was authorized on October 28, 1997, to examine and report on the growing importance of the Asia Pacific region for Canada and to submit its final report no later than October 30, 1998, presents, pursuant to section 2:07 of the *Procedural Guidelines for the Financial Operation of the Senate Committees*, the budget submitted to the Standing Committee on Internal Economy, Budgets and Administration. This budget and the report thereon of the Standing Committee on Internal Economy, Budgets and Administration are appended to this report.

Respectfully submitted,

JOHN B. STEWART
Chairman

(For text of report, see today's Journals of the Senate, Appendix "A" p. 393.)

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

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

EUROPEAN MONETARY UNION

REPORT OF FOREIGN AFFAIRS COMMITTEE PRESENTED

Hon. John B. Stewart, Chairman of the Standing Senate Committee on Foreign Affairs, presented the following report:

Wednesday, December 17, 1997

The Standing Senate Committee on Foreign Affairs has the honour to present its

FIFTH REPORT

Your Committee which was authorized on November 19, 1997, to examine and report on the consequences for Canada of the emerging European Monetary Union and on other related trade and investment matters and to submit its final report no later than December 15, 1999, presents, pursuant to section 2:07 of the *Procedural Guidelines for the Financial Operation of the Senate Committees*, the budget submitted to the Standing Committee on Internal Economy, Budgets and Administration. This budget and the report thereon of the Standing Committee on Internal Economy, Budgets and Administration are appended to this report.

Respectfully submitted,

JOHN B. STEWART
Chairman

(For text of report, see today's Journals of the Senate, Appendix "B," p. 398.)

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

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

TOBACCO ACT

BILL TO AMEND—SECOND READING

On the Order:

Resuming debate on the motion of the Honourable Senator Haidasz, P.C., seconded by the Honourable Senator Stewart, for the second reading of Bill S-8, to amend the Tobacco Act (content regulation).—(*Honourable Senator Kelly*).

Hon. William M. Kelly: Honourable senators, Bill S-8 before us today is essentially the same as Bill S-14, which was tabled in this chamber during the previous Parliament. I spoke to Bill S-14 at that time. Rather than repeating today what I said then, I would simply refer you to the Hansard record of my remarks on February 1, 1996. However, if you insist, I will go through the whole matter.

• (1800)

As I said then, I happen to be chairman of the board of a tobacco company. As such, I will refrain from voting on this bill, as I have refrained from voting on other tobacco legislation which has come before us. I do, however, beg your indulgence to raise two issues with respect to Bill S-8 that I did not raise in the context of Bill S-14. I believe I did state my conflict then.

First, since Bill S-14 was before this chamber, Parliament has passed Bill C-71, the Tobacco Product Control Act. That act does all of the things proposed in Bill S-8. I see nothing in Bill S-8 that could not be achieved through Part I of Bill C-71. I refer specifically to sections 5, 6 and 7 of Bill C-71.

Second, Bill C-71 has extensive regulation-making powers for the Governor in Council. Those regulations fall into three generic categories: product regulations, labelling regulations, and promotional regulations.

I should like this chamber to understand that, in spite of government's haste to pass Bill C-71 before Parliament was dismissed last year, not one single regulation has come forward since Bill C-71 was passed. Furthermore, there is no indication that any regulations will be coming soon.

Hon. Stanley Haidasz: That is the urgency of Bill S-8.

Senator Kelly: We are given to understand — and this is directly germane to Bill S-8 — that the most problematic regulations are the product regulations under Bill C-71 and that those, in effect, cover the same ground that Bill S-8 tends to cover.

We are told that product regulation will not be forthcoming soon because of the multitude of issues such regulations raise. For example, if the Government of Canada imposes major changes in the composition of Canadian tobacco products, the trade in smuggled and contraband products could be revitalized. That is a concern of both the government and the companies.

Preferences and tastes change slowly and are very difficult to impose. Rather than merely going along with changes to their tobacco product of preference, consumers may well decide not to change and to acquire the product they want from the underground markets. It happened before, when, in reaction to high tobacco taxes, there was no legal, tax-paid market left in some regions of Canada.

Health Canada also tells us that they wish to be confident of the epidemiological evidence before they mandate product changes. Having mandated product changes, the government must accept liability for the new product. The government wishes to be careful. This simply suggests that however well-meaning Bill S-8 is, this bill is really not necessary. If there is something that S-8 would do that Bill C-71 does not do, then Bill S-8 is certainly not urgent.

Hon. Wilbert J. Keon: Honourable senators, I stand before you, once again, to voice my support of a bill that will amend the Tobacco Act.

Bill S-8 authorizes the Governor in Council to make regulations reducing the allowed amounts of these harmful substances in tobacco products. It is well known that smoking is a leading preventable cause of premature mortality in Canada. The most recent estimates suggest that more than 45,000 deaths annually in Canada are directly attributable to tobacco use.

As a society, we have made significant strides in controlling many of the peripheral issues related to tobacco use, including limiting youth access to tobacco products; restricting the promotion of tobacco products; increasing health information on tobacco packages; and restricting the tobacco industry's promotional practices, including sponsorship promotion.

While we can be proud of our accomplishments in these areas, nothing has really been done to address the fundamental problem: The harmfulness of the tobacco product itself. Bill S-8 is a direct attempt to address this issue by establishing standards for a tobacco product, including reducing the allowable amount of harmful substances such as nicotine, tobacco additives, tars, and other harmful substances contained in the product. On package labelling and in product advertising, the bill would also mandate the display of nicotine, tar content and other substances per gram of tobacco.

The battle against tobacco is one in which physicians have been on the forefront lines for a long time. The Canadian Medical Association, on behalf of the profession, issued the first public warning on the hazards of tobacco in 1954 and has continued to speak out against tobacco ever since.

Given the lethal nature of tobacco, the issue of product regulation is an issue that the CMA has indicated urgently needs to be addressed and has recommended that the upper limits of tar, nicotine and carbon monoxide content be established and progressively lowered.

This bill is a move in the right direction. The message about the harmfulness of tobacco is irrefutable. Controlling what is in tobacco is first and foremost a health issue.

Honourable senators, I congratulate Senator Haidasz in introducing this bill. I strongly encourage all of you to stand up and support this bill upon third reading.

Hon. Philippe Deane Gigantès: Honourable senators, I, too, support Senator Haidasz. As I have told you before, I lost my father, my wife, and now my brother to tobacco. Let us do something about it!

The Hon. the Speaker: Honourable senators, I wish to inform the Senate that if the Honourable Senator Haidasz speaks now, his speech will have the effect of closing debate.

Senator Haidasz: Honourable senators, everything that should have been said has been said about the dangers of nicotine and levels of nicotine in tobacco, as well as the carcinogenic tars and other toxic tars in tobacco smoke.

I thank Dr. Keon for his support. I recognize the remarks of my colleague Senator Kelly; however, my bill does bring in something that Bill C-71 did not have, namely, clause 5, which says:

This Act comes into force 6 months after the day it is assented to.

Hopefully, we will have less harmful cigarettes on the market before the government or its advisors bring introduce something in the far too distant future, because we have been waiting for something like this for tens of years.

The Hon. the Speaker: It was moved by the Honourable Senator Haidasz, seconded by the Honourable Senator Stewart, that this bill be read a 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?

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

• (1810)

POST-SECONDARY EDUCATION

CONSIDERATION OF FINAL REPORT OF SPECIAL COMMITTEE— DEBATE CONTINUED

On the Order:

Resuming debate on the consideration of the final report of the Special Senate Committee on Post-Secondary Education, tabled in the Senate on December 16, 1997.—(*Honourable Senator Lavoie-Roux*).

Hon. Thérèse Lavoie-Roux: Honourable senators, I rise today to speak to the report of the Special Senate Committee on Post-Secondary Education.

Before I concentrate on two particular chapters, I should like to thank Senator Bonnell. Unfortunately, he is retiring in about 24 hours. However, I would like to thank him for having taken the initiative to create this special committee to study post-secondary education. Although it is not thoroughly complete yet, I am sure that further studies will be needed, at least he rang the bell, and I think it was high time that someone did so.

I should like to underline the contribution of two senators, Senators Forest and Andreychuk, who I feel, because of their experience with universities, contributed a great deal to the report. I would like to thank Senator Andreychuk in particular because she replaced me when I was caught up with the joint committee studying section 93 of the Constitution.

I would like to concentrate my remarks in particular on the neglect of research and development because I feel it is an area of extreme importance to the future of Canada. When the committee was struck I was particularly concerned that we not tread on provincial jurisdiction, and this has been a concern for me all the way through the process.

However, in research and development, the federal government has legitimate and unavoidable interests. I am not referring to our financial contribution but, rather, to the federal role of ensuring that the country has adequate supplies of highly qualified people for our workforce, that there are sufficient opportunities for our youth and that there is development of the proper knowledge base required for economic growth and prosperity.

In comparison with other developed countries and our trading partners, we have a poor record in research and development. In 1995, Canada's gross domestic expenditures on research and development amounted to about 1.5 per cent of GDP. There were about 4.7 researchers per 1,000 in the labour force. This contrasts

significantly with our neighbours to the south who devoted 2.66 per cent of GDP and supported 7.4 researchers per 1,000 in the labour force. Even those statistics show that Canada's research effort has been increasing. Our research effort bottomed out in 1988-89, but it still lags behind all other OECD countries with the exception of Italy.

In the last two weeks, Quebec newspapers have revealed studies that compare the recherches médicales du Canada, or CRM, with the United States equivalent, the National Health Institute.

[Translation]

That is the way it is in the U.S. The figures provided by the committee indicate that the Medical Research Council of Canada spent \$8.71 per capita in 1990-91 compared with the \$39.71 spent by the American National Institute of Health. Figures for 1997-98 indicate that spending has been further reduced to \$8.23 in Canada, but it has increased to \$66.64 in the United States. Worse yet, in 1993, the Standing Committee on Health noted that the total research budget amounted to \$752 million. In the same year, \$157 billion was spent on battling disease in Canada. So, what does this mean? The research budget represents 0.48 per cent of total health costs.

If the federal government delays reversing the trend established since the start of the decade, it is quite likely that all the efforts to come up with adequate risk capital for the Canadian industry will come to naught. In this regard, Dr. Martin Godbout, Senior Vice-President of Biomédical, made the following point:

The \$50 million in risk capital available to the biomedical sector at the start of the decade has grown today to \$400 million, with more than half of it in Quebec. If the federal government does not change its policies in this area, it is a good bet that the managers of this risk capital will go elsewhere.

In short, they will invest in the United States, Europe or Japan.

[English]

In order to have social and economic prosperity in Canada, we must foster education, knowledge and innovation. We need a well-educated workforce to stay competitive in the global economy. To achieve this we must improve Canada's research and development performance by promoting research careers, stopping the erosion of the research infrastructure and helping to foster technological and information flows.

In Canada, we rely heavily on university research. Universities and colleges make a disproportionate contribution to the research and development effort. They are responsible for the production of \$76 billion worth of goods and services, or 12 per cent of GDP, and sustain more than 1 million jobs in Canada. The return on investment in research is large. Today, however, the Canadian government provides less support in real terms to the three federal granting councils that are responsible for almost all of college and university research contributions.

The budgets of the Natural Sciences and Engineering Research Council and the Social Sciences and Humanities Research Council have been cut by 14 per cent. The budget of the Medical Research Council has been cut by 10 per cent in the three years up to 1997-98. They face an additional cut of 3.5 per cent in 1998-99. Unless we reverse the current trend, Canada's innovation process will continue to deteriorate.

While I have never believed that the problem can be solved by throwing money at it, I believe that there are appropriate times to ensure proper funding. Insufficient research funding and resources have already had troublesome ramifications for the research community and for Canada as a whole. The much talked about brain drain is an example. Cut-backs to research funding has meant that students have opted out of a research career or have chosen to leave the country to pursue other opportunities.

Vital areas of research such as molecular biology and genetics are neglected most. Our brightest are not able to realize their potential because they do not have adequate support. Youth with research training have the opportunity to pursue diverse and challenging careers. By discouraging our youth from pursuing careers in research we are also putting them at a disadvantage in today's knowledge-based economy.

The most common way we transfer and disseminate knowledge is through our university graduates who bring their knowledge and expertise to the work environment. Universities have also developed information links with the private sector in order to facilitate the commercialization of research results. These transfers of knowledge have focused mainly on physical and health sciences research results, but the importance of social sciences and humanities research have moved much more to the forefront. This group, however, has not had the same support system to help disseminate their findings.

