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***VERBATIM REPORT***  
***(Hansard)***

***Speaker: Honourable Thomas Lush***

Wednesday

[Preliminary Transcript]

2 May 1990

The House met at 2:00 p.m.

MR. SPEAKER (Lush):  
Order, please!

The hon. the Member for Eagle River.

MR. DUMARESQUE:

Mr. Speaker, today it is a pleasure for me to rise here and make acknowledgement of the establishment of the Ramsey Powell Memorial Scholarship Fund.

Mr. Powell was a young Labradorian who was tragically killed in a plane crash last July 17, 1989. This scholarship will be valued at \$1,000 annually and will be sponsored by the Labrador Community College. It will be administered by a Board of Directors chaired by Wilfred Letto of L'Anse-au-Clair. Any person in Labrador, Mr. Speaker, pursuing post-secondary education will be eligible. However, weight will be given to residents of Eagle River who are seeking pilot training.

I feel, Mr. Speaker, that this is a small but significant way to remember Mr. Powell as a Labradorian who strived for excellence in his field and was dedicated to serving the people of coastal Labrador.

MR. SPEAKER:

The hon. the Leader of the Opposition.

MR. RIDEOUT:

Thank you, Mr. Speaker.

On behalf of my colleagues on this side of the House we certainly welcome the initiative to establish a scholarship fund in the memory of the late Mr. Powell. Mr. Powell, even though a young man when he tragically died

in a plane crash if I recall correctly, certainly he and his family made a tremendous contribution to all the Province of Newfoundland and Labrador and to the Eagle River portion of the Province in particular. We welcome and support the initiative of this scholarship in his memory. I know it will be useful and beneficial to hopefully many hundreds of young Labradorians.

#### Statements by Ministers

MR. FLIGHT:

Mr. Speaker.

MR. SPEAKER:

The hon. the Minister of Forestry and Agriculture.

MR. FLIGHT:

Thank you, Mr. Speaker.

Mr. Speaker, I would like to advise this hon. House that Government has approved a Forest Insect Control Program for 1990. As previously reported, we are concerned with two insect pests - the hemlock looper and the blackheaded budworm. Investigation of both these insect pests is concentrated on the Northern Peninsula between Castors River on the West Coast and Main Brook on the East Coast of the peninsula. Members of this House will recall that last year's forecast for hemlock looper was 27,502 hectares including moderate and severe category of 10,524 hectares which was lower than the previous year's infestation. We had, therefore, hoped that the previous trend would continue and the infestation would collapse. Unfortunately, this year's forecast shows that infestation will increase to 69,100 hectares

including the moderate and severe category of 55,400 hectares. Last year, my Department sprayed only 5,362 hectares. The blackheaded budworm infestation is forecast to be 91,400 hectares with 89,400 hectares in the moderate and severe category. There was no separate forecast for this insect last year.

In keeping with Government's policy of providing adequate protection and at the same time ensuring the least impact on the environment, in 1990 the Department of Forestry and Agriculture will carry out a spray program against the hemlock looper using the biological insecticide Bt. A maximum of 43,000 hectares will be treated. With respect to the Blackheaded Budworm, there are no insecticides registered for use against the blackheaded budworm at present. However tests are currently underway at Forestry Canada's Forest Pest Management Institute in Sault Ste. Marie, Ontario. While the results are still not available, there are indications from previous related work that Bt will provide effectiveness against this insect as well. Subject to the approval and temporary registration from Agriculture Canada, the Department will also use Bt to control this pest. Approximately 15,000 hectares will be treated against this insect pest. The program will involve two applications of Bt against moderate to high population of these insects to maximize foliage protection on treated areas. The insecticide will be applied utilizing single engine spray aircraft. Proposals are being sought from reputable and reliable contractors with experience in carrying out safe and effective spray programs. As in previous years, all necessary

precautions will be taken to ensure human and environmental safety. The public will be kept informed by daily reports on the progress of the operation through media messages. An information line will be established to answer enquires about the program, during the actual spray program. Thank you, Mr. Speaker.

SOME HON. MEMBERS:  
Hear, hear!

MR. WOODFORD:  
Mr. Speaker.

MR. SPEAKER:  
The hon. the Member for Humber Valley.

SOME HON. MEMBERS:  
Hear, hear!

MR. WOODFORD:  
Thank you, Mr. Speaker.

Mr. Speaker, it is obvious I suppose from the statement by the Minister that some of his colleagues in Cabinet and other Members in the backbenches have certainly swayed some of his decision makers and some of the other officials with regards to mainly the paper companies in the Province with regards to strictly using Bt for the spray program again this year.

I have asked the Minister previously to table the result of last year's spray program and he has not done it up to this date. I can see it is obvious why he did not. Last year's spray program, Mr. Speaker, was a complete and utter failure.

SOME HON. MEMBERS:  
Hear, hear!

MR. WOODFORD:

Six thousand hectares were identified last year; 27,000 this year including 10,524 in the severe category. Now it is getting worse and worse. Mr. Speaker, every year it is getting worse. 30 per cent of the total acreage last year was in the severe category and this year 80 per cent of the total infestation identified is in the severe category.

Another question that is not answered in this paper is why is it the paper companies are not involved? Is it because there is no infestation on their own properties? Or is it because it is strictly Crown properties? And there are some questions to be asked depending on the answer the Minister could give to that one.

The other question I ask, Mr. Speaker, why in spraying Bt would they be just spraying on 43,000? Why not the total amount of severity which is 55,400? That would be taking in the whole area and doing the job. It does not make sense, you spray one-third or two-thirds or whatever and if the other third is there and not getting sprayed it is only obvious what is going to happen. It is going to be destroyed. Now we have two problems, we have the looper and we have the blackheaded budworm that has crept into the area over the last couple of years or so.

The Minister also says in his statement that they are doing some test in Sault Ste Marie, Ontario. Tests have been done over the years, Mr. Speaker, on different types of chemical spray to be used. Was the question ever asked of the Federal scientists, was their report ever tabled? No. What was their recommendation?

Did they ask for strictly Bt? Did they ask for 50/50? Did they ask for some other chemical to be used in the spray program?

I am referring to the Federal scientists who are very knowledgeable when it comes to the spray program in this Province and the infestation that we have.

MR. SPEAKER:  
Order, please!

The hon. gentleman's time is up.

MR. WOODFORD:  
Thank you, Mr. Speaker.

SOME HON. MEMBERS:  
By leave! By leave!

MR. SPEAKER:  
Further Statements By Ministers.

MR. GULLAGE:  
Mr. Speaker.

MR. SPEAKER:  
The hon. the Minister of Municipal and Provincial Affairs.

MR. GULLAGE:  
Mr. Speaker, in November of last year my colleague, the hon. Member for Pleasantville, acceded to my request to head up a committee charged with the responsibility of soliciting the opinions of external audiences with respect to the establishment of cultural facilities in the City of St. John's.

Specifically, the mandate of my colleague was to obtain the views of interested parties with respect to the desirability of constructing a mid-sized theatre in the downtown section of St. John's together with the need or otherwise of an adjoining or separate arts facility.

My colleague was also asked to make recommendations with respect to the mandate of an internal committee of my officials which is looking into the feasibility and the desirability of a new museum and archives complex. He was also asked to comment with respect to a possible location and to look into the feasibility of combining such a complex with the downtown Arts Gallery.

I am pleased to announce today that I now have the report of the M.H.A. for Pleasantville containing the views and the opinions of the concerned parties. This report will now be reviewed by the appropriate officials of my Department after which I will be making some specific recommendations to my Cabinet colleagues.

I would like to take this opportunity to convey my appreciation to the M.H.A. for Pleasantville for his very thorough and comprehensive examination of the matters under consideration. I think it is fair to say that all interested parties were provided with ample opportunity to express their views and to make their recommendations, and indeed they have done this. And, even though we have the report, we are still open to suggestions and/or recommendations if indeed there are other individuals and organizations which would like to be heard on these important matters.

I think it is fair to say that the report confirms what was already known, namely that there does exist a need for improved and expanded cultural facilities in this region. And, as indicated, we will now review the recommendations with a view to

determining what is affordable and how we can satisfy our requirements especially in view of the present economic climate.

It is possible that the Cabot Anniversary in 1997 may provide suitable justification for the commitment of some of the funds that will be needed for the construction of these required facilities. I think it is fair to say that we would expect to receive considerable Federal financial assistance with respect to the construction of these cultural facilities. We do recognize that investment in such projects has the potential of producing valuable community dividends.

As hon. Members are aware we recently received the report of Dr. Patrick O'Flaherty on the status of the arts in Newfoundland and Labrador and this document will be reviewed by my officials in concert with the report of the MHA for Pleasantville. And, as earlier indicated, I will be making my recommendations to cabinet respecting these various matters.

As hon. Members are aware there are a number of very important anniversaries upcoming in Newfoundland and Labrador that will be of great significance to our Province - the major one of course being the 500th Anniversary of John Cabot's discovery of the island which will be observed on June 24th, 1997.

There are a number of other significant anniversaries that we will be observing, including some which will be observed prior to, and others following, the 500th anniversary of the discovery of Newfoundland including: The 75th

anniversary of the Battle of Beaumont Hamel in 1991, the 100th anniversary of the founding of the Grenfell Mission by Sir Wilfred Grenfell in 1992, the 50th anniversary of Confederation in 1999, and, the 1000 anniversary of the Viking Settlement in the year 2000.

I am sure all hon. Members agree that these various anniversaries are all of tremendous significance to the people and the Province of Newfoundland and Labrador. As a means of ensuring that we derive the maximum benefits from these special anniversaries, I am very pleased to announce today the appointment of Robert Jenkins as Chairman of the Newfoundland and Labrador Anniversaries and Celebrations Committee.

Mr. Jenkins is a long time civil servant and presently serves as chairman of the Canada Games Park Commission and chairman of the Residential Tenancies Boards, and, of course, he will retain these current positions.

Mr. Jenkins will be given the mandate to recommend the appropriate structure and the necessary personnel that will be required to serve on this Committee as a means of maximizing the benefits of these very special anniversaries. It is proposed that this Committee eventually will have representations from all levels of Government including Federal, Provincial and Municipal, and, of course, there will be a vital role for various segments of the private sector.

Thank you, Mr. Speaker.

SOME HON. MEMBERS:

Hear, hear!

MR. SPEAKER:

The hon. the Member for Humber East.

MS VERGE:

Thank you, Mr. Speaker.

One year into the term of office of this Government and it is obvious that this Minister is not on top of the Arts and Culture part of his portfolio. What my colleague the Member for St. John's East suggested in her questions to the Minister yesterday has been proven true by the Minister's announcement today. The previous government in 1987 put in place a committee to make plans for the celebrations of the 500th anniversary of Cabot's discovery of Newfoundland, yet, this Government has allowed its first year in office to pass without that Committee being given the wherewithal to do its work.

It has taken this Minister a full year to pick up the ball, and that was a year we could not afford to waste; it was a year in which people in Cape Breton Island were making plans to have the focus of the celebrations for the 500th anniversary of Cabot's discovery over there. Mr. Speaker, one year after this Government has been in office, there is still a vacancy in the vital position of Director of Cultural Affairs, and when I asked the Minister about that yesterday, he suggested, the main reason for the delay is that the O'Flaherty policy committee asked for a delay. In fact, the truth is that the O'Flaherty Committee submitted an interim report to the Minister, specifically on the question of the Director, three months ago, before the end of January, and there is still no sign that the Government is even beginning the process of

recruiting applicants for that position.

Mr. Speaker, the Minister has on his desk now, two interim reports, as well as the final report of the O'Flaherty Committee, and now the report of his colleague, the Member for Pleasantville.

I call on the Minister to table those reports in the House of Assembly and make them available to the artists and the citizens of our Province, who are anxiously awaiting those reports, who want to read them and participate in public discussion about the recommendations contained therein.

Mr. Speaker, in conclusion, I call on the Premier to admit it is impossible for one Minister to handle arts, culture, historic resources, libraries, municipal affairs, housing and the whole grab bag of responsibilities he has given the Minister of Municipal and Provincial Affairs. I call on the Premier to assign responsibility for arts, culture and historic resources to one of the other Members of his caucus, perhaps the Member for Pleasantville. Give it to some Member who has the time and the ability to do a proper job of arts and culture policy development. Thank you, Mr. Speaker.

SOME HON. MEMBERS:

Hear, hear!

### Oral Questions

MR. SPEAKER:

The hon. the Leader of the Opposition.

MR. RIDEOUT:

Thank you very much, Mr. Speaker.

Mr. Speaker, the Minister of Finance, in his Budget Speech to the House, a few weeks ago now, told the Province the total borrowing requirement for the Province this year would be \$494.3 million, I believe, and that \$189.9 million of that would go towards debt redemption, \$64.9 million would go towards sinking funds, and \$248.5 million would go towards other requirements, like capital requirements and so on, for a total of almost - a little bit of change - \$500 million. Mr. Speaker, could the Minister tell the House whether Government has finalized its plans yet, this year, for its borrowing requirement?

MR. SPEAKER:

The hon. the Minister of Finance.

DR. KITCHEN:

Mr. Speaker, we have a schedule of borrowing requirements in place. They will not be finalized, of course, until the actual timing, and as the year progresses. But we do have a borrowing plan in place.

MR. SPEAKER:

The hon. the Leader of the Opposition.

MR. RIDEOUT:

Thank you, Mr. Speaker.

Mr. Speaker, could the Minister tell the House whether or not the Province's fiscal agents have advised the Government that this Province will have to pay more for its borrowing requirement this year because investors are concerned about the political stability of Canada? Because of the constitutional uncertainty that is facing the country right now, has the Province's fiscal agents given advice to that effect

to the Minister?

MR. SPEAKER:

The hon. the Minister of Finance.

DR. KITCHEN:

No, Mr. Speaker.

MR. SPEAKER:

The hon. the Leader of the Opposition.

MR. RIDEOUT:

Thank you, Mr. Speaker.

Mr. Speaker, let me ask the Minister this: Is the Minister aware that all provincial governments and Crown agencies in Eastern Canada, including Hydro Quebec, which just recently completed floating a bond issue, is the Minister aware that all these agencies and governments in Eastern Canada have been advised that rates have gone up ten base points, in other words, about one-tenth of 1 per cent, due to the constitutional uncertainty facing Canada? Has this Government not been advised of that, Mr. Speaker?