Many of the problems affecting society, such as child poverty, violence and economic restructuring, are not readily fixed by technical solutions. There is a need for more effort to bring these people and ideas together. Only through more research in the social sciences and humanities can we effectively develop innovative solutions, policies and strategies.

• (1820)

Canada has seen phenomenal changes in the last decade. Technology has opened up the world. In order for Canadians to prosper, we must compete successfully on the international field. Researchers need to become knowledgeable about the history, politics, cultures and languages of the whole world. We must develop partnerships with other countries in order to collaborate in research activities, and we must have our own significant research to contribute. Collaboration in research not only increases our knowledge base, it is also cost effective. Clearly, increasing research funds to a reasonable level is not unrealistic as those funds will enhance the economy in many different ways. The post-secondary committee has agreed on its importance and, as a result, has made several recommendations in this area.

We recommend that the federal government make a long-term strategic and detailed commitment to funding research and development in post-secondary institutions by, first, committing to the immediate goal of raising Canada's investment in research and development to the average of the other OECD member countries within five years.

Second, they should restore the funding of the Medical Research Council and the Social Sciences and Humanities Research Council to 1993 levels. They should make regular increases to those budgets as a major part of its commitment. This would encourage gifted young researchers to stay in or return to Canada. They must give serious consideration to implementing a new Research Frontiers Program or a similar program.

We touched upon certain clientele, for instance, the aboriginals. I am sure my colleague in this chamber will talk on this. We discussed handicapped people and what the educational service is doing to satisfy their real needs. We also spoke about French-speaking minorities in provinces other than Quebec.

[Translation]

The rapid growth of the francophone post-secondary institutions is taking place during a period of federal and provincial cuts, rather than a period of rapidly rising budgets. They are also far more dependent on government funding than older colleges and universities, because they have not had time to acquire a sufficient body of alumni to support it or to acquire foundations which would enable it to finance an essential percentage of their operating budget.

Overall, the support these institutions receive from the provinces and the federal government lags behind the demographic weight of the local francophone population and they lack the funds to set up the required new courses. Modern technology can bring the French-language universities and colleges closer together and enable them to create a Canada-wide network capable of providing a broad range of post-secondary programs in French. However, they lack the financial resources necessary to build a kind of national information highway which would enable them to exchange courses and programs, to offer university services in French in regions of the country who lack them, and to create new programs.

The committee therefore recommends that the federal government ensure that the assistance provided to minority language post-secondary institutions takes into account the specific needs of francophone institutions for additional funding, in order to allow them to catch up with other colleges and universities as far as program offerings are concerned.

[English]

While we were in Regina, I was quite impressed by the linguistic institute at the University of Regina. Its work is done mostly in French and they told us that they are doing good work.

However, the director informed that their federal subsidies had been cut. Further cuts would represent a threat to their objectives.

[Translation]

Second, that the federal government play a lead role, not only in creating and funding a French-language information highway linking all post-secondary institutions of the francophone minorities, but also by supporting the creation of courses and programs suited to distance learning.

I, like Senator Losier-Cool and others, was particularly concerned with the whole issue of the availability or non-availability of post-secondary education for francophones outside Quebec.

I think that all this French-language education outside Quebec, if it was developing properly —

[English]

— it might motivate the English-speaking population or other populations outside Quebec to learn French. We are approaching the year 2000. To know at least two languages is not a great luxury; rather, it is a necessity.

I cannot blame or scold my colleagues who do not speak French, who come from other provinces, but times have changed. People are beginning to understand that this is the best link we can establish between Quebec and the rest of Canada. I hope some follow-up is done on this.

Hon. Jean B. Forest: Honourable senators, the chair of the committee and the vice-chair, Senator Lavoie-Roux, have spoken. In view of our time constraints this week, other members of the committee have agreed to postpone their speeches until we resume in February. I move the adjournment of the debate.

On motion of Senator Forest, debate adjourned.

FAMOUS FIVE FOUNDATION

MOTION TO COMMEMORATE EVENTS BY PERMITTING
THE BUILDING OF STATUE ON PARLIAMENT HILL—
DEBATE CONTINUED

On the Order:

Resuming debate on the motion of the Honourable Senator Fairbairn, P.C., seconded by the Honourable Senator LeBreton:

That, in the opinion of this House, the government should consider the request of the Famous Five Foundation to honour the memory of Emily Murphy, Nellie McClung, Irene Parlby, Louise McKinney and Henrietta Muir Edwards, known as the Famous Five, by allowing a statue commemorating them to be placed on Parliament Hill.—(*Honourable Senator Kenny*).

Hon. Colin Kenny: Honourable senators, it is a distinct honour and high privilege to rise in support of the motion before us today.

I cannot let the occasion pass without paying tribute to a number of people who have had a significant impact on the endeavour in which we are all engaged.

Senators Joyce Fairbairn and Marjory LeBreton moved and seconded the motion. Senator Fairbairn delivered a moving and, if I may say so, an impassioned speech on the subject two days ago. Joyce never does things by half measures. When she commits herself to a cause, you can count on her to give her all. Combining Joyce with Senator LeBreton makes for one of the most formidable combinations this chamber can muster. Their collaboration on any project makes the outcome almost inevitable.

Next I feel obliged to recognize Senator Carstairs who has been committed to this project since its inception. She recruited me to the cause early in the summer to assist in the quest for a suitable location. She persuaded me that this was a group and a cause worth supporting, and she is the reason I am standing here today.

In the other place, a trio of people stand out: the Honourable Sheila Copps with her dedication to progressive causes and her imaginative concept of a "walk of courage" populated by Canadian heroes and heroines; the Honourable Hedy Fry, Secretary of State for the Status of Women, whose drive and energy has provided momentum to the movement; and last but not least, Jean Augustine, the chair of the women's Liberal caucus who, with a quiet voice but steely determination, has kept her eye on the goal and refused to waiver.

• (1830)

Before I leave the contribution of parliamentarians, I would be remiss if I did not mention my friend and colleague, the Honourable Senator Andreychuk, who reminded me that the "Persons Case" was not just for women but for everyone who was disadvantaged by reason of gender, race, origin, or age and that there was a place and a role for men. This is an inclusive process.

Before I turn to the key players in this exercise, I know there is some confusion in certain quarters about Bill S-6, an act to create a national historic park in honour of the "Persons Case" a case which has had a profound impact on the development of Canada as a nation. This motion is to locate a statue which honours five women, individuals of tremendous courage and determination, who refused to tolerate the position to which they had been relegated by the society of the day. The subjects of these two matters are complementary, mutually supportive, and are different ways of seeking to underline and honour a profound change in how Canadians would treat each other.

No intervention in this debate would be complete without speaking about Frances Wright, who is the powerhouse, the driving force, the irresistible force moving this cause forward. Words fail me in describing her attention to detail, her

enthusiasm, her optimism, and her unfailing courtesy in supporting this work. As a politician, I cannot help but note with a touch of envy her Midas touch with the press and her ability to engage in a tremendous amount of coverage. I am told, and I am sure with some accuracy, that she has even been instrumental in nudging a little of that coverage my way from time to time. Frances, together with her able Ottawa chair, Isabel Metcalfe, are to be complimented on an outstanding job in involving the community.

I must tell you that two weeks ago a young person named Kate French, who is all of 11 years old, called me to solicit a contribution on behalf of the Ottawa committee. Because the mail strike was on and because she lives in my neighbourhood, I decided to deliver the cheque in person. I arrived at 8 p.m. only to find Kate in her pyjamas with a cast on an arm which she had broken earlier that day. If Frances can motivate 11-year-olds with broken arms to support the cause, the least we can do is support Frances in this endeavour.

Hon. Norman K. Atkins: Would Senator Kenny take a question?

Senator Kenny: Certainly.

Senator Atkins: I heard the presentations by Senator Fairbairn and Senator LeBreton, and I think they were excellent. Has the honourable senator talked to those two senators with a view to combining the proposal being made by Senator Fairbairn with what he is proposing in the form of a private park? It seems to me that combining the two proposals would make a more memorable and greater presentation, rather than having one monument on the Hill and a park within 500 yards of this place.

Senator Kenny: Honourable senators, I thank Senator Atkins for his question. I recognize the point he is making. I must tell you that when Senator Carstairs first approached me to assist Mrs. Wright in her endeavour, I undertook to assist her in finding a statue location wherever she and her committee wanted. That turned out to be Parliament Hill. The statue honours five women and is quite specific about that. The park that I am proposing in Bill S-6 commemorates the "Persons Case" which I believe to be a broader question. It involves, I think, all of society. Disadvantaged groups take great comfort from the "Persons Case." I believe that Senator Andreychuk, for example, would say that a great many people who are neither French nor English look to the "Persons Case" and have taken encouragement and comfort from it.

As I said in my remarks, these are two separate initiatives, but they are complementary and different ways of honouring and commemorating a similar subject.

[Translation]

Hon. Gérald-A. Beaudoin: Honourable senators, in 1929, the Judicial Committee of the Privy Council overturned the decision of the Supreme Court of Canada in *Muir Edwards* and declared that a woman could be appointed to the Senate of Canada and that the word "person" in section 24 of the Constitution Act, 1867, included women.

The Governor General, on the recommendation of the Prime Minister, then appointed a number of women to the Senate, and today more than a quarter of the Upper House is comprised of women. This trend will no doubt continue and even grow.

In 1960, the Canadian Bill of Rights enshrined at the federal level the principle of equality before the law for both men and women. The provincial charters followed along the same lines. These documents were and are only quasi-constitutional laws.

In 1982, the Canadian Charter of Rights and Freedoms was drafted. It is enshrined in the Constitution and provides that men and women are equal.

Section 28 of the Charter reads as follows:

Notwithstanding anything in this Charter, the rights and freedoms referred to in it are guaranteed equally to male and female persons.

I still say this is my favourite notwithstanding clause, because section 28 applies, notwithstanding everything contained in the Charter.

In 1983, shortly after the patriation of the Constitution, a constitutional amendment was passed recognizing the equality of Amerindian men and women. The Supreme Court interprets the Charter broadly, and I for one approve.

It is always a pleasure to comment on section 28 of the Canadian Charter of Rights and Freedoms. The 1929 decision in *Muir Edwards* — which is also called the Persons case — and our constitutional Charter of 1982 have changed the Constitution permanently.

I suggest in closing that we keep and remember the famous 1929 case that first recognized the equality of men and women.

[English]

• (1840)

Hon. Anne C. Cools: Would the Honourable Senator Beaudoin entertain a question?

Senator Beaudoin: Certainly.

Senator Cools: I have been longing to ask a constitutional lawyer this question: We frequently speak of the Persons Case, but my understanding is that the issue of persons and personhood was only to do with whether women were persons under section 24 of the BNA Act. In point of fact, by 1926, women were already members of the House of Commons and were fully endowed and enfranchised in every other respect.

I have not looked at this for many years, but the Supreme Court apparently ruled in accordance with Roman law where they said that women were not persons in accordance with Roman law. It is arcane information now. It went to the Privy Council, and the Privy Council did what it did.

I believe the lawyer who took it to the Judicial Committee of the Privy Council was Newton Rowell, the same Newton Rowell of the famous Rowell-Sirois report.

Perhaps, for historical purposes, Senator Beaudoin could clarify the difference between the Roman law and the definition of “persons”? Women were fully enfranchised in every other respect at that time.

Also, William Lyon Mackenzie King, in his Liberal way, was sitting on the issue. If you recall, this area was during his major challenges with the Imperial Government, whether it was the King-Byng affair, or the abolition of Canadian appeals to the Privy Council in England. Perhaps the honourable senator could assist us in that regard.

Senator Beaudoin: It is true that the judicial committee of the Privy Council reversed the decision of the Supreme Court of Canada, which at that time was not really supreme because the Privy Council was at the top. The Supreme Court of Canada interpreted, in a narrow sense, the word “person” in section 24 of the British North America Act, which is the Constitution Act of 1867. “Person” does not include “female person.”

This was the time when the Privy Council started what we call in law the theory of “evolution of the Constitution.” They said that the BNA Act is a “living tree” and that we have to interpret the Constitution so that it will live for all time. They adopted what we call in law “evolutive interpretation” for the British North America Act.

Strictly speaking, perhaps the Supreme Court of Canada was right, if one were to interpret, very strictly, the word “person” in 1928 or 1929. However, the Privy Council said that we have to interpret the Constitution of Canada in such a way that it is like a living tree. We cannot amend the Constitution every week or every year. It is too complicated. Other cases were in the same vein as the Persons Case.

I agree with my honourable friend that women had the right to vote in 1918. This is not the first victory for women, but it is the first victory at the level of the Privy Council.

If you asked me if we should commemorate that decision of the Privy Council, I would say, “Yes, of course,” because that is where it started. After that, of course, we had other cases, such as the *Lavell* case, that were not as quite as notable as that one. There was, however, the *Lovelace* case which was heard before the United Nations, and they said to Canada that Madam Lovelace was right.

The Persons Case and section 28 of the Charter of Rights are interrelated. When we enshrined in the Charter in 1982 that men and women were equal, we used a notwithstanding formula. That is one occasion when we did things perfectly. Notwithstanding everything in the Charter, men and women have the same status, and the law applies equally to both. I can go no further than.

Senator, your interpretation is quite correct.

Hon. Philippe Deane Gigantès: May I ask a question on this issue of the Honourable Senator Beaudoin?

Senator Beaudoin: Yes.

[Translation]

Senator Gigantès: Honourable senators, I did not understand why there was this other case when women could already be elected to the House of Commons. I did not understand why there was the persons case when women had already obtained their freedom.

Senator Beaudoin: It was based on a concept of common law, and the equality of women was not what it is today. There was even a provision in the Civil Code stating that a woman did not have the right to enter into a contract, that she needed her husband's permission to do this or that. That was another era.

In the persons case, they wanted to appoint a woman to the Senate. People had raised the question of constitutionality, by saying that "persons" as referred to in section 24 did not include women. This was an extremely narrow interpretation of the word "person" in the law as it was at the time. That is why the Privy Council said: No, this must be interpreted progressively and the word "person" encompasses both men and women.

When women were given the right to vote in 1918, provincially in 1940, legislation was amended and it was stated that women had a right to vote. That raises no difficulty. However, the Supreme Court had ruled that the word "person" in section 24 of the Constitution Act, 1867 was restricted to male persons.

[English]

Hon. John B. Stewart: Honourable senators, I have a question of the Honourable Senator Beaudoin.

Would it not be correct to say that, in the case of the franchise, Parliament, in the case of Canada, or the legislative assemblies, in the case of the provinces, made the decision that women would have the right to vote, but that since the summoning of persons to the Senate is an executive act, there was no occasion for Parliament itself to deal with the question of eligibility? Consequently, in order to free the hands of the executive branch of the government from the old meaning of the term "person," the matter had to go to the courts or to be dealt with by constitutional amendment. Is not the Persons Case an elegant example of judicial legislation?

Senator Beaudoin: Yes, it is certainly a case of interpretation. The word "person" has been in the British North America Act since 1867. It was a British law, as we all know. The British North America Act was enacted by the Parliament of Westminster. At that time, the word "person," at least according to the law of England and the common law, did not include women. However, when the electoral laws of Canada were amended, the legislative branch of the state intervened. One may give the franchise to the persons enumerated in the statute. They

have enumerated men and women, and this is what the provinces did thereafter. That may be an explanation.

If the Parliament of Canada has said that men and women have the right to vote, there can be no problem; there can be no interpretation. One cannot make an error.

• (1850)

However, if you use the word "person" in a constitution, you must interpret the word "person" according to the common law, the civil law or the applicable law at that time. If the British North America Act, instead of saying "person," had said "men or women," that would have been the end of it. However, it said "person."

Senator Gigantès: Why could the executive not simply have nominated a woman to the Senate?

Senator Carstairs: They would not. That is the whole point.

Senator Cools: Mackenzie King used to be called one of the mighty leaders of this great Liberal Party of ours. There was nothing stopping Mackenzie King from appointing women to the Senate. His decisions not to appoint were purely political. Perhaps Senator Beaudoin could clarify that for us. Mackenzie King knew what he was doing.

Senator Beaudoin: All laws are presumed valid until declared invalid. All appointments are supposed to be valid until they are contested. You say Mackenzie King could have appointed Madam Muir to the Senate. That is correct. I do not know what would have happened. If no one disagrees, that is the end of it. There is in law the *de facto* theory. If someone is appointed, that person is appointed. However, if that appointment is challenged, you are in trouble.

I would have to go back to the history of that time. The only thing I have studied in depth from that time is the constitutional crisis, King-Bing, that arose then, but that has nothing to do with the Persons Case. The Persons Case is only a question of the interpretation of the word "person" in common law and civil law, as well as in the BNA Act.

Senator Cools: Mackenzie King could have appointed any one of those five women. The truth is that he did not want to appoint any of those five women, and that is a political question.

Mackenzie King was very mindful that he was grandfather's grandchild. His intention at all times was to end what he viewed as the vestiges of imperial power in Canada. At that time, King was very much on a straight trajectory toward ending, in a very final way, in his mind, certain powers held by the imperial Government in England over Canada.

The Persons Case is more than a legal matter. It was also a political matter. Mackenzie King, for whatever reason, took the course of action he did. It is neither honest nor forthright to say that the Persons Case brought freedom and total equality for women. Women were quite well enfranchised by that time.

The Hon. the Speaker: The time allotted for the speech of Senator Beaudoin and questions and answers thereon has expired. Is leave granted to continue?

Hon. Senators: Agreed.

Hon. John G. Bryden: I direct my question to Senator Beaudoin, perhaps not in his capacity as a constitutional expert but for my own enlightenment on some things that are juxtaposed in our deliberations; the schools amendment to the Constitution for Quebec, the Term 17 amendment for Newfoundland, and the Persons Case, which is being discussed now. It is my understanding that the Persons Case established, in one way or another, that women are persons.

Senator Beaudoin: That is right.

Senator Bryden: In the other matters that we have been discussing, our populace has normally been referred to as men, women, and children. Are children persons?

Senator Beaudoin: I will be very prudent and base my comments only on civil law. I do not claim to be an expert in common law, although I have studied that, too.

In the Civil Code is a chapter on persons and family. In that sense, a child is a person. It lists various things about children and things they may do, including obtaining the right to vote at age 18. Therefore, I would say that a child is a person, at least in civil law.

Senator Bryden: The United Nations Declaration of Human Rights, which proposes universal rights, refers to persons. Under our Charter of Rights, I understand that the right of freedom of religion, for example, applies to everyone. I will assume that "everyone" means "every person."

My question was not simply an academic one. If, as has been argued in this chamber, every person under our Charter of Rights and Freedoms has freedom of religion, and if children are persons, then do the children of Quebec and Newfoundland, like children everywhere else in Canada, not have freedom of religion, at least to the extent that they do not have to have the religion of their fathers, their mothers, or their communities imposed upon them? Are they not free to choose their religion?

I agree with you totally that children are persons. They are little persons, but they are persons. If they cannot make that choice until they are 6 years old, 7 years old, 15 years old or 18 years old, they nevertheless have the unfettered freedom, under our Charter of Rights, of religion, and we as a society, by indoctrinating them with our adult beliefs, are robbing them of their Charter rights which gives them freedom to choose their religion.

The Hon. the Speaker: Honourable senators, I remind you of our rule with regard to relevance.

On motion of Senator Cools, debate adjourned.

BUSINESS OF THE SENATE

The Hon. the Speaker: Honourable senators, we have reached the end of the Orders of the Day. Pursuant to rule 43(8), the Senate will now proceed to the consideration of the Questions of Privilege raised earlier by Senators Tkachuk and Kinsella.

• (1900)

Hon. Jean-Maurice Simard: Honourable senators, I have a point of order. Since the Senate has dealt with the Orders of the Day, I would suggest that two motions be debated.

Senator Kinsella: They follow Orders of the Day.

Senator Carstairs: Yes, that is later.

The Hon. the Speaker: We are dealing with the "Orders of the Day" as contained in the *Rules of the Senate of Canada*. Inquiries and motions will be dealt with after the questions of privilege.

CANADA PENSION PLAN INVESTMENT BOARD BILL

PUBLICATION OF CRUCIAL DOCUMENT—
QUESTION OF PRIVILEGE

Hon. David Tkachuk: Honourable senators, I have given written notice to the Clerk of the Senate and I raised this question of privilege orally yesterday in the Senate. I must apologize in that, for the first page or so, I will repeat myself. I got a little carried away yesterday when I was giving my notice.

This question of privilege arises out of two related actions of the Government of Canada which, when taken together, resulted in the Parliament of Canada and honourable senators, including myself, being misled — I would say "inadvertently" but, nonetheless, misled — in relation to a matter arising out of our consideration of Bill C-2.

This arose on December 4, in "Delayed Answers," when I received a response to an oral question that I asked on November 19, 1997. The question was: "Does the government intend to publish CPP withholding tables based on a law that has not yet been approved by the Senate?" I also asked whether the government would mail out the 1997 personal income tax forms that incorporate the 1997 CPP contribution rate increase before the Senate has approved Bill C-2.

The answer was:

The government does not intend to release either the CPP withholding tables or the 1997 personal income tax returns until the Senate has completed its consideration of Bill C-2.

Honourable senators, however, on December 10, 1997, the CPP premium deduction tables, which I have here — that is, the payroll deduction formulas effective January 1, 1998 — were already published by the Government of Canada on its web site. I have here the location of the web site and the actual published tables, which I would like to table with the Clerk.

The Hon. the Speaker: Is it agreed, honourable senators, that Senator Tkachuk may table those documents?

Hon. Senators: Agreed.

Senator Tkachuk: Pursuant to rule 43 of the Senate of Canada, this clearly constitutes a matter directly concerning the privileges of the Senate, of the committee to which Bill C-2 may be referred, and my privilege as a senator who as misled by the government of Canada.

I would argue that this action by the government constitutes a grave and serious breach of privilege, honourable senators, and that the only appropriate remedy for the situation is to have the matter referred as a *prima facie* breach of privilege to the Standing Committee on Privileges, Standing Rules and Orders.

I am rising today and raising this question of privilege. I am asking His Honour to find, a *prima facie* case of privilege under rule 43(12). When it is found, I am prepared to move that the matter be referred to the Standing Committee on Privileges, Standing Rules and Orders for investigation and report.

In dealing with this matter, it is important for us to reflect on what constitutes privilege in this chamber. There is no better explanation of the privileges of Members of Parliament than that contained at page 69 of the 21st edition of Erskine May's *Parliamentary Practice*, which states:

Parliamentary privilege is the sum of the peculiar rights enjoyed by each House collectively as a constituent part of the High Court of Parliament, and by Members of each House individually, without which they could not discharge their functions, and which exceed those possessed by other bodies or individuals. Thus privilege, though part of the law of the land, is to a certain extent an exemption from the general law. Certain rights and immunities such as freedom from arrest or freedom of speech belong primarily to individual Members of each House and exist because the House cannot perform its function without unimpeded use of the services of its Members. Other such rights and immunities such as the power to punish for contempt and the power to regulate its own constitution belong primarily to each House as a collective body, for the protection of its Members and the vindication of its own authority and dignity. Fundamentally, however, it is only as a means to the effective discharge of the collective functions of the House that the individual privileges are enjoyed by Members.

When any of these rights and immunities is disregarded or attacked, the offence is called a breach of privilege and is punishable under the law of Parliament.

Turning to paragraphs 25 and 92 of Beauchesne's Sixth Edition, we find helpful passages on this matter of privilege. At paragraph 25, the Speaker in the House of Commons is quoted. I will only use the latter part of the quote, which states:

In my view, parliamentary privilege does not go much beyond the right of free speech in the House of Commons and the right of a member to discharge his duties in the House as a Member of the House of Commons.

That is from the Debates of April 29, 1971, at page 5338.

At paragraph 92 of Beauchesne's, it is stated:

...a valid claim for privilege in respect to interference with a member must relate to the Member's parliamentary duties and not to the work the Member does in relation to that Member's constituency.

That is also found in the Debates of July 15, 1980, pages 2914-2915.

It is my argument that being deliberately misled by the government of Canada in relation to a bill which we are in the process of debating is an interference with my parliamentary duties and fundamentally and detrimentally affects my rights and the rights of all senators to discharge our duties as members of the Senate.