MR. SPEAKER:

The hon. the Minister of Finance.

DR. KITCHEN:

Mr. Speaker, we do anticipate paying more for money this year than last year, but the reason is because of the high interest rates in Canada.

MR. RIDEOUT:

Yes?

DR. KITCHEN:

That is the problem. The problem is with the hon. gentleman's people in Ottawa. It is not our problem, it is their problem. They are paying more, too.

MR. SPEAKER:

The hon. the Leader of the Opposition.

MR. RIDEOUT:

We are all aware of the interest rate problem, and this Government will have to pay more because of that, but let me ask the Minister this: Has this Government, as well as every Government in Eastern Canada, as well as every Crown agency in Eastern Canada, been told specifically that they will have to pay more for their borrowing requirements, ten base points more, one-tenth of 1 per cent more, due to the constitutional uncertainty facing Canada?

MR. SPEAKER:

The hon. the Minister of Finance.

DR. KITCHEN:

Mr. Speaker, we have not been told that.

MR. SPEAKER:

The hon. the Leader of the Opposition.

MR. RIDEOUT:

Mr. Speaker, other Governments and Crown agencies in Eastern Canada admit having been told that, why would this Government not be told the same thing?

Mr. Speaker, let me ask the Minister this: Will the Minister tell the House how much additional this surcharge, put on by nervous investors, will cost this Province, this year, on his borrowing requirement of almost \$500 million, and how much additional will it cost in the future on our total debt problem of \$5.2 billion, Mr. Speaker?

MR. SPEAKER:

The hon. the Minister of Finance.



DR. KITCHEN:

Mr. Speaker, I do not know if he has ants in his pants or not, but I tell you he is on the wrong track here now. We will, in all likelihood, when we borrow in Canada, have to pay more money this year than last year. The latest I have is about 2 per cent, or 2.25 per cent more than last year, quite probably. But that has nothing to do with anything, except the high interest rates in Canada as a result of the Federal Government's decision to keep interest rates high in order to keep inflation down, and to keep the Canadian dollar up. It has nothing to do with this other matter he is trying to insert here.

MR. SPEAKER:

The hon. the Leader of the Opposition.

MR. RIDEOUT:

Mr. Speaker, in view of the fact that the Minister does not want to admit that it is a problem right here in this House -

DR. KITCHEN:

(Inaudible).

MR. RIDEOUT:

Well, will the Minister pick up the phone today and call Hydro Quebec and ask them if they were not charged a one-tenth of 1 per cent increase because of investor uncertainty, because of the climate in Canada? Ask them if they did not have to pay that, Mr. Speaker.

MR. SPEAKER:

The hon. the Minister of Finance.

DR. KITCHEN:

Mr. Speaker, I do not know what problems Quebec might be having, but we do not have a problem.

MR. WARREN:

Mr. Speaker.

MR. SPEAKER:

The hon. the Member for Torngat Mountains.

MR. WARREN:

Thank you very much, Mr. Speaker.

My question is to the Premier, who is responsible for Intergovernmental Affairs. In view of the fact that there have been several low-flying jets crash in Labrador during the past two and a half years, and more and more residents in the Lake Melville area are concerned for their safety, would the Premier advise if his Government will continue to support low-level flying, where the safety of residents of this Province is in jeopardy?

MR. SPEAKER:

The hon. the Premier.

PREMIER WELLS:

No, Mr. Speaker, we will not support low-level flying where the safety of the residents of the Province is in jeopardy. But where there is no reason to believe the safety of the residents of the Province is in jeopardy, we will support the low-level flying that takes place in Labrador.

To ask that question is as lacking in good sense as it would be to ask the Government if we will stop planes from approaching St. John's Airport over the City of St. John's because the people are put in jeopardy. Of course, there is some kind of a degree of jeopardy with the risk of a plane crash. Any time a plane flies over people, there is a risk of jeopardy or injury, or any time

anybody walks on the street. There has to come a time when we live with an acceptable level of risk, but we do everything conceivable to ensure that the risk is the absolute minimum. If it gets to be beyond a reasonably acceptable level, then you have to stop the activity which causes the risk.

MR. SPEAKER:

The hon. the Member for Torngat Mountains.

MR. WARREN:

Thank you very much, Mr. Speaker.

I do not think there is very much low-level flying around St. John's. Mr. Speaker, I have been quoted publicly, in the past, as supporting low-level flying if the environment, the wildlife and the health of the people are protected. Mr. Speaker, I am beginning to have doubts about that.

However, I have a second question for the Premier. In view of the fact that it appears the military is showing little regard for the people of Labrador and are not - I repeat, are not - following the rules and regulations as set down by the Federal and Provincial Governments, would the Premier advise if he is prepared to meet with the concerned citizens in Labrador concerning recent activities of the military low-level flying in Labrador?

MR. SPEAKER:

The hon. the Premier.

PREMIER WELLS:

Mr. Speaker, I am prepared to meet with citizens in any part of this Province who have concern about activities by any governmental agency, or others, if they are

acting improperly, which are causing harm or improper action for any citizen. Yes, I am prepared to meet with any group, at any time there is a proper basis for it.

MR. SPEAKER:

The hon. the Member for Torngat Mountains.

MR. WARREN:

Thank you very much, Mr. Speaker. My final supplementary.

Mr. Speaker, it appears, from the Premier's answer, that there is a lack of co-ordination between the military and this Government.

Would the Premier, in the next couple of days, instead of sailing on Meech Lake, fly to Labrador and meet with the Base Commander, Colonel Ingstad, and find out what the concerns of more and more people in Labrador are who, day by day, are showing concerns? Would he find out from the Base Commander if the military are following the rules and regulations which were set down by the Federal and Provincial Governments?

MR. SPEAKER:

The hon. the Premier.

PREMIER WELLS:

I cannot make much sense of that. I have not had any complaint by anybody except the hon. gentleman. I know, from his performance in the House in the past, that I cannot rely on very much of what he says, so I would have to have some credible suggestion from somebody else that there was a level of concern. I have not had any expression of concern from Colonel -

MR. WARREN:

I am not a liar, but you are.

MR. SPEAKER:  
Order, please!

The Chair thought there was an utterance of an unparliamentary phrase by the Member for Torngat Mountains. If that is so, I would expect the hon. Member will do the hon. thing and withdraw the statement.

MR. WARREN:  
Yes, Mr. Speaker.

MR. SPEAKER:  
The hon. the Premier.

PREMIER WELLS:  
Thank you, Mr. Speaker.

I have not heard anything from Colonel Ingstad, but if he has some concerns, Colonel Ingstad knows that I am only a telephone call away, or he can come and see me at any time. If he has any particular concerns he wishes to address to me, you can assure Colonel Ingstad that I am ready to receive a call or meet with him at any time.

MR. WARREN:  
Why do you not call him?

MR. SPEAKER:  
Order, please!

PREMIER WELLS:  
Mr. Speaker, I would not walk to the end of that door in reliance of anything the hon. Member said, based on his performance in the past.

MR. MATTHEWS:  
Mr. Speaker.

MR. SPEAKER:  
The hon. the Member for Grand Bank.

MR. MATTHEWS:  
Thank you, Mr. Speaker.

My question is to the Minister of Fisheries this afternoon, Mr. Speaker. We had to inform the Minister of Fisheries a few months ago what processing plants were going to close in the Province; we had to inform him there were problems with the caplin fishery, which he was going to investigate, and has not yet reported back to the House, and I informed him on Monday that the Cape Verde is being transferred to Nova Scotia, which he confirmed yesterday.

My question to the Minister is, in light of the tabling of his answer yesterday he said 'Burgeo will now end up with five trawlers, with a greater capability, as compared to the previous four vessels based at Burgeo.'

My question to the Minister is, is he now convinced, and does he now feel comfortable, that Burgeo will now have a brighter future with National Sea Products?

MR. SPEAKER:  
The hon. the Minister of Fisheries.

MR. W. CARTER:  
Mr. Speaker, I can only say to the hon. Member that I hope Burgeo has a good future. At the present time, I see no reason why it will not.

MR. SPEAKER:  
The hon. the Member for Grand Bank.

MR. MATTHEWS:  
Thank you, Mr. Speaker.

Once again, the Minister is trying to skate around the real question. The real question I asked was is he convinced that Burgeo will have a brighter future

with National Sea Products Limited?

Mr. Speaker, just a couple of days ago, I asked the Minister of Fisheries if there was any accuracy to reports that Burgeo was indeed part of a package, with the Canso processing plant, to be sold by National Sea to a consortium of companies. Can the Minister now confirm for this House that indeed Burgeo is going to be sold by National Sea Products, as part of a package involving Canso Sea Products, to a consortium of companies, involving a Newfoundland company?

MR. SPEAKER:

The hon. the Minister of Fisheries.

MR. W. CARTER:

Mr. Speaker, no, I certainly will not react to rumor. And that is all it is to date, as far as I know. We have contacted the principals of National Sea, we have talked to the principals of the other company which has been named as a possible buyer for that plant, and in both cases there has been no information forthcoming.

With respect to the first part of his question, as to my inability to guarantee Burgeo a bright future, if I had the power to foresee how many fish will be in the ocean in the next ten years, I could do that. But, I am afraid, we have not got that kind of power.

MR. SPEAKER:

The hon. the Member for Grand Bank.

MR. MATTHEWS:

Thank you again, Mr. Speaker.

No, I was not expecting the Minister to perform miracles. In light of what I said earlier in my preamble, I thought that as Minister of Fisheries for this

Province he would know about very serious fisheries implications which have taken place in the Province, and will be taking place in the Province over the next few weeks. Now, this is a very serious situation. We have a major processing facility in this Province, employing hundreds of people, which is about to be sold to another company by National Sea Products, a major fish company in this Province.

My supplementary, Mr. Speaker, is this: Once Burgeo is sold, National Sea Products will be left with two processing facilities, Arnold's Cove and La Scie. La Scie is totally an inshore operation. Where will National Sea process the fish it would have processed at Burgeo, once that plant is sold? Where will this fish be processed? And does the Minister have concerns that National Sea Products will not have the processing capacity to process its quota allocations in Newfoundland and Labrador?

MR. SPEAKER:

The hon. the Minister of Fisheries.

MR. W. CARTER:

The hon. Member does not seem to hear what I am saying. I refuse to get drawn into a debate on rumor, and, to date, that is all it is. We have inquired. I do not know what he expects us to do. Is it to go to Halifax and twist their arms until they tell us what they are up to? Of course not. We have made inquiries, Mr. Speaker, of several sources and, to date, we have no indication at all as to exactly what they are up to.

I can only say this to you: whatever they do will have to be with the concurrence of the

Province, because NatSea are operating in this Province by leave and licence of this Government. I am saying now, Mr. Speaker, and I hope the principals of NatSea will hear this through the media, that we would take a very dim view, in this Province and this Government, if we found that NatSea were out negotiating the sale of a plant in this Province without first having the courtesy to discuss the matter with the Province. I hope it is not the case. Because NatSea will need the goodwill of this Province, hopefully for a long time to come, and I would take a dim view of that kind of action.

MR. SPEAKER:

The hon. the Member for Grand Bank.

MR. MATTHEWS:

Mr. Speaker, I would not care whose arms I had to break if it meant protecting the jobs of thousands of Newfoundlanders and Labradorians.

SOME HON. MEMBERS:

Hear, hear!

MR. MATTHEWS:

Now, that is the basic difference between this Minister of Fisheries and how some other people would be informed and act if they were Minister of Fisheries.

My concern, Mr. Speaker, is that over the decades, we have argued about adjacency of resource and that it should be utilized in this Province. Now, it is as clear as the nose on your face that once Burgeo is sold, and with the shutting down of the St. John's South Side plant processing groundfish, that we will not have the processing capacity to process the fish that would ordinarily be processed in this Province.

Will the Minister take it upon himself today, Mr. Speaker, to get in touch with National Sea Products to immediately demand an answer as to whether or not Burgeo is going to be sold, to have it confirmed, and to ask that very important question. Because this, again, is going to mean more jobs going out of Newfoundland, it is going to mean dollars going out of Newfoundland. Will he not take it upon himself to immediately contact National Sea Products for answers to this very, very serious and important question, not only for the people of Burgeo, but, as well, it is very, very important for the economy of Newfoundland and Labrador.

MR. SPEAKER:

The hon. the Minister of Fisheries.

MR. W. CARTER:

Mr. Speaker, I can tell him now I am about twelve hours ahead of him. I gave instructions to my Deputy Minister yesterday to contact NatSea and to put that very question to them. In light of the rumours we are hearing, and in light of Mr. Coolican's refusal to either confirm or deny, I have asked him to write the President of NatSea and demand an answer, and, hopefully, I will have one tomorrow morning.

MR. WOODFORD:

Mr. Speaker.

MR. SPEAKER:

The hon. the Member for Humber Valley.

MR. WOODFORD:

Mr. Speaker, my question is directed to the Premier. In view of the fact that last fall Marine Atlantic commissioned a study - the study was done by A.D.I. - concerning extending the service

from North Sydney to Argentinia, and in view of the fact that that report is in, and, also, in view of the fact that any movement by Marine Atlantic to downgrade the service in Port aux Basques would mean a substantial loss of jobs on the West Coast of the Province, would the Premier tell the House if he supports any movement by Marine Atlantic to downgrade their service on the West Coast of the Province.

MR. SPEAKER:

The hon. the Minister of Works, Services and Transportation.

SOME HON. MEMBERS:

Oh, oh!

MR. SPEAKER:

Order, please! Order, please!

The hon. the Minister of Works, Services and Transportation.

MR. GILBERT:

Thank you, Mr. Speaker.

The hon. Member has asked a question about a consultant's report which was commissioned by the Federal Government to talk about the ferry service between Sydney and Argentinia, and Sydney and Port aux Basques. Now, I will table at the end of this a letter I received from the hon. Federal Minister, Doug Lewis, on March 20th, talking about 'in view of the fact that we have been involved in this since day one, I have had meetings with the Town Council in Port aux Basques'. The Member will remember that I had meetings with the people in Deer Lake on their concerns; I have talked to them; I have talked to the Member for Placentia and delegations from there. As I said last week, when the Member for Kilbride asked a question about

this, we will be making a complete study of the proposals which are put forward by the consultant's report, and we will be making our position very clear to the Federal Government before any decision is made.