In support of my argument today, I would refer to two similar matters which arose in the other place. The first is an incident which occurred in November of 1978 and is reported in the *Debates of the House of Commons* on November 9, 1978, on pages 9646; and again on December 6, 1978, on pages 1856-1857.

On November 3, Mr. Lawrence from Northumberland—Durham raised a question of privilege and charged that he had been deliberately misled by a former solicitor general. Acting on behalf of a constituent who suspected that his mail had been tampered with, in 1973 Mr. Lawrence had written to the then solicitor general, who assured him that, as a matter of policy, the RCMP did not intercept the private mail of anyone. However, on November 1, 1978, in testimony before the McDonald commission, the former commissioner of the RCMP stated that they did indeed intercept mail on a very restricted basis and that the practice was not one which had been concealed from ministers. Mr. Lawrence claimed that his statement clearly conflicted with the information he had received from the then Solicitor General some years earlier. Extensive argument was presented the same day. The Speaker made a preliminary ruling on November 9 in which he disposed of certain issues respecting the question of privilege and in which he also deferred his decision on other aspects of the case which he had not been able to resolve to his satisfaction.

Here, the Speaker found a *prima facie* case of contempt of the House of Commons. Equally as important for our purposes, he found that the letter from the Solicitor General to Mr. Lawrence could be considered a proceeding in Parliament for the purpose of privilege.

The second case which I wish to draw to the attention of honourable senators is reported as the Speaker's decision on December 10, 1989, which has a little more relevance and is more closely connected to what occurred here. This is found in the *Debates House of Commons*, pages 4457 to 4461, on October 10, 1989.

This case involved the Department of Finance, the same government department which is involved in Bill C-2. In the case in 1989, the Department of Finance published in newspapers across the country an advertisement which stated:

On January 1, 1991, Canada's Federal Sales Tax System will change. Please save this notice. It explains the changes and the reasons for them.

Senator Gigantès: What year was that?

Senator Tkachuk: The ad was placed in 1989 but this relates to January 1, 1991. I am reading that ad.

The question of privilege raised in this case was that this advertisement was published while the matter was still in the House of Commons. It was argued that the advertisement prejudiced the future proceedings of the house and the Finance Committee, which had undertaken a technical study on the subject. Second, it is argued that it leaves the reader to infer that the House of Commons has no role in the passage of the tax.

• (1910)

While the Speaker did not find that the privilege of members had been breached by the action of the Department of Finance, he did make some comments on the actions of the department which should be repeated here today. I will get to how this relates even more directly to me.

In concluding his judgment that, on balance, there was not a *prima facie* case of contempt, the Speaker said, as reported at page 4461 of Hansard:

I want the House to understand very clearly that if your Speaker ever has to consider a situation like this again, the Chair will not be as generous. This is a case which, in my opinion, should never recur. I expect the Department of Finance and other departments to study this ruling carefully and remind everyone within the Public Service that we are a parliamentary democracy, not a so-called executive democracy, nor a so-called administrative democracy.

This advertisement may not be a contempt of the House in the narrow confines of a procedural definition, but is, in my opinion, ill-conceived and it does a great disservice to the great traditions of this place. If we do not preserve these great traditions, our freedoms are at peril and our conventions becomes a mockery. I insist, and I believe I am supported by the majority of moderate and responsible

members on both sides of the House, that this ad is objectionable and should never be repeated.

Honourable senators, they have done it again. It took the Department of Finance eight years to repeat the same mistake that Speaker Fraser spoke of, but they have done it again. They have published a document which presumes that the Senate will pass Bill C-2. This is a situation that Speaker Fraser said should never recur.

This information was disseminated in direct contradiction to the question that I asked and which was answered by members of the government. It was probably inadvertent. I am concerned that they treat us with such contempt that even their own ministers are not giving the right information to other members of Parliament.

We on both sides have an interest in a stiff ruling on this matter. This should never happen to a member. I should never have to worry that, when I receive a written response from the Government of Canada, it might be in direct contradiction to what is actually happening at that very moment, especially when it concerns a bill that has not yet been decided on by the Senate of Canada. Yet they were already advertising as if we have nothing to do with this legislation. We can all attest to the fact that we do have something to do with this legislation. We were here today discussing this legislation. However, the ads are out and the tables are published, as if this legislation were passed and had received Royal Assent.

I think the case is much more blatant than the one before Speaker Fraser. This constitutes a breach of privilege, a *prima facie* case of privilege, with which the Speaker must deal. If we are to carry out our work effectively as parliamentarians, we cannot be the object of misleading statements by the government.

Therefore, I believe my privileges as a senator and the privileges of all senators have been breached by this action, and upon the Speaker finding there is a *prima facie* case, I am prepared to move the appropriate motion.

Hon. Sharon Carstairs (Deputy Leader of the Government): Honourable senators, Senator Tkachuk has raised a very important issue in this chamber. There is never a more important issue before a legislature, the Senate or the House of Commons than a matter of privilege because we all depend on matters of privilege for our rights within our respective assemblies.

Senator Tkachuk has stated that he believes his privileges as a senator have been prejudiced, as he feels he was deliberately misled in a delayed answer to a question. I do not think, however, that that is correct. Honourable senators, neither the Department of Finance nor Revenue Canada has published the T427(e) payroll deduction formulas for computer programs.

Senator Kinsella: I have a copy right here.

Senator Carstairs: Nothing has been sent on paper to anyone, not to the regional tax centres and not as any part of any mail outs. No ads have been taken out.

Where Senator Tkachuk, however, is quite correct is that the formulas were available briefly for a few days on your computer monitor if you accessed the Revenue Canada Internet site. Therefore, there was no publication by the government in this case, and I do not believe the privileges of honourable senators were breached. It was a mistake. There was no intent to make it public. Revenue Canada has corrected the error and has apologized.

I would like honourable senators to know that those tables that are still on the Internet site now carry a disclaimer which states:

This publication contains proposed changes to the Canada Pension Plan for 1998, as provided in Bill C-2. This Bill is currently before the Senate of Canada, and if passed as proposed, will become law.

Honourable senators, I would like to table this letter if possible, from K.M. Burpee, the Assistant Deputy Minister, Assessment and Collections Branch.

The Hon. the Speaker: Is it agreed that the Honourable Senator Carstairs may table the letter?

Hon. Senators: Agreed.

Senator Carstairs: When Senator Tkachuk's delayed answer was tabled, it was accurate.

Honourable senators, the case which Senator Tkachuk addresses, that of October 10, 1989, is a very interesting one. It clearly stated:

The Ministers of Justice and of Finance have said to the House that the intent of the ad was to inform Canadians. Members are well aware of our practice of accepting the word of an honourable member of the House. In accepting the minister's explanation, the question of intent is answered and, accordingly, some of the Chair's doubts are dispelled. The intent of the ad was not to diminish the dignity of the House. It is difficult to find *prima facie* contempt.

I would suggest, honourable senators, that the same applies here. There was no intent and, in this case, there was indeed no ad. It was not intended to diminish the dignity of the house and it has since been corrected.

The Hon. the Speaker: Honourable senators, in view of the fact that the advice regarding a question of privilege to be raised by the Honourable Senator Kinsella is similar to the one of Senator Tkachuk, I propose to hear Senator Kinsella now and then rule on both after.

Is it agreeable, honourable senators?

Hon. Senators: Agreed.

Hon. Noël A. Kinsella (Acting Deputy Leader of the Opposition): Honourable senators, my question of privilege arises out of two related actions of the Government of Canada which, when taken together, amount to a contempt for the Parliament of Canada, in particular the Senate of Canada and a breach of the privileges of all members of the Senate.

Honourable senators, on December 10, 1997, the T4127(e) payroll deductions formula for computer programs effective January 1, 1998 were published — I repeat, were published — by the Government of Canada. I have here a copy of that published document, which is entitled, "T4127 Payroll Deductions Formulas for Computer Programs — 67th Edition — Effective January 1, 1998."

Honourable senators, after the table of contents, the bottom of page 3 provides as follows:

[Translation]

The French version of this publication is entitled "Formule pour le calcul informatisé des retenues sur la paye," 67th Edition.

[English]

On page 4 under "General Information," it states:

The information contained in this publication replaces the 65th and 66th Editions of the *Payroll Deductions Formulas for Computer Programs* and is effective January 1, 1998.

• (1920)

It is quite explicit that this is a publication. I have a copy of this publication. I wish to table this document because it has been published and its publishing is the essence of the contempt of Parliament which I shall now address.

With the permission of honourable senators, I would table this document.

The Hon. the Speaker: Is leave granted, honourable senators, for Senator Kinsella to table the document?

Hon. Senators: Agreed.

Senator Kinsella: Honourable senators, that publication constitutes a matter which directly concerns the privileges of the Senate and, in fact, does constitute a contempt of Parliament. The only appropriate remedy for such a contempt is referral of this matter to the Standing Committee on Privileges, Rules and Orders.

In pursuing this matter, I am requesting that, pursuant to rule 43(12) of the Senate, the Speaker rule that a *prima facie* case of breach of privilege has been made out. When that occurs, I am prepared to move a motion that the matter be referred to the Standing Committee on Privileges, Rules and Orders for an investigation and report.

In matters such as these, it is important to reflect for a few moments, honourable senators, on what constitutes a contempt of Parliament. Erskine May, in the Twenty-first Edition states, at page 115, under the heading of "Contempts":

Generally speaking, any act or omission which obstructs or impedes either House of Parliament in the performance of its functions, or which obstructs or impedes any...officer of such House in the discharge of his duty, or which has a tendency, directly or indirectly, to produce such results may be treated as a contempt even though there is no precedent of the offence. It is therefore impossible to list every act which might be considered to amount to a contempt, the power to punish for such an offence being of its nature discretionary.

Honourable senators, by publishing the document which I have now tabled in this chamber before the enactment of Bill C-2, the government is pre-judging the work of the Senate and of its committees. I submit that this constitutes a very serious contempt of the Senate and of the Parliament of Canada.

I would like to draw your attention, honourable senators, to page 216 of the Second Edition of Maingot's *Parliamentary Privilege in Canada* which states:

Contempt cannot be codified: contempt has no limits. This is why it is said that the "privileges" of the House cannot be exhaustively codified; there are many acts or omissions that might occur where the House would feel compelled to find that a contempt has taken place, even though such acts or omissions do not amount to an attack or a disregard for any of the enumerated rights or immunities...

As the Speaker said, "...the dimension of contempt of Parliament is such that the House will not be constrained in finding a breach of privileges of Members, or of the House. This is precisely the reason that, while our privileges are defined, contempt of the House has no limits. When new ways are found to interfere with our proceedings, so too will the House, in appropriate cases, be able to find that a contempt of the House has occurred.

Honourable senators, I wish to also draw your attention to a ruling of Speaker Fraser on October 10, 1989, at page 4461 of the Hansard of the other place. That case involved the Department of Finance, the same government department which is involved in this bill. I think that is relevant. The same Ministry of Finance chastised in the 1989 case to which I just alluded is now involved in the case that I am bringing to your attention.

In that case, the Department of Finance published in newspapers across the country an advertisement to which reference has been made by Senator Tkachuk. A question of privilege was raised in that case that the advertisement was published while the matter was still in the House of Commons. It

was argued that the advertisement prejudiced the future proceedings of the house and the finance committee which had undertaken a technical study on the subject and, second, it left the reader to infer that the House of Commons has no role in the passage of the tax.

While the Speaker in this case did not find that the privilege of members had been breached by the action of the Department of Finance, he did make very important comments on the actions of the department which Senator Tkachuk has read into the record and which I shall not repeat.

Honourable senators, as my colleague Senator Tkachuk concluded in addressing the personal breach of privilege, and I agree: They have done it again. The Department of Finance has again published the document which I tabled here, a document which presumes that the Senate will pass Bill C-2. This is the situation which Speaker Fraser has said should never recur. He told the same Department of Finance that this kind of situation should not happen again.

It is my submission that the time has come for the Speaker to adopt the doctrine found at page 227 of Maingot. In the final analysis, in areas of doubt, the Speaker should simply ask: Does the act complained of appear at first sight to be a breach of privilege?

To put it simply: Do I, as a member, have an arguable point? If the Speaker has any doubt on the question, he should leave it to the house. It is my view that the actions of the Government of Canada in this matter do constitute a breach of privilege, a contempt of Parliament. I believe a *prima facie* case has been established. Upon the Speaker of the Senate finding that there is a *prima facie* case, I am prepared to move the appropriate motion.

Hon. Sharon Carstairs (Deputy Leader of the Government): Honourable senators, there seems to be some dispute on the floor with respect to publishing and printing. Perhaps Senator Kinsella can inform the house as to whether he actually received a copy that was printed off of the Internet site? It is quite clear that this document is on the Internet site called "What's New," a site of the Department of Revenue.

I have asked the question a number of times on whether this document has been published, in the usual sense of the word — hard copies, ready for mailing to employers throughout the country. I have been assured that nothing has been sent out on paper to anyone, not even to the regional taxation centres.

These draft formulas were authorized under the Minister of National Revenue's regulatory powers. In order to provide the tables to employers on a timely basis, it is sometimes necessary to prepare the tables. This was done consistently, both at budget times and on other major legislative changes, under the previous government's administration. It would be, in my view, irresponsible for a minister not to make some preparation for the possible passage of legislation.

Senator Simard: But not to mislead Canadians.

Senator Carstairs: However, it is not appropriate, and I agree, to produce it in hard copy and distribute it throughout the land.

I also think it is appropriate, if such documentation is put on an Internet site, that it receive the disclaimer that has now been attached to the Internet site with respect to the passage of Bill C-2.

Therefore I urge you, Your Honour, to examine this matter carefully. We await your decision.

• (1930)

The Hon. the Speaker: Do any other honourable senators wish to speak to the question of privilege?

Hon. Nicholas W. Taylor: Honourable senators, I certainly agree that it is annoying to be taken for granted. Generally speaking, this is where I think the quotations from Erskin May go wrong. Any privilege there refers to the House of Commons, not the House of Lords. The Senate nearly always gets bills that have been passed in the Commons. They are out circulating around. In fact, quite often, the Senate encourages a certain amount of circulation of the bills to get better input from the investigation processes they go through in committee. It is not quite the same thing to compare the House of Commons with the Senate.

I realize that only the Senate assembled can decide whether privilege has been breached. His Honour's job is to recognize only if there is a *prima facie* case to refer this matter to committee. My understanding of privilege has always been the ancient one where someone with a sword barred you from coming into the chamber so that you could not work. It is very questionable in my mind whether privilege is involved in a case of contempt, if you want to call it that.

If you examine the *Rules of the Senate* on page 47, rule 43 states:

(1) The preservation of the privileges of the Senate is the duty of every Senator... However, to be accorded such priority, a putative question of privilege must meet certain tests. It must, *inter alia*,

(c) be raised to seek a genuine remedy, which is in the Senate's power to provide.

In other words, there is no use considering a question of privilege unless we have the power to provide the remedy and for which no other parliamentary process is reasonably available.

Honourable senators, I submit that this must be looked at carefully when His Honour makes his decision.

Let us bounce over to *Beauchesne's Parliamentary Rules and Forms*, 6th Edition, citation 27, which states:

A question of privilege ought rarely to come up in Parliament. It should be dealt with by a motion giving the House power to impose a reparation or apply a remedy.

Once again, we hear "represent" and "remedy."

Citation 28 states:

...it is clear that many acts which might offend against the law —

and certainly some senators were offended

— or the moral sense of the community —

and, of course, with a senator who spends most of his time in Mexico, we might have trouble convincing the community that our moral sense has been bothered —

— do not involve a Member's capacity to serve the people who have chosen him as their representative nor are they contrary to the usage or derogatory to the dignity of the House of Commons.

Citation 31(9) states:

The failure of the Government to comply with the law is not a matter for the Speaker, but should be decided by the courts.

In other words, if they did indeed break the law, it is a court matter, not a privilege.

Finally, citation 62 states:

The Speaker stated: "...in the context of contempt, it seems to me that to amount to contempt, representations or statements about our proceedings or of the participation of members should not only be erroneous or incorrect, but, rather, should be purposely untrue and improper and import a ring of deceit.

I think senators overstate their position in the scheme of things if they think the Government of Canada is after them with improper and untrue statements with the ring of deceit. Although I sympathize, I think we are a long way from privilege.

Senator Tkachuk: Honourable senators, His Honour will have an interesting ruling here because it involves the question of publication on a website. It is a publication.

I wish to table the answer I received. I received the answer on December 4, the written response, and I found the publication on the website on December 10. Obviously, they had to be working on it while they were telling me that the government does not intend to release either the CPP withholding taxes tables or the 1997 personal income tax returns until the Senate has completed its consideration of Bill C-2.

Publishing the withholding tables was not for the purpose of information; those tables should be published so they can be used. Those tables are downloaded by suppliers that supply businesses. Businesses put them on their computers, and they are now able to generate payrolls on January 1, 1998, with the new tables.

These tables had not yet been approved by the Senate. The publication was real and was being used. You may not need to print these publications in the future at all. All we have to do is put them on a website and businesses will pick them up. We do not have to make copies, mail them and print them. The same is true of income tax forms. Most income tax forms now are filed electronically by an accountant. You do not file a piece of paper. You are required to keep your pieces of paper in case they want to check you out. However, this is a true publication.

Honourable senators, we should all be concerned. When we receive a written response, we should not be hiring detectives to find out if it is true. We must be able to trust the truth of what is being told to us.

Honourable senators, this is a question of privilege and a very important one.

Hon. John Lynch-Staunton (Leader of the Opposition): I would like to help Your Honour to appreciate exactly the significance of the two points of privilege.

“Publication” according to the Shorter Oxford is the action of publishing or that which is published; the action of making publicly known; public notification.

The Internet is becoming more and more the most important source of information available. Over 80 pages came off the Internet before the bill had been passed by the Parliament of Canada and given Royal Assent. It is very clear on page four of the publication, 97-12-17 “The information contained in this publication...” There is no disclaimer here. The disclaimer came in a hurry after they were found to be not only irregularly and prematurely published, but in contempt of Parliament. This is what we are talking about. It affects the rights and privileges of all senators and members of the House. This information or any information should not appear and be distributed, even if it is regarded as instructions, before any bill is given Royal Assent. That is what we are talking about.

The Hon. the Speaker: Honourable Senator Tkachuk, you indicated that you wished to table a letter, I believe.

Senator Tkachuk: Yes.

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

Hon. Senators: Agreed.

• (1940)

The Hon. the Speaker: Honourable senators, if no other senator wishes to speak on the two points of privilege, I have listened very carefully to what has been said. I want to thank the senators who participated. I agree completely that questions of privilege are extremely important. In order to ensure that the ruling is indeed a fair and proper ruling, I propose to take the matter under advisement.

BUSINESS OF THE SENATE

Hon. Anne C. Cools: Honourable senators, I rise on a critical point of order which concerns us all. I have been reviewing the blues from today’s proceedings regarding Bill C-16. I have consulted with Senator Carstairs and a few other senators. According to my reading of the blues, Bill C-16 has not been passed, even though members of the chamber are currently of the belief that it has been. It was not given third reading.

The Hon. the Speaker: Honourable senators, we can check with the table, where the records are kept.

Senator Cools: I have the record in my hand.

The Hon. the Speaker: The blues are not the final record. The blues, as honourable senators know, can be corrected and honourable senators are invited to correct them. The record is kept at the table when motions are made.

I am informed by the table that the bill was given third reading.

Senator Cools: Perhaps we can review this, Your Honour. According to this record there was enormous confusion. Basically, Bill C-16 was never passed. I would think that Your Honour and members of the Senate would be concerned to look into this matter.

Perhaps we could review the blues. Perhaps we could get some copies of them. I do not think, Your Honour, it is sufficient simply to say it was passed, because that is the point of order I am raising.

The Hon. the Speaker: Honourable Senator Cools, I am assured by the Table that the motion was passed and that the blues do not reflect what did happen.

Senator Cools: Your Honour, I ask you to at least let me put some of what I perceive to be the problem on the record. Perhaps senators could discuss it. From what I see here, there was some confusion when Senator Lewis rose to speak. There was enormous confusion. Your Honour keeps asking to revert and people are saying “yes” and “no” but there was no need to revert because Senator Lewis had been interrupted and never had the opportunity to finish what he had to say.

The Hon. the Speaker: Senator Cools, I am sorry. The motion was read and clearly read. There was a question raised about reverting. I asked whether the Senate was prepared to revert and someone said “no.” However, there is no question that the motion was read.

Senator Cools: That is my point. When you were asking whether there was unanimous consent to revert, there was no need to revert to anything because the question was still —

The Hon. the Speaker: I am sorry, Honourable Senator Cools. The motion was moved. I made the motion very clear and no one stood to speak. That is the reason I said "carried." It is true that Senator Lewis subsequently stood to speak, but the motion had been moved and carried. That is when I asked whether there was agreement to revert. I asked that three times, as a matter of fact. I thought I was an auctioneer. The fact is that the answer given was "no." I am sorry, Senator Cools, but your point of order is not valid.

INCOME TAX ACT

MOTION PROPOSING AN AMENDMENT—DEBATE ADJOURNED

Hon. Michael A. Meighen, pursuant to notice of December 15, 1997, moved:

That the Senate urges the Government, in the February 1998 Budget, to propose an amendment to the *Income Tax Act* that would increase to 30%, by increments of 2 per cent per year over a five-year period, the foreign property component of deferred income plans (pension plans, registered retirement savings plans and registered pension plans), as was done in the period between 1990 to 1995 when the foreign property limit of deferred income plans was increased from 10 per cent to 20 per cent, because:

(a) Canadians should be permitted to take advantage of potentially better investment returns in other markets, thereby increasing the value of their financial assets held for retirement, reducing the amount of income supplement that Canadians may need from government sources, and increasing government tax revenues from retirement income;

(b) Canadians should have more flexibility when investing their retirement savings, while reducing the risk of those investments through diversification;

(c) greater access to the world equity market would allow Canadians to participate in both higher growth economies and industry sectors;

(d) the current 20 per cent limit has become artificial since both individuals with significant resources and pension plans with significant resources can by-pass the current limit through the use of, for example, strategic investment decisions and derivative products; and

(e) problems of liquidity for pension fund managers, who now find they must take substantial positions in a single company to meet the 80% Canadian holdings requirement, would be reduced.

He said: Honourable senators, I am pleased to rise today in support of the motion sponsored by myself and Senator Kirby

urging the Senate to ask the government, in its February 1998 budget, to propose an amendment to the *Income Tax Act* that would increase to 30 per cent, by increments of 2 per cent per year over a five-year period, the foreign property component of deferred income plans; that is to say, pension plans, registered retirement savings plans and registered pension plans. This motion is an extension of what was done in the period between 1990 and 1995 when the government increased the foreign property limit of deferred income plans from 10 per cent to 20 per cent.

Since this motion before us today concerns the vast majority of the Canadian public, it outlines, in plain language, the five reasons for the proposed increase. I will spare honourable senators a repetition of those reasons, which are printed in Hansard.

I will briefly explain the origins of this motion and what it hopes to achieve.

In 1990, the party which I represent moved to increase the 10-per-cent foreign property component of deferred income plans over five years in increments of 2 per cent a year, as we are proposing today. In 1995, the party of my colleagues across the chamber completed the process, and today the foreign property limit stands at 20 per cent.

I say this to emphasize that this matter is not one of political ideology; it is about real people. I will not speculate on the policy rationale for the foreign property rule. Rather, I will simply say that the decision to relax the limitation is justified on the grounds that opportunities for Canadians to increase the value of retirement savings lie in the global equity market. I believe this is as true today as it was in 1990, perhaps even more so.

In August 1996, the Standing Senate Committee on Banking, Trade and Commerce released its reports entitled "Corporate Governance" following a lengthy study of proposed changes to the Canada Business Corporations Act. The committee, under the chairmanship of Senator Kirby, made 27 recommendations, the final one being that the government look at the foreign property rule with a view to phasing out this restriction in the near term.

The testimony leading to this recommendation was impressive and related to the role of institutional investors in Canada's capital markets which the Banking Committee is now studying. Mr. Tom Allen, a director of several companies who testified on behalf of the Toronto Stock Exchange, summarized the situation as follows:

...we have foreign property rules in this country which oblige us to keep certain percentages of our funds in Canadian securities. The universe of securities which qualify for those investments is so small compared to our funds which are so large...