And for the interest and the concern the Member is expressing, this is a letter from the Minister to me and it says: 'given your direct interest in this matter, I am pleased to send you a copy of the final report and executive summary prepared by the consultants. I would appreciate hearing your views on the report, and, indeed, any aspect of the proposal which may be of particular interest to you or your concern. I appreciate your interest in this very important matter, and I wish to assure you that your views will be getting full consideration before any consideration is (inaudible)'.

MR. SPEAKER:

Order, please!

I pointed out just a day or so ago, to the Leader of the Opposition, the requirement of not being permitted to read letters and excerpts from newspapers, this kind of thing, during Question Period, so I assume what is sauce for the goose is sauce for the gander! I will ask the hon. Minister to clue up his answer, please.

MR. GILBERT:

Anyhow, Mr. Speaker, we are working on a position and once the public enquiry part is over and the various towns are now going - I understand Argentinia has been up and presented their case directly to the Minister, Port aux Basques have been up and presented theirs, and I understand Corner Brook and

assorted towns on the West Coast are having a meeting at three o'clock on Friday afternoon, in Montreal, with the Minister. Once all the various people concerned have made their input and then I have talked to him, and will be continuing the dialogue, once this is all together, we will then be establishing a position, and rest assured we will do the right thing and advise the Minister of the stand we are taking as a Government, and it will be to the benefit of all the people of Newfoundland.

AN HON. MEMBER:

See you in Port aux Basques Saturday.

MR. SPEAKER:

The hon. the Member for Humber Valley.

MR. WOODFORD:

Mr. Speaker, if ever you saw a performance of skating, you just saw it. It is unreal! I asked a question. The Minister knows that that report takes into consideration every community on the West Coast of the Province and other parts of the Island. The studies to be done are done. Having said that, I will direct my supplementary to the Premier. As far as I am concerned, it is time to get off the fence before it is too late; it could be a matter of hours before the decision is made. If Marine Atlantic makes a decision on either two or three, it is going to detrimental to the West Coast of the Province, to the tune of anywhere from fifty to one hundred and fifty jobs. Could the Premier tell me today if he supports any movement by Marine Atlantic to downgrade the service on the West Coast of the Province?

MR. SPEAKER:

The hon. the Premier.

PREMIER WELLS:

Mr. Speaker, when the question was asked, I deferred to the Minister who has been handling the issue directly. The Minister is also going to meet with the Committee in Port aux Basques, what day is it?

MR. GILBERT:

Saturday.

PREMIER WELLS:

Saturday. He has already met with them once; he is going to meet with them again on Saturday. All matters will be taken into account. And when all matters are taken into account, the final decision will be made. We do not take prejudicial decisions for the sake of political reasons. I have not heard the hon. Member say what his caucus recommends? What does the Member for Burin - Placentia recommend? What does the Member for Humber East recommend?

MR. TOBIN:

I tell you (inaudible) I support Argentina. Now, what is your position?

MR. SPEAKER:

Order, please!

I remind the hon. Member for Burin - Placentia West that he is not to interrupt anybody during Question Period.

MR. TOBIN:

(Inaudible).

MR. SPEAKER:

Order, please!

No Member is to interrupt another Member, particularly during Question Period. Question Period gives a time for all hon. Members

to be recognized, and if Members want to ask a question stand, and the Chair will recognize them.

The hon. the Premier.

PREMIER WELLS:

So, you see, Mr. Speaker, you will have a variety of opinions. The two Ministers opposite have diametrically opposite opinions.

MR. TOBIN:

What is yours. What is yours.

PREMIER WELLS:

We are going to make the right decision when the full information is in. I have no prejudicial political position. Remember now, Mr. Speaker, and hon. Members remember, I started out saying we have no predetermined, prejudicial, political position, as does the Member for Burin - Placentia West, as does the Member for Humber Valley, in an entirely opposite direction. We understand the Member for Placentia may well have a strong view, because it is his District, we also understand the Member for LaPoile would have another strong view, because it is his District. We understand that. The Government does not have any predetermined, prejudicial, political position. We are going to hear all the points of view and make the right decision in the end, Mr. Speaker.

MR. SPEAKER:

The hon. the Member for Humber Valley.

MR. WOODFORD:

Mr. Speaker, a new question. This question is directed to the Member for Humber West. Because of the injustice that will be dealt to the economy of the West Coast of the Province, and because I feel there is no justification in what

Marine Atlantic is doing, would the Minister tell the House if he can justify any movement by Marine Atlantic to downgrade the service on the West Coast?

MR. SPEAKER:

The hon. the Minister of Justice.

MR. DICKS:

Thank you, Mr. Speaker.

The Member for Humber Valley will be pleased to know that that was the very topic of a meeting we had in Transportation this morning between myself and the Minister of Works, Services and Transportation. To be quite frank, Mr. Speaker, the question is not very simple, nor is it very straightforward, it involves rate hearings and if the Terms of Union apply. The most crucial issue is the extent to which the previous Government, in the Roads for Rails Agreement, undermined Sections 31 and 32 of the Terms of Union, and I wish I could say as Minister of Justice, as a Minister of the Crown, and as Member for Humber West, exactly where all that will fall out. We are trying to determine it; we are bringing it before Cabinet for consideration; we are trying to identify the extra rate increase it will mean if, in fact, the rates are changed and we have compensatory rates across the Gulf instead of the Maritime rate which now applies.

I should also point out that we will be bringing a joint paper to Cabinet recommending that the Province intervene at the hearings which are to start before the NTA - that is not the Newfoundland Teachers' Association, but rather the National Transportation Agency - which will review the extent to which the previous Government and its Roads for Rails Agreement will



touch on this issue. Thank you, Mr. Speaker.

MR. SPEAKER:

The hon. the Member for Humber Valley.

MR. WOODFORD:

Mr. Speaker, I did not ask a question on the Roads for Rails agreement, I did not ask a question on the rates or anything else pertaining to Marine Atlantic or anybody else, I asked a direct question. It is getting late, we are at the eleventh hour, so would the Minister tell the House what his stand is with regard to the downgrading of service by Marine Atlantic on the West Coast of the Province?

SOME HON. MEMBERS:

It is a direct question.

MR. WOODFORD:

Yes or no.

MR. SPEAKER:

Order, please!

The question has been asked and, I am sure, given time, the hon. the Minister of Justice will answer it in his own way.

The hon. the Minister of Justice.

MR. DICKS:

Thank you, Mr. Speaker.

No one supports downgrading services to the Province, period, but it is not that simple an issue. As the Member may well know, what is at stake here are the Terms of Union. The extent to which we are going to have a service to the Province, which can take place in one of three ways, and that is either via rail and the extent to which Marine Atlantic is going to be able to

charge back CN rates, which may or not not be passed on to consumers and suppliers, can in fact touch on all these matters. So it is not a simple issue.

No one supports downgrading to the West Coast, the East Coast, to Labrador, or any other part of the Province. The most crucial question to be determined in all this, and one which, frankly, we are not in a position to adjudicate upon until we have a fairly large mass of information, and in addition to which the question has been decided by the National Transportation Agency, which may very well be holding hearings commencing in June, is the extent to which the Road to Rails Agreement now allows CN and the Federal Government to unilaterally change the rate this Province and the Liberal Government of the day, Mr. Smallwood, now retired, negotiated on behalf of the Province. That has been placed in jeopardy. And until we can see that, we do not know the extent to which, number one, CN can make that change, because, frankly, if the rate to Argentia is going to be compensatory, that may nullify the issue, no one may want to, in fact, go ahead with that service. So once these issues are decided, the Province will be in a position to formulate policy and the Premier will be advising the House, or my learned colleague, the Minister of Works, Services and Transportation.

MR. SPEAKER:

The hon. the Member for Humber Valley.

MR. WOODFORD:

Mr. Speaker, again I must say it has absolutely nothing to do with the Terms of Union or any rate

policy. If that is the case, Mr. Speaker, then it does become complicated. I agree, it then becomes complicated. So he must have some news that Marine Atlantic is making a decision with regard to either option two or option three. Because, as far as I am concerned, if he adopts either one of them, after two or three years they will be looking for an out with regard to the point of entry, which is Port aux Basques. So the Minister has already admitted something, that Marine Atlantic must have its decision made. So again I would ask, get off the fence before it is too late and support the West Coast of the Province, an area, namely, Humber West, Humber Valley and the whole Bay of Islands, you were elected to support. Do you support it, or do you not?

MR. SPEAKER:

The hon. the Minister of Justice.

MR. DICKS:

The Member's question is based on the wrong premise, as I understand it. May I say that I met with the Mayor of Corner Brook and the council.

MR. TOBIN:

Do you have to tell him what to ask?

MR. SPEAKER:

Order, please!

I again remind the Member for Burin - Placentia West that he is not permitted to interrupt a person who is speaking, answering a question. By the same token, he mentioned that he could not tell the hon. Member what to ask. Neither can an hon. Member tell the hon. Minister how to answer.

The hon. the Minister of Justice.

MR. DICKS:

Thank you, Mr. Speaker.

My understanding is that Marine Atlantic has not made a decision. The City of Corner Brook, with whom I met on Saturday past, intends to go to Montreal to meet with Doug Lewis, the Federal Minister, on this coming Friday. I understand, as well, that Deer Lake may be sending two representatives. So as far as I know, and as far as the City of Corner Brook, which forms part of my district, is aware, that decision has not been made and they intend to make representations.

As far as what the Government's position will be, I will support that when the decision is made. As I pointed out, I hope fairly clearly that decision cannot be made until we have accurate information before us. As of yet there are indeed three alternatives, neither of which has been decided upon on, nor do we know at this point what, in point of law, that decision can yet be. Now, that may be determined in due course over these hearings, which I mentioned are due to commence in June, but prior to that point, we do not have sufficient information to proceed and to make a proper decision.

MR. SPEAKER:

Question Period has expired.

Presenting Reports by  
Standing and Special Committees

MR. SPEAKER:

The hon. the Minister of Mines and Energy.

DR. GIBBONS:

Mr. Speaker, thank you very much.

It is my pleasure today, as required under Section 38 of The Hydro Act, to table the annual report for 1989 for Newfoundland and Labrador Hydro.

In tabling this report, I would like to draw attention to two or three highlights: In 1989, the Paradise River plant was opened, the Roddickton plant was opened, an upgrading of Unit No. 2 at Holyrood was done, three new 138 KV lines were started, a new diesel plant was constructed in Charlottetown, Labrador, and completed, and a new diesel plant was started in Davis Inlet, Labrador. Also, a key thing, the total energy produced in 1989 was 5,937,000,000 kilowatt hours, a 4.9 per cent increase over 1988.

It is my pleasure to table the report, Mr. Speaker.

MR. SPEAKER:

Are there further reports?

The hon. the Minister of Mines and Energy.

DR. GIBBONS:

While I am on my feet, Mr. Speaker, I would also like to table a report that just came off the press in the last day, which is a project summary of all the reports done under the 1984 - 1989 Canada-Newfoundland Mineral Development Agreement. There are forty pages of summaries of all the reports done, plus another forty pages listing all the reports, maps and open files produced as a result of that by the federal and provincial surveys.

It is my pleasure to table this for the information of the people in this House and Province.

## Petitions

MR. WARREN:

Mr. Speaker.

MR. SPEAKER:

The hon. the Member for Torngat Mountains.

MR. WARREN:

Thank you very much, Mr. Speaker.

I have a petition signed by eighty-four residents of the District of Eagle River, and not only from the District of Eagle River, but also from the community of L'anse au Clair.

Interestingly, this petition is signed by not less than nine members of the Dumaresque family. Some of the names on the petition, Mr. Speaker, are William Dumaresque, Albert Dumaresque, Alice Dumaresque, Jessie Dumaresque, Darrell Dumaresque, Calvin Dumaresque, Darlene Dumaresque and, I would think those are brothers and sisters and uncles and aunts of the hon. Member for Eagle River.

Mr. Speaker, this petition is asking the Government once again - and I have another twenty-two petitions left yet; I do not know if I am going to get through them this year, unless this Government comes across and reinstates the Air Subsidy Program and reinstates the \$100,000 for sports and recreation.

Mr. Speaker, on behalf of residents of L'anse au Clair, on behalf of relatives of the hon. Member for Eagle River, on behalf of his brothers and sisters and in-laws and everyone else in L'anse au Clair, the community, I think that gave the hon. Member

the highest majority in the last election; L'anse au Clair voted 90 per cent or 95 per cent in favour of the hon. Member. And, Mr. Speaker, the Town Clerk in L'anse au Clair sent this to me. It came in the mail today. And I was compelled, Mr. Speaker, to present this on behalf of the people in L'anse au Clair and ask the hon. Member to convince the Minister responsible for sports and culture, the Minister of Transportation -

AN HON. MEMBER:

No new money in the Budget this year.

MR. WARREN:

No new money in the Budget, exactly. The same thing with the Premier, today, Mr. Speaker, when I asked him some serious questions about Labrador, and all he did was treat it in sort of a jocular manner.

Mr. Speaker, I listened to the Premier, last night, on television. He was asked the question, if Quebec separated from Canada, how would he feel? He said, 'I would be the saddest person in Canada.' Mr. Speaker, I believe he would be the happiest person in Canada.

MR. SPEAKER:  
Order, please!

I remind the hon. gentleman that in speaking to a petition he must keep to the facts and the allegations in the petition, and I believe, at the present moment, he is wandering.

The hon. the Member for Torngat Mountains.

MR. WARREN:

Thank you, Mr. Speaker. It all

ties together, because if Quebec separates from Canada, there is no more Canada and there will be no more Labrador and Newfoundland. It all ties together with the attitude of the Premier of this Province.

Mr. Speaker, I want to support this petition by the eighty-four people in L'anse au Clair, and I am sure my hon. colleague from Eagle River wants to get up and support his own family, his own relatives, his own voters, and with that, Mr. Speaker, I would hope the Government will take the attitude that it is difficult for some Governments to take, and that is, once in a while realize that you have made a mistake. Mr. Speaker, admit that you have made a mistake.

With that, Mr. Speaker, I give it to the Department to which it refers.

MR. DUMARESQUE:

Mr. Speaker.

MR. SPEAKER:

The hon. the Member for Eagle River.

MR. DUMARESQUE:

Thank you, Mr. Speaker.