Other witnesses, such as the President of the Ontario Municipal Employees Retirement Board, Mr. Dale Richmond, also spoke out against such tight restrictions. He said:

...we must invest 80 per cent of our funds in the Canadian market and can only invest 20 per cent in the rest of the world. The Canadian market is only 3 per cent of the capitalized markets of the world and we have a fiduciary and trustee requirement to produce returns, however we are limited to investing in a small part of the investible capital of the world... The foreign property content rule really skews our investment process away from the objectives that we have mandated by trust and fiduciary law and the statutory rules under which we operate and it does it for reasons that are totally unrelated to the issues of prudence or safety in pension management.

The then chairman of the Ontario Securities Commission, Mr. Edward Waitzer, raised similar arguments. He said:

Canada is not a major market. If you look at the Morgan Stanley index today, Canadian equities represent less than 2 per cent of global equity capitalization.... The foreign property rule is the kind of thing that leads people outside our markets to take the Canadian marketplace less seriously. It is completely out of step with global...

In the end, the Banking Committee unanimously supported the view that the government should quickly phase out the foreign property rule.

In October of this year, an impact study of the foreign property rule prepared by Ernst & Young was released. The study found that a 30-per-cent foreign property limit over the last 25 years would have allowed Canadian investors to earn up to 1.6 per cent more per year on their retirement savings portfolios.

• (1950)

The cumulative impact of this is, of course, enormous; for an average investor it means the loss of \$32,000 in capital at retirement. Thus the existing rule merely makes some Canadian seniors poorer than they would otherwise be. In other words, an RRSP with 30 per cent foreign property would be \$32,000 larger at retirement for an average investor than possible under the current 20-per-cent limit.

A few weeks ago, the Banking Committee began its study on institutional investors and was again barraged with requests to either increase or eliminate altogether the foreign property rule. The individuals and organizations making such pleas were those involved in managing the bulk of retirement savings in Canada: The Pension Investment Association of Canada, representing pension funds, and The Investment Funds Institute of Canada, representing mutual funds.

In view of the overwhelming nature of the evidence presented, it was my initial intention to draft a Senate bill, to ask members of the Senate Banking Committee to give the bill unanimous support, and then to seek the support of all members of the Senate. I decided, however, that while such a bill would probably receive widespread support here and in the other place — and I remind honourable senators that the Finance Committee in its

pre-budget study supported what is contained in this motion — it might not be the best method of bringing about change in the near term. I retain, however, the right to bring forward the bill if the minister chooses not to take action in February.

It was therefore decided that honourable senators interested in seeing a change to the rule could attempt to influence the government, specifically the Minister of Finance, in his February 1998 budget. I should like to take this opportunity to thank Senator Kirby for agreeing to second this motion and senators on both sides of the chamber who have given us encouragement.

In a position paper by Mr. Keith Ambachtsheer, whose name will become increasingly familiar to you as a consultant and expert in pension plans, the author made the case for increasing the rule as follows:

Over the period 1985 to 1995, the investment revenues foregone due to the foreign property rule have amounted to some \$20 billion for Canadian trustee pension funds alone. Even with the limit raised to the current 20%, the estimated cost of the foreign property rule amounts to \$700 million per year in pension wealth foregone by Canadians. Another way to assess the cost, is to speak about it in terms of lost pension benefits and by that the additional employer contributions necessary to make up these foregone pension benefits putting Canadian employers at a competitive disadvantage. The foreign property rule raises rather than lowers the cost of capital to Canadian issuers of stocks and bonds. Its removal would be a 'win' for Canadian issuers and investors alike.

Globalization of capital is increasingly blurring the distinction between Canadian and foreign investments. Furthermore, the foreign property rule creates disincentives for Canadian suppliers of investment services to become full participants in the global financial markets.

The current Asian crisis further justifies, honourable senators, a relaxation of the foreign property rule since only through diversification can Canadians truly protect themselves from market shocks and business cycles, be they national or multinational in nature. For those who argue that the timing is wrong, I can only say that there never is a perfect time, and that a conservative 2-per-cent increment per year over five years is very unlikely to undermine our dollar. Besides, timing is a matter of perspective, since many investors see opportunity where others do not.

Not only is the foreign property rule inconsistent with Canadian pension fund managers carrying out their obligations, but Canadian investors themselves have provided clear evidence that they valued increased foreign content when the foreign property rule was increased from 10 per cent to 20 per cent from 1990 to 1995. On average, the foreign property content of Canadian retirement plans rose from 9 per cent to 18 per cent during that period.

Honourable senators, I have not heard anyone argue in favour of maintaining the foreign property rule at its current level, or indeed at all for that matter. All the evidence I have heard on the subject favours an increase or elimination. Nevertheless, I do want, in closing, to address possible arguments for maintaining the rule at its current level.

Some may argue that by forcing retirement savings to invest in securities of Canadian issuers creates net benefits for Canada in the form of capital investment and job creation that would not otherwise occur. There is no clear evidence, honourable senators, that this is true. The facts are that the existence of the foreign property rule increases the cost of capital in Canada and increases the employer cost of providing pension benefits. Anyway, doing this at the expense of the millions of Canadians whose retirement income depends upon the ability of pension fund managers to maximize those returns at an acceptable level of risk is inappropriate.

Others may argue that the use of, for example, derivative products can easily bypass the foreign property rule. However, as honourable senators know, not all individuals and pension managers have sufficient resources and knowledge to use investment tools such as derivatives. Furthermore, not all foreign markets have traded futures contracts. Some investors may not want to use derivatives contracts as part of their investment programs. As well, many fiduciaries view additional foreign exposure beyond the present foreign property limit as contrary to the letter of the law and so do not use derivatives.

Over the past five years, the foreign property limit was increased from 10 per cent to 20 per cent and the inflow of financial capital has been two to three times greater than the resulting outflow of investment capital, as foreign investors continue to purchase Canadian debt and equity securities. I say to all honourable senators that we are a country with stable, mature capital markets capable of attracting capital.

Honourable senators, I wish to emphasize two points. First, increasing the limit by two percentage points per year in no way would disrupt Canada's capital markets. Second, all evidence points to a natural foreign property ceiling in Canadian pension funds and mutual fund-based RRSPs of between 28 per cent and 30 per cent. It is not surprising that most investments would be made in the home market since that is where the knowledge is the greatest.

Honourable senators may be interested to learn that in comparison to Canada's 20-per-cent foreign property limit, our major trading partners, the United States and the United Kingdom, have no constraints on foreign investments by pension funds and that Japan has a current limit of 30 per cent.

Honourable senators, the allocation of the retirement savings of Canadians is clearly a marketplace activity. Canadians should be as free as possible to invest their retirement savings as they see fit. The retirement plans covered by the foreign property rule are the primary means by which Canadians prepare for their retirement.

The foreign limit needs to be increased to permit Canadians to further diversify their holdings and maximize their investment returns in order to provide for a financially secure retirement. Clearly, there is a widespread national consensus. I want to be clear in closing: Investment opportunities abound in our capital markets and Canadians and foreigners alike continue to seek value here in Canada, but unnecessary coercion is both inappropriate and counter-productive.

Therefore, I ask all honourable senators to support this motion urging the government to deal with this matter in its February 1998 budget.

Hon. Philippe Deane Gigantès: Honourable senators, I should like to ask Senator Meighen a question, which is also a favour. Could he please take into account the rather numerous people like me who may be ignorant but who have been dragged into the world of Thatcherism and globalization, kicking and screaming, and who have a vision that is different from his because we meet different people? I do not know anyone who is very rich, except for Senator Kolber who gave me a dollar tonight when I said that I was poor.

I have read Milton Freedman, and he says that if a business person says to you he is interested in anything else other than maximizing his profits, he is either lying or cheating his investors.

• (2000)

The honourable senator is asking people like me — and there are many of us — to believe that it is better to take Canadian money and invest it abroad rather than invest it in Canada when MPs are telling me that small businesses in Canada, some of them promising, are trying to seek investors and cannot find them.

So that I might join in what you say is good, I beg you to give me some weapons. I do not doubt that the people with golden parachutes like the idea of investing abroad. Had I borrowed money to invest in Korea, I would be broke today, twice — not only because I would have lost my money, but I would have had to repay the loan.

Explain it in terms that we who are old fashioned, not yet totally globalized and who still think of Mrs. Thatcher with some hesitation, might understand. You have not done that. The evidence you have given me is evidence from very rich people. I do not understand rich people because I am very poor. I only have my pension and salary.

The Hon. the Speaker: Honourable senators, I must advise you that the 15-minute period for speech and questions is over. Is leave granted to continue?

Hon. Senators: Agreed.

Senator Gigantès: You do not have to answer that question now.

Senator Meighen: Honourable senators, I will be brief.

With respect, Senator Gigantès, you are missing the point. I am not a businessman and never have been. The people I am talking about here are people who have invested their lifetime earnings in retirement plans. They, along with the people they have hired to manage their money to ensure a comfortable and dignified retirement, are saying that they simply wish to have the right to invest more of those moneys in places other than Canada.

Do not shake your head. That is what they are asking. They may be right or wrong. You may agree or disagree. The fact of the matter is, they are asking for the right to put their money where they see fit. That would have given you the right to have your retirement funds placed in Korea, if you so decided. You could also have put more than 20 per cent in the United States, which happens to be doing rather well of late.

The point is that it gives the right to diversify. The money managers whose writings I have read all agree that that is the best way to secure your returns. If you put all your eggs in one basket, you are running a much higher risk than if you spread them.

Senator Gigantès: Honourable senators, I suggest that, therewith, we must find ways of explaining to those of us who do not move in those circles, find ways of telling us and convincing us by argument that we would understand.

When the honourable senator talks to me about managers of pension funds who handle billions, I do not know these people. However, they make mistakes. We know that. If there are businesses in Canada that are begging for capital and cannot find it, I do not see why we should send capital abroad.

The honourable senator says I missed the point. I agree that I missed the point. I am asking him to find some way of convincing me that I am wrong.

Hon. Nicholas W. Taylor: Honourable senators, if I may jump into the debate, I hesitate to get into the same swimming people with two such able, financial sharks as Senator Meighen and Senator Kirby, but I am a lot older than either of you. Shades of Walter Gordon and Canadian nationalism still ring and bounce around in my mind a certain amount. This may be Senator Gigantès' problem, too.

I have a similar problem in that we are talking here now about plans officially sanctioned by the government. We are not stopping anyone not in a registered plan from investing in Korea or the Philippines, or anywhere else.

I stand to be convinced. I will make two or three points and then, Senator Kirby, perhaps you can explain them to us. I think people are starting to get the idea that I am a night person. I like to sleep until nine o'clock and then I am able to continue.

Senator Gigantès made an important point. Government authorized programs such as income tax, RRSP, and all the other official plans, provide you with money in Canada. Therefore, you

should have to spend it in Canada. You should have to make it available to Canadian capitalists to borrow. If we are not having enough money borrowed from those plans so that we are now looking abroad, it may well be that our own tax laws are not structured properly. Perhaps they should make some more of this money available to our farmers and small businessmen, and so on. Perhaps that is what is wrong. That is what we should be doing instead of giving them the right to jump across the border to spend.

I take an opposite view of the interpretation from what the honourable senator took, in that if opportunities are not existing in abundant quantity for registered pension plans in Canada, perhaps the government should be taken to task for not making more openings for Canadians to use the money.

Second, Senator Meighen mentioned that the witnesses before the committee all suggested foreign investment. They should, because if a local adviser tells Senator Gigantès or myself to invest in Imperial Tobacco or the tar sands plants in northern Alberta, we have a rough idea about them and we know what they are talking about. However, when you start saying that you should get in on the peanut oil rush in southern Patagonia, we are suddenly stuck with depending on some outside investor. Consequently, I am not too sure whether this recommendation is nothing more than an effort to enlarge the fees earned by people who will tell us where to spend this money abroad.

I have an awful time deciding upon where to invest money in Canada. When I go abroad, I must listen to these experts. Are we being trapped by a clever lobby that wants us to hire them to tell us where to put money in peanut oil in southern Patagonia or to sell short on certain types of furs in New Guinea? Is that concern addressed in there?

These are pensions. People spend their lives saving this money. They put their growth away, as the Bible would say. Perhaps it only grows at 1.78 per cent or perhaps at 6 per cent. The point is that the Canadian government can police those investments. What do you do about people who sell you an investment in Korea or in other countries where the Canadian government has little or no power to police your investment? Do not get me wrong. If you are a free enterpriser who is not spending your pension funds you can buy in some of those areas, and I have. What is your argument to counter the fact that foreign investments cannot be policed for quality as investments in Canada can be policed?