I rise in support of that petition, as I have previously. The Member opposite obviously understands that the Government has responded and set up a committee to review the subsidies, and a decision will be made accordingly. Certainly we are all working towards the betterment of everything in Labrador.

Mr. Speaker, I would not want to pass up this opportunity without making a comment on the actions of the Member for Torngat Mountains.

Because, Mr. Speaker, we all come here to do different things. But one of the things we never come here to do is to embarrass the people who are in places out there who have real concerns on their minds. The hon. Member is flagrantly going out there soliciting petitions from people, knowing full well what they are doing is responding to a motherhood issue and not trying to do anything of the sort that the Member is trying to convey to this hon. House of Assembly.

Mr. Speaker, for the record, L'Anse-au-Clair, which happens to be my home town, I think passed their judgement on my candidacy by supporting it by 96 per cent in the last election.

SOME HON. MEMBERS:  
Hear, hear!

MR. DUMARESQUE:

And, Mr. Speaker, if ever there is a time when that Member over there wants to put his credibility on the line with mine, come on down and I will have that 96 per cent again, for me. I would say to him there is a long road which has no ash cans, Mr. Speaker, and I would say to him that he should be more conscious of the social and economic needs in Torngat Mountains and what the people there have to go through, and what they have to put up with from that Member who is more concerned with seeing the social welfare payments go to his District than to go and try to work on credible concrete proposals for social and economic stability in that community.

MR. SPEAKER:  
Order, please!

I remind the hon. Member of the same ruling that I made to the

hon. Member for Torngat Mountains, that in speaking to petitions hon. Members must keep themselves to the allegations of fact in the petitions and not wonder off into other strange and wonderful areas.

The hon. the Member for Eagle River.

MR. DUMARESQUE:

I understand that, Mr. Speaker.

It just happens, I guess, at times when you put so much effort into this particular job and you work so hard for the people concerned, that you never expect another hon. Member to get up and try to malign people in such a fashion.

Thank you, Mr. Speaker.

MR. SPEAKER:

It is one minute to three. Since it is Private Member's Day the hon. Member will not get very much time, but I can recognize him in the meantime for one minute.

The hon. the Member for Menihek.

MR. A. SNOW:

I thank the hon. Member for Pleasantville for suggesting he give me leave to speak to the petition presented so capably by the hon. the Member for Torngat Mountains.

MR. SPEAKER:  
Order, please!

The Chair has to determine that it has leave of the House because it is Wednesday and three o'clock the Orders of the Day have to be -

Has leave been granted?

SOME HON. MEMBERS:  
No Leave.

MR. SPEAKER:  
No leave.

Being that it is Wednesday and it is three o'clock and it is Private Members Day, it is the resolution submitted by the Member for Pleasantville.

MR. NOEL:  
Mr. Speaker.

MR. SPEAKER:  
The hon. the Member for Pleasantville.

MR. NOEL:  
Thank you, Mr. Speaker.

This motion has been in our record for sometime now so I would like to begin by reading it again.

WHEREAS the Government of Canada is proposing to implement a consumption tax on goods and services;

AND WHEREAS such a tax is likely to have serious negative effects on our country at a time when our economy may be particularly vulnerable;

AND WHEREAS there are preferable and more equitable means of reducing the deficit, improving our competitiveness, and replacing necessary revenue lost through elimination of the manufacturers' sales tax;

AND WHEREAS the regressive effects of the proposed goods and services tax would be disproportionately burdensome to Newfoundlanders and Labradorians; and

WHEREAS the GST will be expensive to collect, difficult to administer, and confusing to consumers;

THEREFORE BE IT RESOLVED that this House demands that the Government of Canada not proceed with implementation of the goods and services tax.

I trust the Members of the House will agree to support that motion today because this country is in very sad shape right now, as was indicated by the Leader of the Opposition in Question Period. One of the major reasons for that is the problem we have with the goods and services tax that this Federal Government is trying to implement.

On March 5 of this year I wrote to the hon. Michael Wilson and I would just like to quote from that letter: 'You have asked the alternative to the goods and services tax. I believe there is a clear and preferable alternative. The manufacturers' sale tax should be terminated as you propose and the necessary revenue raised through the business and personal income tax. There is no justification for resorting to a general consumption tax like the GST which would have extremely negative effects on the Canadian economy, especially in the circumstances likely to prevail at the time of your planned introduction. The GST would be unnecessarily burdensome to administer, expensive to collect, inflationary, unacceptably regressive and discriminatory against the least fortunate regions and individuals in the economy.'

The income tax option on the other hand would have deflationary rather than inflationary effects, help produce interest rates, avoid the administrative costs and inconveniences of the GST, help make our tax system more

progressive rather than regressive, prevent the increase in regional disparity inherent in a GST, and help to make export industries including tourism more competitive.

According to a study published last week by the institute for research on public policy, personal income tax increases of 2.7 percentage points at the lowest end, 4.2 points at the middle, and 4.6 points at the top in combination with associated savings and efficiencies would enable the Federal Government to raise the same revenues while dropping the MST and rejecting the GST. Such increases would only raise personal tax rates to levels applicable in 1987 and we would save in excess of \$7 billion in public and private administrative costs over the next five years according to professor Neil Brooks of the Osgoode Hall Law School, author of the study.

The progressive income tax is the most appropriate method for the Federal Government to employ in collecting general revenues. It is the cheapest most equitable and least disruptive way to replace the MST. You are not justified in proceeding with the GST in defiance of reason and the will of the people'. That is what I said to the Finance Minister.

Now, Mr. Speaker, why is a Government with the support of only fifteen per cent of the electorate trying to impose a tax the vast majority of Canadians have demonstrated they oppose.

AN HON. MEMBER:  
(Inaudible).

MR. NOEL:

Well, I would say they are going

to stand a very good chance of not being re-elected, yes Sir.

According to a statement issued in August 1989, Mr. Wilson considers the GST to be an integral part of his Government's agenda for securing Canada's economic future. Unfortunately, Mr. Speaker, unless the Finance Minister and his colleagues begin changing their policies, Canadians may have no future to secure as a nation economic or otherwise.

Mr. Wilson promised that the GST would contribute to deficit reduction, and that will only be the case if it is not tax neutral. If it is tax neutral, it will only collect as much money as they are collecting by other means today and if that is the case there will be no extra contribution to help reduce the deficit. He said it would ensure we will continue being able to pay for programs and services. That may well be the case because this tax can gather so much money we might end up paying for more programs and services than we want to pay for. It is a great tax for Governments who are trying to buy their way back into power, Mr. Speaker.

Mr. Wilson said the tax would maximize the international competitiveness of Canadian industries. Now that may be the case for the tax itself except for the implications it will have for the economy generally. Most people say this tax will be inflationary and will lead to a recession and create unemployment. Now if that is the kind of thing that is going to make us more competitive internationally, I doubt it. It will make us more competitive in that the manufactures' sales tax

will be taken off exports, in that he is correct.

He said it will improve fairness in our tax system and in that he is absolutely incorrect. It will not improve fairness, it will do quite the contrary. And he said it would improve the standard of living of low income Canadians. The extent to which it will improve that standard of living is pretty negligible. The fact that his method of protecting low income Canadians consists of increasing the adult sales tax credit by a maximum of fifty dollars which begins diminishing at incomes above \$24,800, indicates the degree of hype being employed to justify this fiasco.

A GST might further some of the objectives of this Minister who has been responsible for unprecedented regressive tax increases, estimated to have increased taxes on Canadians earning \$24,000 a year by sixty per cent during his term compared with eight per cent for those earning over \$100,000 a year. Another example of the hype being employed by the Federal Government is this newspaper article quoting Mr. Joe Clark back in January 11, 1990, the headline was, 'Implement GST as example to Eastern European Reformers', Clark tells Tory gathering. 'External Affairs Minister Joe Clark says one reason Canada should implement the proposed goods and services tax is to set a courageous example for the reform movements now toppling Communist Governments in Eastern Europe.' Now, is not that a very convincing argument for adoption of this tax that stands to do so much damage to our economy. So his tax will not improve fairness, in fact, it will reduce fairness in keeping with

various tax changes imposed by this Minister, as demonstrated by the fact that his changes so far have resulted in benefits to the top earning one per cent of Canadians almost six times as beneficial as for other groups in our country. All other income groups in Canada, except the bottom twenty per cent, actually paid more income tax last year as a result of changes made by Mr. Wilson over the past five years, according to a recent study by Carleton University's Allan Maslove.

Contrary to what the Finance Minister would have us believe, the GST will increase unfairness, increase the cost of Government, and the cost of tax collection in addition to creating administrative chaos. Now his objective of doing away with the manufacturers' sales tax is a legitimate one, everybody agrees that that is a bad tax, so there is no need to go into the reasons, I am sure. But it is not acceptable simply to condemn the GST if you agree with discontinuing the MST. One has a responsibility to propose alternatives. There has been too much criticism from people who say let us not have the GST, but Government has to finance itself in some way, so let us hear what the alternatives are. Nobody likes to talk about increasing the income tax but it happens to be a very easy tax with which to deal.

Government has to collect revenues in order to provide services required by our people but in determining how to collect taxes and how much to collect, Government should do everything possible to ensure it collects no more than necessary, and incurs as little cost as possible in doing



so. Unless it keeps expenditures to a minimum and operates as efficiently as possible, it will be imposing a higher than necessary burden on citizens, which is the case with the proposed GST.

First of all, of course, Government should do all it can to minimize expenditures if it hopes to minimize taxation, and that has not been an accomplishment of the present Federal Government, which has been responsible for doubling the Federal deficit from \$160 billion to \$320 billion in the six years it has spent in office.

It continues failing to raise and spend money responsibly and equitably, increasing taxation on those least able to pay, and unjustifiably assisting regions and individuals capable of looking after themselves. You know they are even being criticized by people in their own Party, Mr. Speaker, for what they are doing. The Treasurer of Alberta, Mr. Dick Johnston, who is a chartered accountant, has recently predicted that whatever tax rate the Federal Government imposes it will prove so lucrative that Ottawa will increase the tax rate until it reaches between 7 per cent and 15 per cent from the proposed 7 per cent they are talking about. He also said he doubts revenues from the tax will be used to reduce the growing Federal deficit, but instead will be spent on new programs. Then Mr. Johnston produced charts outlining what he said was a \$50 billion tax grab by Ottawa, from the Provinces, between 1984 and 1991, the term of this Government.

Now, Mr. Speaker, after ensuring it does not endeavor to collect more taxes than necessary,

Government should then resort to only the least costly taxes to collect. Taxes which further our social objectives of maximizing incentives to productivity, promoting equality of opportunity and living standards, and furthering the progressivity of our tax system. The GST fails on all counts.

SOME HON. MEMBERS:  
(Inaudible).

MR. NOEL:

I am doing so in order to keep my speed down to a level that the hon. Member can follow.

Finance Minister Wilson said in 1985 that the goals of sales tax reform were simplicity, efficiency and equity. GST is not a promising means of achieving those goals. Its primary effect will be to continue transferring the tax burden from corporations to individuals, as this Government has been doing throughout its term of office. It is estimated that since 1980 the percentage of Federal taxes collected from individuals has increased from 70 per cent to 80 per cent, while the per cent from Corporations has declined from 30 per cent to 20 per cent. And if that is necessary in order to keep business competitive, it should only be acceptable if accompanied by increased progressivity in personal taxes which is the opposite of what has been happening. Mr. Wilson has promised that his new tax will be revenue neutral but if it were it would not help reduce the deficit, which is one of the major selling points employed by supporters of the tax. If it is to be revenue neutral, it would be an unconscionable imposition far from justifying any other rationale for

its adoption, according to Professor Brooks, who contends that consumers would pay almost \$4.7 billion more in tax even if the GST were simply substituted for the MST and the same amount of revenue collected.

The GST is a very expensive tax to collect and a very complicated tax to collect. It would not be cost neutral to consumers and it would only satisfy the Government's objective if it produces more net revenues. It would have to be rapidly increased substantially in order to accomplish that. That is why it is the darling of the bureaucracy. It is the best means of prolonging the expenditure treadmill, winding our economy like a high tension spring destined to snap in a paroxysm of political disaster, as citizens are required to turn ever more of their income over to the spending discretion of the state. That is the source of the tax revolt the GST is breathing throughout this country.

It is unacceptable because it will inevitably increase the more than 50 per cent of income the average family is now paying in taxes. It is particularly unacceptable to ordinary citizens who understand it constitutes a regressive consumption tax, capable of significantly increasing the regressivity of our entire system.

Lower income people consume a greater percentage of their income than those who earn more. The effective rate of a tax on consumption declines as income increases. A 7 per cent GST would mean that federal commodity taxes will be 7.1 per cent of low income families income, but only 3.1 per cent of high income.

MS VERGE:  
What about the credit?

MR. NOEL:  
That is after credit. If you would just stay around for the rest of the day, we will educate you in the whole proposal.

MR. GOVER:  
They are against the payroll tax, but they are in favour of the GST.

MR. NOEL:  
One of the arguments in support of the GST is that it is fairer to tax consumption, because those who want to avoid paying the tax can choose not to spend. Aside from the proposition that reduced spending might in fact harm the economy, the option of saving is meaningless for most people who have to spend all their income in order to have an adequate standard of living. That is why a consumption tax is regressive. It is more burdensome to those less able to pay. The Government contends it will reduce the degree of regressivity to the extent that families earning less than \$30,000 per year will be better off with the GST in place. That might be the case for some people, and for awhile, but others will not be fully compensated by the credit. And because the credit is to be only partially indexed to just cover inflation over 3 per cent, it will lose its value over time.

The National Council of Welfare has estimated that within two years 100,000 families will lose the credit, and 700,000 by the fifth year. A recent Canadian Tax Journal article, by economist Patrick Grady, demonstrated that 46 per cent of Canadian families earning less than \$30,000 a year will actually pay higher net taxes after credits in 1991 if the

GST is implemented. I trust the Member for St. John's East is paying attention to this part of my lecture

AN HON. MEMBER:

I am afraid she is not.

MR. NOEL:

I am also afraid she is not. I guess we would not want to burden her with excessive knowledge about the tax system.

MR. WINDSOR:

There is no danger of that from that end.

MR. NOEL:

Not only will the GST be regressive among individuals, it will be regressive among businesses, because costs will be disproportionately more burdensome for smaller operations. And it will be regressive on a regional basis for all of the general reasons, and in our Province, in particular, because of its impact on transportation costs, including supposedly tax-free and tax-exempt items, such as food. It would also make our exports to Central Canada more expensive, and have an above-average inflationary impact, because lower competitive pressures lessen price competition, and because it will raise the base on which the highest retail sales taxes in the country are assessed. It will result in a \$12 million increase in federal sales tax revenues from Newfoundland, and our retail sales tax would have to be raised a full percentage point in order to recoup the net revenue losses and increased expenditure requirements.

MR. SPEAKER:

Order, please!

The hon. Member's time is up.

SOME HON. MEMBERS:

Hear, hear!

MR. SPEAKER:

The hon. the Member for Mount Pearl.

MR. WINDSOR:

Mr. Speaker, there has been a tremendous amount of debate about the goods and services tax in Canada. As has been pointed out on many occasions, opinion polls at the moment seem to indicate that perhaps only about 15 per cent of the population truly support the goods and services tax. I would suspect, however, that out of that 15 per cent of the national population, a high percentage of those would be people who are involved in the financial community, in other words, those people who truly understand finances on a national level. I think it is fair to say, without being unkind to anyone, that national finances and big time finances of this nature is not a simple matter. The average person on the street does not get themselves fully informed perhaps, and why would they want to, really?

There are so many other things people are concerned about, people probably do not pay the amount of attention they should to such important matters as fiscal policy in Canada and those things which impact on fiscal policy particularly, such as new tax measures. It is not a simple matter, Mr. Speaker, of saying we are putting in a new tax; 7 per cent is going to be added on to the cost of all goods and services in Canada, with the exception of food and drugs. Mr. Speaker, you have to look at a much broader picture; you have to consider the overall implications of such a tax on the people of Canada generally,

and on the Government of Canada specifically, because the Government of Canada has such an impact on people. How the Government goes, how the finances of the Government of Canada goes, so, too, goes Canada, so, too, goes the economy of Canada, so, too, goes job opportunities in Canada. And, as business people in this nation go, so goes the Government of Canada. It is business and industry, Mr. Speaker, which pays the bills, which generates the revenue Governments have, be they federal or provincial, in order to provide the services the people of this nation or this Province want and demand and deserve.

The goods and services tax, Mr. Speaker, is no different from other taxes, in that it provides revenue to the Government of Canada. The objective of the Government of Canada is to tackle the deficit situation in Canada today. And that is the crunch of what we really should be here to talk about, not the goods and services tax per se, we will deal with it, but the deficit in Canada today. How long can we continue as a nation or as a Province? This Government has already realized that I think, that obviously we have to deal with the deficit situation.

We have to deal with the deficit situation of the Pension Plan, and I congratulated the Government on the effort they made in putting an additional payment into the Pension Plan. There were no payments into Pension Plans in this Province until 1979, by the way, when we initiated that. We had very little to work with, and we put far too little money into the pension system in this Province. Government, now, is

starting to find itself in a better position, and I encourage them to continue funding the Pension Plan and to deal with the deficit situation of this Province.

We cannot continue to buy groceries on borrowed money. That is what we were doing in this Province for so many years. You can do it for a few years if you have a plan that takes you out of that in the near future, even two or three or four years down the road, but you cannot continue to do it without any firm plan, any knowledge and any security that two or three years down the road there is light at the end of that tunnel.

The Government of Canada, Mr. Speaker, is not only in the same position, they are in a far worse position than the Provincial Government. Although they have more to work with, their deficit is staggering. And the Government's deficit is not something that a bunch of guys and gals in Ottawa have to worry about, that deficit, Mr. Speaker, rests on the shoulders of every man, woman and child in Canada, equally. That is the key point to remember there. So, when the Government of Canada or the Government of a Province says we are going to deal with that deficit, they are saying we are going to manage your affairs on your behalf, and we are going to try to tackle the fact that we are in such a deficit position that we are borrowing and we cannot balance our Budget.

I think a large percentage of the 15 per cent of the population who are supporting the goods and services tax in Canada believe that the goods and services tax may not be - the hon. gentleman

from Pleasantville pointed out, and I do not take exception to his comments, that there are other ways of raising taxes. There are many, many ways of raising taxes, and we could spend forever arguing over whether an income tax system is better than a goods and services tax system, is better than a value-added tax, is better than a national sales tax, is better than surtaxes on certain items. There is any number of mechanisms for raising taxes, and there are good arguments to be made for all of them. But we are here to discuss the goods and services tax and what it will do to help the Government of Canada deal with the deficit situation.

I opened by saying that business and industry generate the revenue on which we run the economy of our nation. The goods and services tax tries to help business and industry. Now, it may not be politically, it may not be publicly expedient to do that, because the average person on the street automatically says, 'Forget business and industry, you are taking more money on me'; it appears to be another retail sales tax. Well, it is another retail sales tax. It is a direct tax. It is a consumer tax. It is coming directly out of your pocket. Most people in Canada, or a large number of them, do not know that they have been paying thirteen per cent on items manufactured in Canada. When you buy an automobile today, you will pay thirteen and a half per cent manufacturer's tax on that automobile. It is built into it. You do not see it. You did not know before now that you ever paid it, but it is there and it is very real. GST reduces that to seven per cent, so the price of an automobile should be reduced by

that amount, or the price of other major items, major household appliances. Any major manufactured item manufactured in Canada, the price should go down. And overall what the GST does is it helps business and industry compete with business and industry from outside of Canada. It makes us more competitive with the United States.

Now, we have debated here at length, free trade. The fact of the matter is, we are now moving into a free trade situation, so we are now trading and we are competing with businesses and industry in the United States, except that we have a thirteen and a half per cent tax on items that are produced in Canada but not on items that are produced outside. It is a different tax. Under GST all items will be taxed at the same level, whether they are produced in the United States or in Canada or in Europe. So it makes our industries more competitive.

Now, that all sounds very positive, and by now the hon. Members opposite think I am jumping up and down, I am here to defend the goods and services tax. The problem with it from Newfoundland's point of view is that we produce very few of those items, and the bulk of the manufacturing that is produced in this Province is in the resource-based industry, such as the fishing industry, which is already exempt. So there is no benefit. If you are not paying any tax you cannot reduce it, and so there is no tremendous benefit to the fishing industry. There is some indirect benefit on items they buy which they are now paying sales tax on, but they do not basically pay federal sales tax,

so they do not get the same benefit.

And if you look at statistics you will see that the majority of industry in this Province is service-related industry, which is not taxable under the old system but is taxable under the new system. You will also find that the bulk of heavy manufacturing industry is in Central Canada, and so the real benefits are to business and industry, Mr. Speaker, but they are to business and industry in Central Canada again. And although there are benefits to business and manufacturing industry in Newfoundland and Labrador, it is far less than in other parts of Canada, and it is negative to our very important service industry, to our tourism industry, for example, and we should be concerned about that. And that is true right across Canada. That does not treat Newfoundland any differently than the rest of Canada. Not like the 1.5 per cent payroll tax which this Government has instituted, which is a disincentive for tourists to come to Newfoundland verses other parts of Canada. This 7 per cent federal goods and services tax on the tourism industry is a disincentive for tourists to come into Canada, but it does not discriminate between provinces of Canada.

And there are so many other services that will now be taxable, but there may well be some benefits - the fact that the tax rate is lowered. We must remember that in this Province we have a couple of major projects. We hope the Premier does not chase away the Government of Quebec in the negotiations on Churchill Falls, and if he does not chase away the

oil companies in trying to move ahead with the Hibernia Development, then we would hope, over the next few years, to have two major capital intensive developments take place in this Province. Now, if a large percentage of the purchases, the equipment required for those developments is produced in Canada and we are going to pay 6 or 6 1/2 per cent less tax on it, there will be benefits to those projects. And it is interesting to look at a project the size of Hibernia to just see what the implications are. I am afraid, however, in Hibernia's case, a lot of the equipment was produced in the United States. But there are still benefits to getting that development taking place, very big benefits. They will be very positive.

Mr. Speaker, this tax of the Government of Canada tries to deal with the tax as fairly as possible. The hon. gentleman said it impacts on those least able to pay. I do not accept what he is saying there, because there is a rebate set up for low income persons. So persons who are earning, families who are earning \$30,000 a year, or less, will actually pay less tax. They will actually pay less tax, and that is a fact. That is positive.

There are millions of senior citizens out there, most of whom will pay less tax this year, most of whom will pay less tax to the Government of Canada under GST. Even if they do not pay tax, they will get a rebate, they will get a tax credit and receive a refund. So there are some positive implications.

MR. NOEL:  
Fifty dollars.

MR. WINDSOR:

I beg your pardon?

MR. NOEL:

Fifty dollars.

MR. WINDSOR:

It may well be fifty dollars. It may be \$100, it may be up to \$300 a year; \$300 a year or fifty dollars a year means something to these people. It means something.

MR. R. AYLWARD:

It is not indexed.

MR. NOEL:

It is indexed above 3 per cent, but the first 3 per cent gets wiped out every year.

MR. WINDSOR:

Mr. Speaker, the Minister of Finance, in the statement he made, brings out some good points I find it difficult to disagree with. He says it shall have an inflationary impact, and I believe that is true. The Government of Canada indicated that it probably would increase by about 1.25 to 2.5 per cent I think, but other agencies are predicting maybe a little higher than that. It is very difficult sometimes to predict these things. It may well have a recessionary impact as well; we may indeed be seeing it. Anybody who thinks we are not very much into a recessionary mode in Newfoundland today, is not aware of what is going out there. Business and industry in Newfoundland today are finding it very difficult. It is very difficult to get your bills paid today, because people do not have the money to pay them, because the work is not there. Things are not happening in Newfoundland and Labrador. Now that is not all because of GST, it is not all because of Meech Lake. Certainly

those two things have had a negative impact on it. This Government's position on Meech Lake has had a very negative impact, not only in Newfoundland, but across Canada, but moreso, I would suggest, in Newfoundland than anywhere else in Canada because of the real fear of how this Province is going to fare in future constitutional changes.

But, Mr. Speaker, the Minister also said that there will be a 35 per cent increase in federal sales tax revenue from Newfoundland. I do not know if that is still true. I am sure, Mr. Speaker, the Minister is going to speak in this debate. I am sure he is. He has not spoken very much in the House, but surely the Minister of Finance - Mr. Premier, is he allowed to speak?

PREMIER WELLS:

(Inaudible).

MR. WINDSOR:

He is not allowed to speak in this debate! The Premier has confirmed that the Minister of Finance is not allowed to speak in this debate. It does not really surprise me, but it does amaze me. It does amaze me. I certainly hoped that the Minister of Finance would get up and give us the benefit of the analysis of his officials, because a great deal of what I am saying and what I am basing my opinion on, Mr. Speaker, is just that, the advice and the analysis of the officials of the Government of Newfoundland and Labrador, based on the document the Minister of Finance released back in November, which was prepared, no doubt, by the Economics Division of Executive Council and the officials of the Department of Finance, some very capable people whom I know well

and for whom I have respect, and so I am accepting the numbers which are in these reports, because I am sure the Minister did not generate them himself.

But a 35 per cent increase in federal sales tax to this Province means about \$115 million extra in 1991. Now that is a lot of money! That is a lot of money, Mr. Speaker for this Province to pay out extra in federal sales tax. What the Minister did not tell us, Mr. Speaker, is what is going to happen to the economy of Canada by 1991 as a result of this. Are we going to see some additional investment? Are the other provinces? For example, if Ontario and Quebec, as I have said, and I feel strongly, are going to benefit so much from this tax, if their economies are going to strengthen, what, then, happens to the equalization payments as a result of that? How much additional will Newfoundland gain in 1991 because the economy of Canada has strengthened generally, and particularly the stronger provinces are doing better? Because, Mr. Speaker, as all Members know, equalization is based on how other provinces in Canada are doing.

AN HON. MEMBER:  
(Inaudible).

MR. WINDSOR:  
We were negotiating. We had not rejected the concept of GST, we rejected a national sales tax, which was the first proposal put forward, simply because that took away all flexibility from the provinces in using the provincial tax system, particularly retail sales tax, for social measures. I think between the two, is that the Province is not participating.

From a national point of view there is not a big difference, all right. GST is a national sales tax at the federal level, but it is not a combined national sales tax. The Federal Government of Canada has too much control, Mr. Speaker, over the tax system in Canada; too much control over fiscal revenue measures of our Province. I think the Minister pointed out something like 75 per cent of all taxes in Canada will now be controlled by the Government of Canada. A national sales tax would have made it even higher; it would have made it almost 100 per cent of taxes would then be controlled, to a greater or lesser degree, by the Government of Canada, and so very few provinces, in fact, supported that.

SOME HON. MEMBERS:  
Oh, oh!

MR. WINDSOR:  
It did not eliminate it, it combined it, so that you paid the same tax. It may be a different tax than in other provinces. It would be basically a joining together of the federal tax and a provincial tax, but applied to everything. But it took away your flexibility to give exemptions on food, clothing and oil, the basic exemptions we have in this Province.

Mr. Speaker, I will conclude very quickly by saying I see the goods and services tax as being good for Canada; I see it being negative to Newfoundland and Labrador generally, in that we do not have the business and industry which can receive the benefits that other parts of Canada will have. But I see some positive implications. If you want to look at it as positive - I see it



negative as well - then we should say well, this is good, we are getting more equalization. I will be happy when we do not get any equalization. But, nevertheless, if you are going to do a straightforward analysis, the Minister says \$115 million additional federal sales tax to be paid from this Province. How much will the Province get back in equalization payments as a result of that?

So there are positives and negatives. I think you will find that most economists in Canada, looking at the national picture, will support the goods and services tax. But from the Newfoundland and Labrador point of view, I have to say it is negative directly. But indirectly, Mr. Speaker, I guess the question we all have to ask ourselves before we vote this afternoon is, if it is good for Canada, even though directly it may be negative for Newfoundland and Labrador, is it not good for Newfoundland and Labrador too? Thank you.

SOME HON. MEMBERS:

Hear, hear!

MR. SPEAKER:

The hon. the Minister of Finance.

DR. KITCHEN:

Thank you, Mr. Speaker.