• (2010)

Perhaps I am not so full of enthusiasm this late in the evening as I thought I was. Those people who want foreign investments can invest entirely outside their pension funds. The idea of pension funds as funds that are more or less guaranteed by government, through Canada deposit insurance and so on, and all the other things that the federal government has introduced to protect one's pension funds are not available if foreign investments are made although, admittedly, you are only losing 30 per cent.

Senator Kirby was itching to stand up and clear this up for me, but are we being shilled into some sort of scheme to help with the \$200,000-a-year investor consultants, the little gnomes working on Bay Street or over in Switzerland, to try to get us to invest there rather than investing our money right here in farms and small businessmen and in the mines of Canada?

Hon. Leonard J. Gustafson: Honourable senators, I have a few remarks on the investment end of it. It appears to me that what Canada needs now is to have some money invested in this country. I will give some examples of that. On the prairies, especially where the freight rates have changed, we are trying to build added products out of the raw products that we have. There are companies that would like to start up a business feeding cattle or hogs, for example, or doing whatever it is that they do, and they do not have the investment capital to do it. The Canadian investment capital is all going into the United States because it is very profitable to do that.

Senator Taylor: There is nothing like a Canadian pig!

Senator Gustafson: I will give an example: I drove the custom combine route from the prairies right to Texas. In Kansas, I happened to check out the feedlots there. A fellow I met there happened to be with the World Bank. He said, "Where are you from?" I told him that I was from Estevan. He said, "Do you know so-and-so? I was just up there a while ago. An oil company went broke, and I was up there meeting with some of the people." He told me, "We are buying a feedlot near Calgary, Lakeside Feeders, with some 40,000 head." Iowa Beef Producers, the biggest beef producers in the world, bought Lakeside Feeders and enlarged it to 80,000 head. I was thinking of phoning Roy Romanow and saying, "We Canadians should be doing this, but we do not have the capital."

The next thing this same fellow said to me is, "We are looking for a spot in northern Saskatchewan," because, under the freight rates, the conversion rates on livestock are eight to one. Therefore, it is cheaper to move the cattle to the feed than it is to move the feed to the cattle.

What is happening is that American investors, in particular, because we have such a low dollar, are buying up all the things that we as Canadians should be controlling for the benefit of Canadians.

I agree with the minister; this is not the time to expand foreign investment, because we need investment capital.

Hon. Michael Kirby: Honourable senators, I had intended to give a short speech. However, the comments made by Senators Gigantès, Taylor and Gustafson deserve a more detailed reply than I could give at this time of night off the top of my head. Therefore, I move adjournment of the debate.

On motion of Senator Kirby, debate adjourned.

[Translation]

ENERGY

SABLE ISLAND GAS PROJECT—MOTION TO AUTHORIZE ENERGY, THE ENVIRONMENT AND NATURAL RESOURCES COMMITTEE TO EXAMINE AND REVIEW THE PROCESS—DEBATE ADJOURNED

Hon. Jean-Maurice Simard, pursuant to notice of Tuesday, December 16, 1997, moved:

That the Senate of Canada urge the Governor in Council not to give final approval to the project submitted by the consortium that proposed the Maritime and Northeast Pipeline Project until the Government of Canada has fulfilled its obligation to hold full and fair hearings on the proposals submitted by all interested parties, including the TransMaritime Pipeline Proposal, considering the following:

- (a) the natural resources of Canada are the property of all Canadians;
- (b) the needs and interests of Canadians should be considered first and foremost in the exploitation, development and use of Canada's natural resources;
- (c) the recommended Maritime and Northeast Pipeline proposal overwhelmingly favours American interests over the interests of Canadians by channelling 83% of the natural gas extracted from the Sable Offshore Energy Project to the United States, while a mere 17% will be allocated to only two Canadian provinces, Nova Scotia and southern New Brunswick;
- (d) the TransMaritime pipeline proposal places the interests of Canadians first by allocating 64% of the Sable Offshore natural gas to four Canadian provinces, including 34% to Nova Scotia and New Brunswick, as opposed to a total volume of only 36% to the United States;
- (e) the TransMaritime proposal allows the provinces of Ontario and Quebec to benefit from any natural gas from the Sable Offshore Energy Project;
- (f) the TransMaritime Pipeline proposal offers support for Canadian industry and security of energy supplies for central Canada, and offers more Canadians a greater supply of natural gas at a lower cost;
- (g) the TransMaritime Pipeline proposal generates employment opportunities and provides long-term benefits to disadvantaged northern New Brunswick;

(h) the TransMaritime Pipeline proposal will unite Canada, since it sends a positive message of inclusion, security, opportunity, and sharing within the Confederation, to Canadians in four provinces, including Acadians, Quebecers and francophone Ontarians;

(i) the refusal of the Sable Offshore Energy Project Joint Review Panel and the National Energy Board to hear the proposal submitted by TransMaritime Pipeline may seriously prejudice the rights of Canadians in the development and use of their energy resources and may undermine Canada's sovereignty over these resources;

(j) a significant amount of time will not be saved in the development of one pipeline instead of the other; and

(k) deciding the matter without considering all available options may be more damaging than any relatively minor delay that could result from a thorough and fair review;

That the matter of the process undertaken by the Sable Offshore Energy Project Joint Review Panel and the National Energy Board, in recommending that the Maritime and Northeast Pipeline project be allowed to proceed, be referred to the Standing Senate Committee on Energy, the Environment and Natural Resources and that the Committee be authorized to examine and report upon the matter; and

That the Committee present its final report to the Senate no later than February 28, 1998.

Honourable senators, I am rising to speak in this house, for which I have the utmost respect, at a time when we are all getting ready to adjourn for the holidays; and it is probably not necessary for me to explain that I would not be doing such a thing except that the matter I wish to raise is so serious that it demands urgent action on our part.

I do not need to preach a sermon to you on our right and responsibility, as members of the Senate of Canada, to defend the interests of the country's regions and thus to protect the heart of what Canada means.

The Upper House has been called the home of sober second thought, which to my way of thinking means that our role is to try to prevent decisions by the government that are hasty, unsound or motivated by reasons that run counter to the common good, and that would undermine the fundamental values and principles on which this country is built — the values and principles that make our people proud to call themselves Canadians.

The issue that I am raising today is directly and absolutely covered by our mandate. The Sable Island gas pipeline project is not a case where we have to apply second thought to a thinking process already completed somewhere else, but a case where we have to demand that the government actually do a minimum of

thinking about a decision that may cause irreparable harm to this country.

Honourable senators, a country's sovereignty is its most precious attribute. It is not negotiable, and it is certainly not for sale to the highest bidder.

One of sovereignty's primordial principles is that a country's territory is inviolable, that it belongs to the people of that country, and that the people have not only the right but also the duty to defend their territory, and the values and laws it shelters, against any aggression, overt or covert.

When we speak of "our country," we mean the land that by birth or adoption is our home. The land is sacred. It is from the land that we draw the resources that have enabled us to build a prosperous, equitable and fair society whose quality of life is the envy of the whole world.

These natural resources are as inviolable as the territory on which they are found. They belong to the people of Canada, and their exploration, development and marketing are desirable only to the extent that these activities are carried out in the interests of the people of Canada. The interests of the people of Canada must be paramount in any decision affecting our country's natural resources.

When a country agrees to make exceptions to this fundamental principle, when it renounces — even occasionally — its sovereignty over its natural resources, it is simultaneously renouncing, in the more or less long term, all its sovereignty. This is how puppet states are created, countries that make decisions to please the powers that pull the strings.

Honourable senators, Canadians deserve more than to have imposed on them a decision by Mobil Oil and a National Energy Board that is refusing, mysteriously and obstinately, to do its work and to hear from those who might have a better solution, one that gives priority, as it should, to the interests of our country and its people.

The story surrounding construction of the Sable Island gas pipeline would be fantastic if it were not so tragic, and yet approval for that construction is being pushed through in a mad hurry.

When you look at the facts, you can only ask blankly, "What is going on here?"

Honourable senators, what on earth is going on in the heads of the decision makers, for them even to think of risking the loss abroad of a resource as valuable as natural gas? It is a clean and economical energy source that every country in the world would like to have access to.

A region of Canada that has historically been poor and disadvantaged is finally on the verge of being able to reduce its economic dependence on wealthier regions and its energy dependence on foreign sources, or methods that are more

expensive, less efficient and dirtier. The people of the Atlantic provinces, of my region, are finally starting to see the promises come true that have been too often made and broken. And this is the moment chosen to snatch away from them what belongs to them?

On what principles are the National Energy Board and the Sable Offshore Energy Project Joint Review Panel acting when they decide that it would be better to serve the country next door than four of Canada's provinces?

It is startling, you must admit: The Maritime and Northeast Pipeline project, proposed by Mobil Oil and recommended by the National Energy Board, would channel no less than 83 per cent of the natural gas to the United States. Nova Scotia and southern New Brunswick would have to share the 17 per cent that is left.

It is outrageous! It is scandalous! It is a joke! It is a tragedy!

And when a Canadian consortium, consisting, among other partners, of TransCanada Pipelines and Quebec's Gaz Métropolitain, want to submit a proposal, named TransMaritime Pipelines, that would keep 64 per cent of Sable Island's natural gas in the country and moreover distribute it in four provinces, the National Energy Board and the Review Panel simply refuse to hear the submission.

This is irresponsibility made into a system! This is unregulated exploitation, not only of our resources but also of the people of Atlantic Canada. The "National" Energy Board, it calls itself. Of what nation, you may well ask.

What a lovely message is being sent to the Acadians in my region of northern New Brunswick, systematically short-changed by their government's decisions almost every time an economic development issue arises.

Three Acadians, doing research under the direction of Dr. André Leclerc, an economics professor at the Moncton University Edmundston Campus, published a paper last fall showing clearly the tragic and ever-increasing disparities in the Acadian areas of New Brunswick, in stark contrast with the more spectacular economic development in southern New Brunswick. Were the government to approve the decision of the National Energy Board and the Joint Review Panel, honourable senators, especially those from New Brunswick, probably know that disparities will increase.

Are the interests of Americans more important than those of northern New Brunswickers? Is there a law in New Brunswick that only the south of the province is entitled to economic advantages and to a quality of life superior to that enjoyed in the north?

What a lovely message is being sent to the all too many unemployed men and women in the Atlantic provinces, already hard hit by oppressive government policies and cuts, when Ottawa approves the Mobil Oil proposal even though it will provide 5,000 fewer jobs than TransMaritime Pipelines would?

Natural gas is a cheap alternative that might cost up to 15 to 20 per cent less than other fuels. This is a good alternate source of energy. Consequently, for people in northern New Brunswick to see new industries created in various sectors, they need cheaper energy, just like people in the south of the province.

It is hardly surprising that the Premier of New Brunswick is starting to wonder about the real benefits of the Mobil Oil project. It is hardly surprising that he should be at daggers drawn with the Premier of Nova Scotia, who appears content to accept the few extra crumbs that Mobil Oil has doled out to him to encourage him to approve the project.

I suspect that, deep down, all the politicians involved in this decision — who strangely enough, belong to three Liberal governments: Nova Scotia, New Brunswick and the federal government — know very well that the proposal is simply a bad proposal, and the agreement simply a bad agreement.

But they do not dare to do their duty. Why not? What hidden power has drained away their political courage?

And when the MP for my riding, Mr Jean Dubé, asks the Sable Offshore Energy Project Joint Review Panel to reconsider its decision, he is ignored, as are the NDP MP for Acadie—Bathurst, Mr Yvon Godin, and the leader of Mr Godin's party, Ms Alexa McDonough.

This is about what you would expect, given the disdainful attitude of the people on the Review Panel to anyone and everyone who dares to question their God-given right to decide without having done their work first.

The Hon. the Acting Speaker: Honourable senators, the time allocated to Senator Simard has expired. May he continue to speak?

Some Hon. Senators: Agreed.

Senator Simard: They were just as dismissive of the concerns voiced by the Conseil économique du Nouveau-Brunswick — an association with more than 1,000 members — the Edmundston Labour Council, the Association des municipalités francophones du Nouveau-Brunswick, the North-West, Grand-Sault, Woodstock, Chaleur and Restigouche industrial commissions, the chambers of commerce and businesses from all across the north of the province, the New Brunswick opposition parties and the Cape Breton interest groups, which all have serious reservations about the hurried approval of the Mobil Oil proposal.