Mr. Speaker, every province in Canada is opposed to the goods and services tax. The only people in Canada who are for it are a very small group, and they are dwindling daily. It is about equivalent to the popularity of the Conservative Party. They are now down to the same as their interest rates. Their popularity is equal to their interest rates, and shortly it will be down to the

GST rate.

Now they are hoping that as the GST rate increases, because that is their plan, their popularity will increase. I will tell you this, that the only way the Federal Government is going to get out of this mess they are in is to increase the goods and services tax rate, and that is going to happen. I will tell you why, and it is as a result of what is happening in Canada now. The original purpose, the announced purpose of the goods and services tax was to reduce the deficit. That is what they say, it is to reduce the deficit. That is the announced purpose.

The deficit in Canada now, in the last few years, has been around \$30 billion. They are projecting it might be \$28.5 billion this year. That was in the Federal Finance Minister's Budget, \$28.5 billion. However, the problem was that he had a certain interest rate in mind. What we have to keep in mind is that a large portion of the Federal national debt is in short-term rates, short-term borrowings, which means that as they move around, so do the interest charges of the Federal Government.

What has happened in the past several months is that interest rates are going up. In Question Period the Leader of the Opposition attempted to blame that on Meech Lake. But it has nothing to do with that, it has to do with other things that are occurring in Canada, basically the decision of the Federal Government to try to keep the economy down in Central Canada, and to keep interest rates high, to keep the dollar high, and to check inflation. As a result of that, our interest rates in

short-term are up now about 2.25 percentage points. From the point of view of the Federal Government, every percentage point the short-term interest rate goes up, the deficit goes up \$1.5 billion per year if it persists. So, if this 2.25 per cent interest rate persists through the year - we are not sure that it does - the Federal Government is going to be out about \$3 billion.

Now, how would they recoup \$3 billion? Well, they could add a percentage point to the goods and services tax and get another \$2 billion. So they will probably have to jack it up next year to 9 per cent if short-term interests rates continue high, and this is a very serious question. Because the philosophy behind the goods and services tax was that what would happen, as has been explained, is that without the manufacturers' sales tax the cost of goods would decrease and people could sell at reduced prices, and when the goods and services tax are added on it would come back again, but there was to be no net gain.

But what is happening is they were predicting a very small inflation rate, 1.25, at one point, they were saying. Our analysis, done by the provinces cooperatively, indicated that it would be somewhat higher than that, perhaps 3 per cent in the first year, for certain, and others were predicting higher. But what has happened is that people are so afraid of the goods and services tax that they are protecting themselves by raising prices, and wage settlements are going up and other things are going up. So inflation is not under control. It is now relatively high. It is higher this year than it was last

year in Canada. So they have a real problem here.

There is no doubt that the Federal Conservatives, Mr. Wilson and the rest of them, and the whole nation, I suppose, have a very serious problem here with this goods and services tax, because their plan, and they did plan, is not working. At least it is not working yet. I hope it does work from their point of view, because I certainly do not want the Federal Government's deficit to increase, because you know what would happen then. Either they put the goods and services tax up - but it is getting closer to an election for them, so what are they going to do? It is hard to know what they are going to do. They could decide that they are going to cut back EPF again next year, cut it back all over, to recoup this problem, because they must address the deficit. I think they are really in a very desperate situation. And that is what the polls reflect. This difficult economic situation in Canada, possibly caused to some extent by the goods and services tax, possibly caused by fear of the tax, I do not know what is causing it as respect to the GST, but the basic ingredient, in my view, is the decision by Mr. Crow, backed by the Federal Government, to keep interest rates high. And that problem is not only hurting the Federal Government, it is hurting us too.

The fact that we will probably have to borrow \$150 million shortly in the Canadian market, we will pay 2 percentage points more, or 2.25, than we did last year, perhaps. That is the way it looks it now. If we do that on \$100 million, what is that? That is \$2 1/4 million - \$150 million is \$3

and 3/8 million extra that we have to find each year to finance that amount of debt. That is money that we in this Province are going to have to find. So next year, when we come around here, if these trends continue, we will be wondering what we are going to do to balance our budget. Are we going to cut services? Are we going to layoff people? Are we going to increase taxes? What in the world are we going to tax?

The Federal Government in all probability should reconsider. They have been asked by everybody in Canada, including their firmest supporters, namely, the heavy businesses supporters in the manufacturing industry, the exporting industry, to cut the interest rates. They are asked by everybody to do it. Now they are stuck in a hard place, they do not know quite what to do: will we cut, or will we not cut interest rates? Their whole philosophy falls apart if they start to do it, and their whole financial group of people they have managing Canada's finances, are revealed to be soothsayers at best. So there is a real problem here, and I take no joy in speaking about it.

The other reason, and the hon. the Member for Mount Pearl mentioned it, is that they were hoping that with the goods and services tax there, which means that businesses can escape the tax by passing it on to the ultimate consumer - they subtract what they, in turn, have paid. That is the businesses subtract from what they paid, so they are net. They do not pay any tax on goods and services and, also, they do not absorb the federal sales tax - it was thought that that would put them in a tremendous competitive position in this global and United States free

trade economy and so on they would be in, and businesses would be in a poised, in a better position to expand. And, as has been pointed out, this may very well work in some areas - it may or may not. We have not seen it yet, because, as we say, we are probably in what is technically called a recession at the moment, or are about to enter that phase for a while, anyway. I do not want to be too pessimistic and down about that, but that is part of the problem. So it looks as though the very people who were hoping to benefit from this tax are now in a position were they are no longer supporting the Government, certainly not on interest rates.

As far as Newfoundland is concerned, looking at Newfoundland's point of view, can we gain in the export markets by having no federal sales tax and no goods and services tax on our manufacturing industries? What about the fishing industry? Can we expand our exports in the fishing industry? I would suggest it is doubtful under the present circumstances, because that is not the reason why we cannot expand. The reason we cannot expand in the fishing industry is a question of supply. How do we expand when there is no supply out there to expand to? That is our basic problem. So we cannot expand in numbers. What about the pulp and paper industry? Can that expand in Newfoundland? I would like to see how we can expand it, when we are running up against a wood problem. We have a wood problem.

So there are two basic industries in Newfoundland which will benefit very little from the change over from a federal sales tax to a goods and services tax. It will help us very little. The other

point of view is this: Who will gain in Newfoundland? Individuals will not gain. We estimate that the tax load which will be dumped on individuals is in the vicinity of about \$130 million next year, and that is going to be tough on every single person in the Province, starting January 1st, 1991. We are worried to death about it. I know there is going to be a small rebate, and thank goodness there is going to be a rebate. Without the rebate it would be devastating for poor people altogether. The rebate is not going to compensate for the GST for the vast majority of people, so we are going to be in a real problem there.

I suspect some businesses may benefit a little bit. Normally, if the federal sales tax is down, a business could reduce its prices. If there is competition between two businesses, they probably will reduce. The Newfoundland market is generally thought to be not too competitive in some areas, so maybe businesses will be tempted not to reduce prices completely. I suppose if either of us were in a business person's position, we would probably, in this risky economic climate at the moment, with the high interest rates coming up, and the bankruptcies - 29 per cent increase in bankruptcies in Canada in the first quarter, and in Newfoundland, perhaps, just as bad. We know of a lot of companies which are having a hard time because of the interest rates. I suspect companies will be tempted not to reduce their prices. If that is the case, they will, to some extent, benefit, I suppose - they will benefit. It may help them a little bit if there is no competition.

However, the service industries will not benefit very much from the elimination of the federal sales tax, because except for some office furniture and stuff like that, the things they purchase are not usually subject to the present FST. So there is no real gain for them.

One of the major problems with the goods and services tax is the administration problem, the administration of it. At the moment, the Federal Government has an office in St. John's - I think it is down in the Royal Trust building - where they have some employees, and I understand the people in St. John's now, who normally collect the federal sales tax, will be collecting the GST and they will be increasing their complement, perhaps up to forty, or something like that. There is not going to be a very large number of tax collectors. Of the 4,000 tax collectors estimated for Canada, we might get forty, which means that the tax function here is not going to be very great.

Apparently, what they want to do is do most of the tax collection from Halifax, or some place like that, not from here. Hopefully, but I doubt that we will, we will be the centre for GST collection in Canada, or in the Atlantic area.

What will probably happen is the Federal Government will rely on the Provincial Government, because we have agencies around the Province, to drop of their brochures about what GST means to you, and so on, and businesses would pick it up, maybe, from the Provincial offices. What bothers me very much about that is that the first thing is going to happen is anyone who does not understand the GST, will be coming to the

Provincial people saying, can you explain this? Can you come down to my business and tell me how I can handle it, because these other fellows are in St. John's? They are not going to come out. So you can see what that does to our tax collection system. So we have yet to have a good arrangement with the Federal Government on that. If they want our services, undoubtedly they will have to put some compensatory package there. It is a hard racket. It is a hard situation from our point of view, and it is a very hard situation from their point of view.

However, let it be said that we will co-operate. If the Federal Government is determined to go ahead with this, we are certainly going to help the Newfoundland businesses and the Newfoundland people as much as we can to make the transition. It is a very complicated tax, an extremely complicated tax.

AN HON. MEMBER:  
(Inaudible).

DR. KITCHEN:

We have been receiving a little heat from across the way about some of the points in our own new tax, some of the points that are not fully worked, or were not fully worked out, but think about the goods and services tax, where they have been working on it now for two and a half or more years and they are still not fully worked out. And that is a very serious question. It is a hard tax to work out.

One of the questions is legal fees. For instance, legal fees will be taxable. Every time you go to a lawyer now, you will have to pay 7 per cent on your legal fees. The lawyer, of course, will

have tax exemptions. Anything he buys, he can get tax exempt, a bit of furniture or something like that. But, basically, legal fees will cost more as far as the public is concerned.

Now what about legal aid? This is a question. Legal aid was put in as being tax exempt, which means that the customer cannot be charged. But, then, lawyers are not going to absorb the cost of legal aid. So how are they going to arrange that? Well, they finally, tentatively at least, worked out a way. The Legal Aid Society will pay the lawyers tax, and then the Legal Aid Society will claim a refund from the Federal Government.

So there are all these complications in this tax which have to be worked out, and different arrangements for different things. One of the most difficult areas is what is called the MUSH, or MUSH sector - Municipalities, Universities, Schools and Hospitals. That particular sector. You know, that sector where we also had a little bit of a question here, some questions which were raised across the House this last few weeks. What are you going to do about the municipalities? What are you going to do about the universities and the schools and the hospitals? Well, they are not sure what they are going to do with the GST yet. That has not been fully worked out. They are still working on it.

SOME HON. MEMBERS:  
They are not?

DR. KITCHEN:

The principle has been established that none of these institutions will be worse off under the GST

than they were under the federal sales tax.

MR. WINSOR:

That sounds familiar.

DR. KITCHEN:

Yes. These are the lines we have been exchanging, are they not?

However, the mechanism has not yet been decided. Possibly a 100 per cent rebate for most of their operational expenses in certain sectors, with the difference between the goods and services tax and the federal sales tax being paid by the Province to the Federal Government and then the province adjusting the budgets of the universities, schools and hospitals, so that they will get their money back from these institutions in that way. As far as the municipalities are concerned, that will not work for them; they have another arrangement in place for municipalities. It is an extremely complicated situation.

And that is not the whole of it, because with respect to university, some is tax exempt, some is tax free, and some is subject to the GST, depending on the type of operation. If they are in the commercial business, as some universities are, they sell books and stuff, then it is GST on top of it. In other areas it is not GST, it is exempt, which means they cannot charge their customers but they have to pay what comes in. So they have to keep a very complicated accounting system, anyway. This is part of the problem we are faced with with the goods and services tax.

What could they do? That is their problem. I am glad it is their problem rather than ours. I think

the main problem the Federal Government has is the interest rates. If they get the interest rates down, then their problem of handling their national debt will not be as large, it will be much less; they will not need to reduce their deficit by increasing taxes, because they will be paying less interest. The main problem facing the Federal Government, as I see it, is getting their interest rates down. That is the message which has been coming from virtually every provincial administration in Canada. As we meet with the Federal Minister we keep telling him, get your interest rates down, Sir. Try to get your interest rates down rather than take the high interest rates out of the taxpayer. Do not worry about the investor. The investor is doing quite well now, thank you. Is that the main concern of the Government, the investor? It seems to be.

There are many things we could say about the goods and services tax. The most serious problem from the point of view of this Government is that the Federal Government is in our tax room. Traditionally, consumption taxes have been left to the provinces. That is where we get the bulk of our retail sales tax - \$570 million we are going to get, hopefully, this year in retail sales tax. Now, the Federal Government says, move over boys, we are going to take 7 per cent right from the consumer. In our case, that will mean 19 per cent, or possibly 20 per cent, if we tax their 7 per cent, you see. Can you imagine consumers paying 20 per cent? That is really what they are going to have to do. What happens when we are short of a dollar here in the Provincial Government? What are we going to raise? We cannot raise the retail

sales tax to 21 per cent, can we? We will be under great pressure to lower it. But where are we going to get the money to run the Government, to pay the civil servants, put the Labrador air subsidy back, and all the other things that people ask for in the House and elsewhere? Everybody is looking for money from the Government, and quite properly so. The other thing is nobody wants to pay taxes. How many letters do I get on my desk every day saying, please, will you exempt us from retail sales tax? I have a tourist business and I want to get some encouragement. I want to start an industry somewhere. I want to develop offshore oil. Can you take down the sales tax? Can you give us tax exemptions?

MR. SPEAKER:  
Order, please!

The hon. Member's time is up.

MR. SPEAKER:  
The hon. the Member for Kilbride.

MR. R. AYLWARD:  
Thank you, very much, Mr. Speaker.

I was willing to let the hon. Minister continue, because I was sure that while I was waiting the Minister was going to give us the facts and figures compiled by his Department as to exactly what the goods and services tax is going to cost the people of Newfoundland as compared to the rebates that are going to come back to Newfoundland, to see whether it would be a benefit or a loss to Newfoundland. From the figures we have now, it would appear there will be an overall cost to the taxpayers of Newfoundland. I am not sure about that, because I do not have all the figures.

I was interested in hearing the Minister say that all the provinces in Canada are pleading with the Federal Government to reduce the interest rates, but I do not hear an alternative to discourage inflation from all these Finance Ministers. Everyone would like to see the interest rates down. I do not think that is any great problem.

But nobody wants to see inflation. Is a higher interest rate going to discourage inflation? It has worked somewhat in the past but apparently right now, even Finance Minister Wilson is saying that it is not working in the service sector this time, maybe it will sometime in the future. But, Mr. Speaker, we have a resolution here today to deal with on the goods and services tax and it is one of those issues where, I suppose, it is motherhood, everyone could stand up and say: 'yes, I am against the goods and services tax.' That is very easy to do because most people, most constituents of ours would be against taxes anyway, so the easiest thing to do today would be, for me to stand up and say 'I am against the goods and services tax, finish up the debate, let us vote on it and get it over.' But, Mr. Speaker, I am also concerned for my constituents when they need educational facilities, and I am also concerned that my constituents need health care. We have good national social programs in this country and my constituents avail of those programs as much as anyone, and I would expect, if you talked to them one on one, they expect to pay their fair share of those programs that are paid for by the Federal Government through the taxes which they collect.

Now the biggest surprise I had here today, was to see that our own Minister of Finance did not support the GST. His arguments that he uses to defend his 1.5 per cent payroll tax could be used word for word to defend the GST, because most of them are what Finance Minister Wilson is using to defend his GST. So I expected that our own Minister of Finance -

MR. NOEL:

The words you used to criticize the payroll tax.

MR. R. AYLWARD:

Exactly, exactly, yes, that was what I was going to say next, that the criticisms have been used on this side, so which one of is right? If we vote here today, all against this GST, indirectly I guess we are all voting against the 1.5 per cent payroll tax, so if the arguments on both sides are just the opposite, well obviously we should be voting on two things here today, if we all vote against the GST.

Mr. Speaker, when I try to make a decision on whether I am for or against any issue, I suppose the thing to do is go and try to find out as much information about it as you can. I did get some information that is distributed by the Federal Government on what the GST is and how it affects certain industries, there are three pamphlets which I have, one being small businesses, one being housing and one is the GST credits. When you read them over, I do not know that every Member of this House of Assembly even understands why the GST is being brought in, in Canada. I did not know all the reasoning before I got these pamphlets and started investigating the need for the GST. Now these pamphlets are a

bit outdated because they refer to the nine per cent tax but that has been reduced now to seven. It has changed somewhat but the reasoning for bringing in the GST still stays the same. It is supposed to contribute to the deficit reduction. I have heard conflicting remarks from the Finance Minister on that.

At one time he said it was not going to contribute to the reduction of the deficit, and now obviously from the literature he is saying that it probably will contribute to the reduction, so that confuses me a little bit and I do not have any definite answer yet. The GST is an essential element in the Government's plan to make changes necessary to ensure Canada can compete in the world's economy. So if we have to compete in an economy - we are a trading country obviously, so we should have taxes that compare to other areas or other countries in the world that are trading countries, and certainly people with whom we trade.

It is ironic that this Private Member's Motion is here today because I believe it was last evening that the show with Eric Malling, The Fifth Estate, had a show, a rerun that I saw some time ago on the Australian experience in bringing in their goods and services tax. Knowing Eric Malling I would say that he worked his little heart out to try and find as many people as he could to be completely against the goods and services tax, because he was coming back to Canada with that show.

I was pleasantly surprised at the number of people on that show who were not overly against the goods and services tax in Australia.



There was one sheep farmer interviewed there who was a trader with Canada actually, and when he was told Canada was going to have a 9 per cent goods and services tax, and not have it so widespread or wide based, he said that was a mistake and it should be kept down as it is now, down around 7 per cent, but it should be spread over everything, everything should be charged. And the experience in Australia is that personal income tax has been reduced significantly, and trading with other countries has improved.

So, Mr. Speaker, from that experience that leads me to think that maybe the goods and services tax might be something good for Canadians. If you look at Canada as a trading company and you use the experience that Australia has had only recently, it is not some time in history, a long ways back, it is only recently, and they find the average person interviewed on that television show found that the goods and services tax was a benefit to them. Now Australia did have its goods and services tax on everything. They had a very wide based tax and they had very high rebates, I guess they are called, and quite a reduction in personal income tax in Australia, because of their goods and services tax. Now maybe the goods and services tax would be a benefit to Canada, but maybe in the details in trying to implement this, we are going about it the wrong way. So again I have to make some kind of a decision on whether the goods and services tax will be of benefit to Canada.

The goods and services tax is supposed to improve the overall fairness in the tax system. Now the hon. the Member for Pleasantville does not agree that

the goods and services tax do create a fairer tax system. I think I tend to lean to the feeling that it is a bit fairer. If I used an example say here in Newfoundland of a person making \$20,000 a year, they are going to spend \$20,000 a year. A person making \$80,000 will maybe spend all of it, but they will spend most of their \$80,000 a year.

When you look at the items that are exempt from the goods and services tax the person making the \$20,000 would likely be spending most of their income on basic groceries, medical devices, whatever that means, prescription drugs possibly, residential rents and existing housing, that would be an expense for the person who is going to spend their total income on these items, the lower income range; loans, mortgages and insurance policies are exempt. So that is a likely expenditure for a person with the lower income; health and dental care including hospital care is exempt; education services are exempt; day care services are exempt; legal aid services are exempt. If a lower income person needs legal help, which I hope they never do, and probably most of them never do, it would be exempt; and municipal transit, which certainly people on lower income would be using more than someone with an \$80,000 or \$90,000 income, will be exempt; and passenger ferry services, which is a benefit to our Province because people come and go within our Province on ferry services, and in and out of Province.

So, Mr. Speaker, I use the example of a person on a lower income spending all of their income but most of it on the exemptions, and someone with a higher income spending, certainly a portion of

their income on this, but has income to spread around on other goods and services that could be considered, if not luxuries, semi-luxuries, or not essentials. Mr. Speaker, maybe the tax is fairer to people on lower income rather than a manufacturers' tax, which if you buy houses you are paying it, pretty well whatever manufactured item you are going to buy will have the manufacturers' tax on it. So if you compare the two of them, maybe the tax is a bit fairer to lower income people.

Mr. Speaker, in the tax credit system the Federal Government also explains how the tax system will be fair in another way, Mr. Speaker. It says here, 'First, lower and modest income Canadians will receive the GST credit. This is the fairest and simplest way of ensuring that Canadians are protected. Second, the middle-income personal income tax rate will be lowered from 26 per cent to 25 per cent. So that will help the middle-income family, and families with earnings less than \$30,000 a year will be better off with GST in place.' Now this is a statement by the Federal Government and, obviously, they are promoting their sales tax. So you have to take that with a jaundiced eye, as is said sometimes.

Mr. Speaker, I went to another research group, Ernst and Young, who did an analysis on the goods and services tax, which is available, and probably sent to all MHAs. I know it was in my files when I went to look at it. They make some comments also on the goods and services tax, Mr. Speaker, especially as it refers to lower income people. They suggest that people on lower incomes will probably benefit,

short-term and long-term, with the introduction of the goods and services tax. Some of the analyses they make on their economic commentary on what the Federal Government are suggesting will happen with the goods and services tax, it says, in their view, the proposed goods and services package is likely to provide significant long-term economic benefit fully comparable to those that had been anticipated under the 9 per cent rate. That is comparing the 7 per cent and 9 per cent rate.

Mr. Speaker, it also says, 'Further, the present version of the GST reduces the risk of inflationary spiral because the initial impact on prices in 1990-1991 is almost half.' So they seem to suggest that the goods and services tax will have a benefit to this country, Mr. Speaker.

They also make some analyses on the different phases of implementation, and I would recommend this to any people who are trying to make a decision on the goods and services tax. They have an exhibit here, Mr. Speaker, which says, 'What is likely to be the relative burden of shifts?' The shift in clothing will probably increase by 6 per cent. So, a person on higher income, buying more expensive clothes, will pay more taxes on the more expensive clothes, which means that the tax will be a little bit fairer, where the people who can afford it will pay more, Mr. Speaker.

Certain utilities will increase by 6 per cent, which is a rough one to try to argue for, Mr. Speaker. New housing will increase by 3 per cent, according to this, and

take-out foods. All of these increases will affect higher income people more than those on lower income. But, Mr. Speaker, basic groceries will reduce by 1 per cent, household appliances by 2 per cent, furniture by 2.9 per cent and long-distance telephone calls will reduce by 6 per cent, which is not important.

Mr. Speaker, we have to consider all the aspects of this goods and services tax to try to make up our minds. The compelling reason that will convince me is that the goods and services tax will probably benefit Canada; I do not think there is a doubt of that. Over a long time, it certainly will benefit the manufacturing part of Canadian industry. It will make us more equal for our trading partners.

AN HON. MEMBER:  
(Inaudible).

MR. R. AYLWARD:  
Okay.

Mr. Speaker, before I sit down, I wish to move an amendment to the motion, seconded by the Member for Torn gat Mountains, that the following be deleted, Mr. Speaker, and that would be the second 'Whereas': 'AND WHEREAS such a tax is likely to have serious negative effects on our country at a time when our economy may be particularly vulnerable;' Mr. Speaker, we remove just that 'Whereas', Mr. Speaker.

Just to clue up, what will finally make up my mind, Mr. Speaker, whether I support the goods and services tax, is I believe it will be a benefit to Canada in general, but, Mr. Speaker, because we have a very small or insignificant manufacturing industry in our

Province, probably, and I do not have the exact figures - I was hoping the Minister of Finance would give them to us. I do not wish to take the chance, but probably the goods and services tax would have an overall negative effect on this Province. Therefore, I will have to give some long and serious consideration to which way I vote today.

Thank you, Mr. Speaker.

MR. SPEAKER:  
Order, please!

May I have a copy of the amendment?

MR. RIDEOUT:  
Mr. Speaker, there is no copy of an amendment. All my colleague has done is move that the second WHEREAS, which is on today's Order Paper in the resolution, be deleted.

MR. SPEAKER:  
The second WHEREAS?

MR. RIDEOUT:  
The second WHEREAS, yes.

MR. SPEAKER:  
The amendment is in order under Standing Order 36.

MR. RIDEOUT:  
Is in order?

MR. SPEAKER:  
Yes.

The hon. the Member for Stephenville.

MR. K. AYLWARD:  
Thank you, Mr. Speaker.

It is a pleasure to speak in this debate today on the GST. I think from all concerns and from all

parts of Canada they have major problems with it. All provinces, many groups, many individuals, companies, businesses, a variety of individuals, crown corporations, corporations, nonprofit, the whole, I suppose, wide-range of society has a major problem with the GST.

I suppose one of the reasons they have a major problem is the way in which the Federal Government has gone about, first off, trying to bring it in, and its consultation process. That itself has caused a lot of consternation especially when the tax is brought in against so much opposition. There is a great deal of opposition and there is a good deal of opposition for many reasons, and for a good reason. I remember when Mr. Blenkarn, who is Chairman of the Finance Committee of the House of Commons, was wondering whether or not he should come to Newfoundland to even consider Newfoundlanders' and Labradorians' opinions. I remember that a number of Members in this Government had kicked up a fuss and a good one to make sure that the GST concerns could be heard in this Province. Mr. Blenkarn thought that our opinions were not exactly that of an educated people, or whatever, or whether or not they were worth anything. Anyway he was convinced afterwards, because of his silly comments, that he should come to Newfoundland and Labrador and take a number of briefs.

As a matter of fact, I have a number of the briefs that were presented. I have copies of them here. Most of them or 95 per cent of them, almost all of them, were basically against this present GST tax. Therefore, I think Mr. Blenkarn was able to see, maybe that was one of the reasons he did

not want to come down, he did not want to see the opposition that existed to it. But he was convinced to come here and to get our views, and that he did.

I believe that across Canada where they have gone and had public hearings they have come to see that there are many problems with it. Not only just from a consumer's point of view, but from accountants' point of view, from the business point of view, the small business federation and John Bullock and his group who represent the small business people of Canada, have outlined their concerns very vociferously to the Federal Government, to the Federal Ministers, and to especially the Federal Minister of Finance. Mr. Wilson has really refused to budge on his tax scheme and has gone ahead anyway. I think if he implements it as it is, that they will see, I believe, the wrath of the electorate during the next Federal Election. I believe they will see that for a number of other reasons but that will be one of them.

In talking about the New Zealand experience, Mr. Speaker, it has been said and it has been advertised by the Federal Government that is one of the reasons they have researched this, and they have looked at it, and one of the reasons that they can do it and should do it is because it has worked in other places.

They implemented it in another country down there in 1986, but it was 10 per cent. In 1988 it was 12 per cent. Within two years they had jumped it 2 percentage points and it looks like they are probably going to do it again.

AN HON. MEMBER:

(Inaudible).

MR. K. AYLWARD:

Yes. That is fine. But that depends on which Government, and if the Government is going to do that.

AN HON. MEMBER:

(Inaudible).

MR. K. AYLWARD:

That is right. Will this one do it is another question. That has not been said, and a lot of people have major problems with that.

The Opposition is talking about the payroll tax, for example. I find this a little bit amazing, to tell you the truth. We are in the GST debate now, so let us throw in the payroll tax. Well, then, I am going to take it a little further. I am going to say the RST we are charging now as a Province is twelve per cent. How did we get the twelve per cent? Who put it there? Well, now, that is a good question.

AN HON. MEMBER:

(Inaudible).

MR. K. AYLWARD:

We are working on that. Do not worry. We are working on it. We are looking at it. I mean, we are really looking at it and we are trying to find a way, unlike the former Government. We are trying to find ways to do it. I heard the hon. Opposition Finance critic talking about us increasing the NLC, we were looking for revenue or something of \$2 million, which we did. He failed to say they did it for seven years in a row while they were in Government and there was never anything said.

SOME HON. MEMBERS:

Oh, oh!

AN HON. MEMBER:

We did not try to sneak it in.

MR. K. AYLWARD:

It was said. Whether or not you announce it in the budget you are going to see it, obviously, if you have a good Opposition. But the gall, Mr. Speaker. The gall! I mean, let us get it back on a fair track here.

Back to the GST, the one we are debating today. The GST of this Federal Government, which would like to push our Province as far out into the Atlantic as they can, by the way they have been treating us in the last number of years, especially lately, and it is most unfortunate, clouds the issues of what we are trying to deal with in this Province. The GST, I think, is going to hurt, very much so. In my own opinion, and from my own research I have done, I believe it will hurt the small businessperson, and I believe it will hurt the consumer. It also gives, which has been indicated by most experts, the Federal Government a tax which they can increase at will and bring in a tremendous amount of revenue on the backs of the small businessperson and the consumer. I believe those concerns have been put forward very strongly.