There is a vivid expression in English for this kind of process: It is called railroading. There could not be a more classic example.

And what about the message we are sending to our compatriots in Quebec? How are we to extol the benefits of Confederation when the federal government endorses decisions that exclude Quebec for no reason at all, indeed in the face of all logic?

I refuse to believe that the decision-makers are deliberately leaving Quebec out, for motives they are afraid to admit publicly. If that were the case, we would no longer be dealing with the building of a pipeline but with the hijacking of natural gas!

On December 9, Quebec's Minister of State for Natural Resources, the Honourable Guy Chevrette, called on the central government to intervene. His Ottawa counterpart, the Honourable Ralph Goodale, replied:

You will agree that the Government of Canada should not interfere in or hamper a regulatory process that provides for a fair, impartial, transparent and independent review of pipeline projects.

As I told Mr. Goodale, this is surely a joke, and a joke in bad taste at that! How can anyone talk about fairness, impartiality and transparency with the National Energy Board displaying a bunker mentality — hiding behind its power to make us swallow a decision that endorses unfairness and oozes partiality toward special interests, which are certainly not those of Canadians?

Mr. Goodale claims that the federal government cannot:

...tell the National Energy Board how it should evaluate competing proposals.

In other words, it is washing its hands of the whole thing, just as Pontius Pilate did when the Lord Jesus was crucified.

The Liberal government in Ottawa has been quick to forget the recent crisis over the Monfort Hospital. Last June, I brought forward a motion on this issue, when Mr. Chrétien adjured the Premier of Ontario Mike Harris to intervene in the decision of an independent commission. I sided with the government on that occasion because the cause at issue meant too much to all Canadians for elected representatives of the people to shrug off their responsibilities. Governments are elected to govern, not to leave difficult decisions to public servants and commissioners.

Over 10 years ago, the federal government spent \$1.5 billion on oil exploration off the coast of Nova Scotia. One and a half billion dollars of Canadians' money, and now the government that Canadians trusted enough to elect democratically is refusing to get involved in the outcome of their investment. One and a half billion dollars to exploit natural gas reserves for the primary benefit of Americans. Shame!

So I ask you once again, what is going on here?

If only the National Energy Board's sense of urgency were justified by unreasonably tight deadlines. If only we were able to make the case that taking the time to hear the TransMaritime Pipelines proposal would be detrimental to the public good, by unduly holding up the construction of the pipeline and delaying any economic spin-offs.

However, this is another point that remains unexplained.

Even if the Mobil Oil project were to be approved tomorrow — if it has not been approved already — it could not go forward

for several months, as it still has to go through the U.S. approval process before construction is authorized.

The TransMaritime Pipelines proposal, on the other hand, already has the necessary authorizations to build the pipeline connection that would serve the United States.

This means that the argument of urgency cannot be used to justify either of the proposals.

Honourable senators, I solemnly declare to this house, you can be sure that I have absolutely no personal ties, no particular sympathy and no particular antagonism for either of the consortiums involved.

I am only thinking of the interests of the people in my area and other Canadians. And I cannot believe that Canadians' elected officials can endorse such an irresponsible decision, without even making an attempt to find out whether there might be a better way.

As it says in my resolution, I want the federal Cabinet to use the authority granted to it by the Canadian people and block this decision before it is too late and irreparable harm is done. I ask that the TransMaritime Pipelines proposal be heard, and that both projects be debated fairly, openly and impartially.

I am also asking that the Senate Standing Committee on Energy, the Environment and Natural Resources look into the process that led to the Review Panel's decision in favour of Maritime and Northeast Pipeline, and that it report no later than February 28, 1998. We must bring the matter out into the open.

I am also appealing personally to the Prime Minister of Canada, the Right Honourable Jean Chrétien, who has said he cares about the people of New Brunswick, people he represented not so very long ago. I believe him and trust his feelings are sincere. The Prime Minister knows whereof I speak when I describe the inequities suffered continuously by people in the northern part of the province. He knows how much the people in my area need this project. I know he will have the courage to come to their defence.

Honourable senators, I am asking you to support my resolution today because I know you have an overriding sense of responsibility and a deep commitment to defending Canada's interests, our sovereignty and our unity.

Whether you are Liberals, independents or Progressive Conservatives, in the name of justice, impartiality and our future as a society, please ask cabinet to delay or retract its decision, so that it can at least hear the TransMaritime Pipelines proposal, and please agree to consider in committee the process that led to a decision that is so arbitrary and so destructive for the country.

I urge the Leader of the Government in the Senate, as I did during Question Period this afternoon, to ensure that the Senate debates this resolution and votes on it before the Christmas recess, in a positive and constructive fashion.

[English]

• (2040)

I hear that one of the three partners in the TransMaritime project has thrown in the towel because of several rejections they received in the last two weeks. They have given up on the federal government changing the decision of the joint panel. I have not given up. I cannot give up, and I hope you have not given up either. I have not given up on northern New Brunswick. I have not given up on the development of northern New Brunswick, and I hope you have not given up either.

I look forward, in the near future, to the northern part of New Brunswick achieving parity with southern and central New Brunswick. I hope that this project will do the trick.

[Translation]

Hon. Gérald J. Comeau: Honourable senators, I simply wish to take this opportunity to discuss the motion put forward by Senator Simard.

We have learned that the Joint Commission on the Sable Island Gas Pipeline Projects and the National Energy Board refused to consider the TransMaritime proposal. We should be surprised to hear that commissions mandated by the government to protect the interests of Canadians have refused to consider alternatives. I have no intention of repeating what Senator Simard said about the advantages of the TransMaritime proposal, but I wish to point out that the proposal submitted by TransMaritime Pipelines, a Canadian consortium, is superior to that of Maritime and Northeast Pipeline, an American consortium.

However, we should be concerned about the joint commission and the National Energy Board's refusal to hear the proposals.

What is important here is that the different proposals be examined and that a decision be made.

Maybe it makes too much sense to examine other alternatives and we should not agree with public decisions that make sense. The government must act now. Time is running out, and decisions must be made to exploit the resources of Sable Island. Business decisions are probably being made as we speak, and contracts must be signed. Therefore, it is important that the government assume its responsibilities and act promptly.

The government knows all the damages and costs associated with this decision; that is why it is important that it act now before it has to reverse its decision later on.

We are simply asking that other stakeholders be given a chance to present their views. It is not asking too much, even of this government, to consider a Canadian alternative.

For all these reasons, I support Senator Simard's motion. I hope all senators will see that it makes sense.

[English]

Hon. Mabel M. DeWare: Honourable senators, this is an important motion for New Brunswick and Nova Scotia. I hope that Senator Hervieux-Payette is prepared to speak to it tomorrow and that we will see it through because I also want to speak in support of the motion. If I have her promise that I will be able to speak to the motion, I will allow her to take the adjournment.

Senator Hervieux-Payette: I give you that promise.

On motion of Senator Hervieux-Payette, debate adjourned.

The Senate adjourned until Thursday, December 18, 1997 at 9 a.m.

CONTENTS

Wednesday, December 17, 1997

PAGE

PAGE

ROUTINE PROCEEDINGS

Business of the Senate

Adjournment. Senator Carstairs 831

Agriculture

Senator Whelan 831

National Defence

Purchase of Helicopters—Notice of Motion Providing for
Recall of Senate in Event of Government Announcement.
Senator Cogger 831

National Finance

Notice of Motion to Authorize Committee to Travel.
Senator Stratton 831

QUESTION PERIOD

Energy

Sable Island Gas Projects Agreement Reached—
Government Position. Senator Simard 832
Senator Graham 832

National Defence

Search and Rescue Helicopter Replacement Program—
Necessity of Timely Purchase of Replacement Machines—
Government Position. Senator St. Germain 832
Senator Graham 833
Airline Crash at Fredericton Airport—Availability of Search
and Rescue Helicopters—Government Position.
Senator Forrestall 833
Senator Graham 833
Airline Crash at Fredericton Airport—Inadequate Manning
of Control Tower—Government Position. Senator Kinsella .. 833
Senator Graham 833

Fisheries

Bay of Fundy—Destruction of Infected Salmon on Fish
Farms—Progress in Establishing Recovery Program for
Growers—Government Position. Senator Robertson 833
Senator Graham 834

Delayed Answer to Oral Question

Senator Carstairs 834

National Defence

Situation in Canadian Armed Forces—Government Position.
Question by Senator Forrestall.
Senator Carstairs 834

Business of the Senate

Pearson International Airport—Order Paper Question—
Request for Answer. Senator Lynch-Staunton 834
Senator Graham 834

ORDERS OF THE DAY

Criminal Code

Interpretation Act (Bill C-16)

Bill to Amend—Third Reading. Senator Lewis 834
Senator Carstairs 834
Point of Order. Senator Lynch-Staunton 835
Senator Cools 835
Senator Kinsella 835

Newfoundland

Changes to School System—Motion to Amend Term 17
of Constitution—Debate Continued. Senator Pearson 836
Senator Kinsella 837

Business of the Senate

Senator Carstairs 838
Senator Taylor 838

Canada Pension Plan Investment Board Bill (Bill C-2)

Consideration in Committee of the Whole. Senator Carstairs ... 838
Senator Cogger 838
The Hon. Paul Martin, Minister of Finance 839
Senator Lynch-Staunton 842
Senator Grafstein 844
Senator Tkachuk 844
Senator Pitfield 845
Senator Oliver 846
Senator Joyal 847
Senator Meighen 848
Senator Pépin 849
Senator Eyton 849
Senator Taylor 850
Senator St. Germain 850
Senator Haidasz 851
Senator Bolduc 852
Senator Kinsella 853
Senator Stratton 853
Senator Spivak 855
Senator Forrestall 856
Senator LeBreton 856
Senator Bryden 856
Senator Simard 857
Senator Graham 857
Senator Carstairs 858
Mr. Walter Robinson, Federal Director,
Canadian Taxpayers Federation 858
Senator Hays 860
Senator Gigantès 863
Mr. Steve Kerstetter, Director,
National Council of Welfare 864
Mr. Armand Brun, Acting Chairman,
National Council of Welfare 864
Senator Gustafson 865
Report of Committee of the Whole. 865
Third Reading. 868
Allotment of Time for Debate—Motion Withdrawn.
Senator Carstairs 869

	PAGE		PAGE
Business of the Senate		Senator Stewart	876
The Hon. the Speaker	869	Senator Bryden	877
Asia-Pacific Region		Business of the Senate	
Report of Foreign Affairs Committee Presented.		Senator Simard	877
Senator Stewart	869	Canada Pension Plan Investment Board Bill (Bill C-2)	
European Monetary Union		Publication of Crucial Document—Question of Privilege.	
Report of Foreign Affairs Committee Presented.		Senator Tkachuk	877
Senator Stewart	869	Senator Carstairs	879
Tobacco Act (Bill S-8)		Senator Kinsella	880
Bill to Amend—Second Reading. Senator Kelly	870	Senator Taylor	882
Senator Haidasz	870	Senator Lynch-Staunton	883
Senator Keon	870	Business of the Senate	
Senator Gigantès	871	Senator Cools	883
Referred to Committee.	871	Income Tax Act	
Post-Secondary Education		Motion Proposing an Amendment—Debate Adjourned.	
Consideration of Final Report of Special Committee—		Senator Meighen	884
Debate Continued. Senator Lavoie-Roux	871	Senator Gigantès	886
Senator Forest	873	Senator Taylor	887
Famous Five Foundation		Senator Gustafson	888
Motion to Commemorate Events by Permitting the Building		Senator Kirby	888
of Statue on Parliament Hill—Debate Continued.		Energy	
Senator Kenny	874	Sable Island Gas Project—Motion to Authorize	
Senator Atkins	874	Energy, the Environment and Natural Resources Committee	
Senator Beaudoin	874	to Examine and Review the Process—Debate Adjourned.	
Senator Cools	875	Senator Simard	888
Senator Gigantès	876	Senator Comeau	892
		Senator DeWare	892



If undelivered, return COVER ONLY to:
Public Works and Government Services Canada —
45 Sacre-Coeur Boulevard,
Hull, Québec, Canada K1A 0S9