In the House of Commons, in the last number of months, there have been a lot of petitions presented; I believe 600,000 names were presented in the House of Commons over the last number of months opposing the GST. Most of the public opinion polls which have been taken across Canada have also indicated that the electorate, the people out there in Canada, are against the GST. Unfortunately, the Federal Government and Mr. Wilson are not going to respond,

or it does not seem as if they are going to respond, and are going to try to go ahead with this.

I believe this resolution is very timely. I believe the resolution by the hon. Member for Pleasantville is well put together, and I believe it should go forward to the Federal Government.

A number of points, Mr. Speaker, also have to be made. The GST, and the development of the GST, was done through tax reform, and a review of tax reform, which the Federal Government undertook to do in 1984-85 when they first took office. At the time, that was not exactly one of the brightest and the best options they were looking at. It was not really said they were going to do that, and they did not indicate to the people they were. They said there were a number of other options they were reviewing, but all of a sudden they come in with this one. I think if they had their druthers, I think if they had their way, they would go back and probably look at something else. They probably would, because I think it has caused them a great deal of political damage, and it may also cause the economy a fair bit of damage. And that is the other question you have to talk about.

There are demands now by labour as to their wage demands all across Canada. One of the reasons for their demands is the projected GST and what its impact will be on the consumer, and the purchasing power of the consumer. That, I believe, is causing inflationary measures, and I believe it will cause further inflationary measures, along with the high interest rate policy the Federal Government is presently carrying out. We are

living with a high interest rate policy right now. It is doing us a great deal of damage in Atlantic Canada, which is very evident by recent reports here in Atlantic Canada about bankruptcies and how they have gone up over the last couple of months. I believe, with the GST on top of that, coming in the first part of next year, it looks like we are entering a recession. This Province and other provinces in Atlantic and Western Canada are going to find themselves under the gun, and individuals are going to find themselves under the gun. I believe it to be a very negative tax, one, I think, which goes against the common grain of the people of Canada, and one, I think, where the Federal Government has clearly seen that it is time for them to change direction. I believe they will not do it.

As a matter of fact, they sent down a brief history of their Finance Committee, and so on, and when they announced they were coming to St. John's, after having been convinced to come to Newfoundland and Labrador to hear the opinions of educated Canadians in Canada, they also sent a business card along which says, 'Strategic Communications', a company the Finance Committee had employed to push their message on the GST. I think the wording is very interesting, 'Strategic Communications'. I think they should fire their strategic communicators, because they have not been doing a very good job. As a matter of fact, it probably got them in a lot of trouble. Because if there is a good message to be gotten out, they have not got it out. At least, I do not think that the people who have been putting it out have been too

high in the opinion polls, or considered heroes of Canada. I do not think Mr. Blenkarn is well taken by most Canadians these days, and his attitude, or Mr. Wilson. I was in Ottawa on Monday, as a matter of fact. I flew up on the Air Atlantic jet, which is now on jet services returned to Stephenville, due to a lot of good work by a number of people. I flew up on this jet, and I was in the House of Commons when Mr. Wilson was asked about the GST, about the bank rate, and how it was causing inflationary pressures, and he was saying he is not going to bend, and so on and so forth. It was an Atlantic Canada MP who was asking the questions. He was saying, Well, you can go to ACOA, and there are all kinds of other programs we have for Atlantic Canada. Do not worry, we are going to take good care of you. I found most of the people in the Opposition laughing, of course, because the MP who was asking the question got up and said, Yes, they can go to work in the fishery. They can find a job in the fishery, the way the fishery crisis is on the go. They could take a train and go to Upper Canada, but they cannot get there because there is no train left. Anyway, he went on and gave a litany of things which have happened over the last three or four years in Atlantic Canada. So, I add the GST to that because of the effect it is going to have on this region down here, a very major and dramatic impact on our people. I do not believe the Federal Government has conceived this tax in a manner which takes in the concerns of people. Understanding that we have a federal deficit, and that it has to be gotten under control, there is no doubt about that, the question becomes, how do you go

about doing that, and how does it affect people? That is the major question. How do you do it and do it in the right way? A lot of the tax burden here is going to be shifted to the consumers and to the small businesses of Canada. The major, large manufacturing companies and other companies are going to be let off the hook a fair bit, and I think that, again, is the policy of the Tory Government. Therefore, you can see why they are trying to put it in place. It is to shift the tax burden from the rich to those who can least afford to pay. It is most unfortunate, because it is causing major problems.

I believe there are going to be 4,000 jobs created just to collect the tax. The administration of it, from my reading of it, is going to be very expensive, and the confusion that is being caused is going to take years to get straight.

MR. EFFORD:

It is a Tory policy.

MR. K. AYLWARD:

The hon. Minister of Social Services suggests it is a Tory policy, and I agree with him that it is. But in conceiving the policy, it is just amazing that they would rob the poor. Robin Hood style, I suppose. The only thing is, they are giving it to the wrong crowd. We are doing it in reverse. It is a reverse Robin Hood. It is most unfortunate, and I think the Federal Government should get a message from the debates that went on across Canada in all the different Legislatures, from the number of petitions that have been presented, from all the press releases and the letters of response, and from the briefs which have been presented to the

Federal Government and to the Federal Government's Finance Committee. There should be a message the Federal Government can take from this. And if the hon. Michael Wilson, the Minister of Finance, were listening, or at least had his ears open to the will of the people, I believe he would change his decision, I believe he and the Federal Cabinet would look for another way to bring about tax reform. There have been a number of other suggestions made. Unfortunately, I do not think that will be the case, and I do not expect it to occur. It is most unfortunate. Even though Mr. Wilson has lowered the original 9 per cent to 7 per cent, it is still going to be a major, major tax grab.

Again, as the New Zealand experience points out, they have increased that in two years by a percentage point each year, and, therefore, I expect that is the hidden agenda for Mr. Wilson and the Federal Tory Government which, again, is just changing Canada. They were elected, but they are making changes in Canada they did not have a mandate for, and it is most unfortunate they are still carrying on. I believe it to be unacceptable to Canadians, and I believe they will show their wrath at the polls in the next election.

It is most unfortunate when you look at a Federal Government with the attitude toward the provinces which this Federal Government has, but especially toward Newfoundland and Labrador and Atlantic Canada. The Prime Minister gets up and says, 'There is no crisis in Newfoundland or Atlantic Canada when it comes to the fishery. There is no problem; we will get it corrected, we will throw a few bucks down there.' And we have

the new Minister of Fisheries up there and he does not know - 'Well, we might come up with something, but we may not.' Then you have the Minister of Finance who has a higher interest rate policy going - 'Well, you know, we have to control inflation.' But, I mean, he is helping create it, and economists are telling him this. In the last few days, economists have been getting very concerned. All the people Mr. Wilson normally relies on to give him advice are now telling him he has a problem, but he is still not listening. I think we have an out-of-control Minister up there who is going to cause Canada more harm than good. It is becoming plainly evident, not only to the regular person, but to the highly educated economists of this Province, and those in Canada who give advice to the hon. Federal Government. They are basically yelling and telling him, 'Look, Sir, you have to change this high interest rate policy, because you also have the GST, which you still want to bring in, and that, alone, is going to cause major problems. If you keep this up, you are going to be hammering the smaller provinces in a fashion they may not be able to live with.' I believe that is the general consensus, the opinion of the people of Canada, and they should be listened to. But, obviously, the Federal Government have decided they do not listen to anybody.

When you have attitudes displayed like we had with Mr. Lucien Bouchard, the Federal Minister of Environment, for example, who wondered whether or not we choose between Newfoundland and Labrador and Quebec, I mean, those types of comments from a Federal Ministers on concerns that provinces such as



this one and others have, just go nowhere and they damage the total process and the credibility of the process. When you are a province like Nova Scotia, or Newfoundland and Labrador, or PEI, or a province in western Canada, no wonder there is so much alienation, no wonder there is so much bad blood and such bad vibes going. How do you deal with those types of attitudes, where you have to get into a crisis situation before they will even attempt to resolve the matter?

I believe those are problems which are going to come to a head, and I believe it is time the Federal Government listened. The Federal Government should listen to reason, not total rhetoric, but reason; put aside the rhetoric. When it comes to the GST, I believe it is something they should look at. A lot of pressure was applied and the rate was reduced from 9 per cent to 7 per cent, which was good, but it should be just gotten rid of, scrapped and done all over again.

If that were done, I think the people of Canada would breathe a sigh of relief, so would the small businesspeople who create the majority of jobs in Canada - 90 per cent of small businesses create the jobs in this country. And the entrepreneurs of Canada, who are out there now trying to develop new businesses, are probably shaking their heads, because, again, the Federal Government is just not listening to reason. I believe, if they wanted to be smart and intelligent and try to develop the economy, they would look at it and review it and come up with some kind of a compromise. But they just will not do that, Mr. Speaker, and it is most unfortunate.

Again I think the consensus of most legislators across Canada, and I believe all the Finance Ministers across Canada said the same thing, all the Premiers in Canada said the same thing, is that the GST is bad news. It is time the Federal Government got the message. I believe this resolution, put forward by the Member for Pleasantville, is a very good one. I think the House should adopt it. I also believe the people will have their say eventually if the Federal Government implements such a tax and such a mechanism. I believe they will have their say. And this shocking Federal Government, which refuses to listen to people anymore because they got their second mandate and Mr. Mulroney thinks he got it made. I suppose he will wait until he gets to 10 per cent in the polls and then he will see if he can haul her back up again by telling all kinds of stuff, one thing in one province, and one thing in another, when it is not the same thing at all. I suppose they will try that strategy. And their Strategic Communications, they are probably going to have to use them for the next election I would suggest. But not the same ones they have now, They had better, get new ones, because they obviously lost this one badly. They have lost it so badly, I think it is going to show in the next Federal election. I could suggest to them a number of strategic communicators, because I do not think they are doing a very good job.

MR. SPEAKER:  
Order, please!

The hon. Member's time has elapsed.

MR. K. AYLWARD:

Thank you, Mr. Speaker, for your honourable time. Thank you.

MR. SPEAKER:

The hon. the Member for Torngat Mountains has two minutes.

MR. WARREN:

Thank you very much, Mr. Speaker.

I can see from the clock I have about two minutes. However, Mr. Speaker, I want to make it absolutely clear from the beginning that the GST will benefit -

AN HON. MEMBER:

Your are not serious!

MR. WARREN:

I want to make this loud and clear, Mr. Speaker. The GST will benefit 80 per cent of the people living in my District.

AN HON. MEMBER:

And you used to be Liberal?

MR. WARREN:

Mr. Speaker, 80 per cent of the people who voted for me in the last election will benefit from the GST, Mr. Speaker. Let me say, if this Government goes along with our amendment - right across Canada I think the GST will generally be good, in parts of Newfoundland and parts of Labrador the GST will not be good. But, Mr. Speaker, I will say again, my District and the District of Eagle River will benefit, at least 50 per cent or more in the people of Eagle River. Mr. Speaker, it is tied to income, and you will see, when November and December comes around -

MR. SPEAKER:

Order, please!

The hon. Member's time has elapsed.

MR. WARREN:

Thank you very much, Mr. Speaker.

MR. SPEAKER:

I call on the hon. the Member for Pleasantville to close the debate.

MR. NOEL:

Mr. Speaker, if what the hon. Member just speaking says is correct, that 80 per cent of the people in his District would benefit if the GST is adopted, I am tempted to change my position on the matter; because the good people in that District need all the help they can get with the standard of representation they have down in this House.

Now, to deal with some of the points which have been raised by hon. Members today. The Member for Mount Pearl says it is business and industry which pays the bills. Mr. Speaker, it is the people who pay the bills.

AN HON. MEMBER:

You tell the Minister of Finance that.

MR. NOEL:

Business and industry might collect it, but it is the people who pay. Let us not forget that. So let us not make the case for the GST on the basis that it will help business. Businesses have too much in this country as it is, in some ways and in some parts of the country.

I was reading an article the other day indicating that we have six billionaires in Canada. They only have twelve in the United States, and their economy is thirteen times the Canadian economy; they have only twelve billionaires and we have six in Canada. I think Canada has been very favourable to business over the years, or

certain businesses and certain businesspeople, and it is no surprise that the Chairman of T. Eaton and Company recently wrote a letter to his business friends around the country advocating that they support Mr. Mulroney for his courage in proposing the GST. I think he has a little more than courage in mind when he encourages his friends to do that.

The Member said the GST will provide revenues. Well, every tax provides revenues. There is no reason to bring in a particular tax because it is going to provide revenue. The question you have to decide about which tax you are going to use is, what are the negative effects? And the GST is a very negative tax because it is so costly to collect - \$7.5 billion over five years. The hon. Member brings up the payroll tax. All the criticisms you make of the payroll tax you should make of the GST. You say the payroll tax will be paid by the little people, people who need all kinds of services. That will be the case with the GST; if it is a problem for you with the payroll tax, it should be with the GST.

The Member said the GST would make business more competitive. I spoke about that in my opening remarks. It is going to be inflationary in our country, and that is why I suggest we consider encouraging the Federal Government to look to the income tax. The income tax will be deflationary. According to that study by Professor Brooks, if we were to raise the money we require by an income tax means, it would have a 2 per cent deflationary effect, whereas with the GST the Federal Government is trying to persuade everybody that it is going to have a 1.25 per cent inflationary

effect. Of course, nobody believes what they are saying, and it is not the case. Just in today's newspaper we have the Federal Assistant Deputy Minister of Finance saying nobody believes the 7 per cent GST will add only about .25 percentage point to the consumer price index. Nobody believes it, and the estimates are that it is going to have an inflationary effect of anywhere from 3 per cent to 7 per cent.

That gentleman also said the GST is going to contribute to a much tougher labour relations climate in the country, and that is the case. That is why it interests me that the Opposition Members have suggested deleting the particular WHEREAS they have in this motion. The WHEREAS they propose deleting is 'WHEREAS such a tax is likely to have serious negative effects on our country at a time when our economy maybe particularly vulnerable.' Well, you people do not believe that the economy is going to be particularly vulnerable at the beginning of next year? There is practically unanimous agreement on that.

Just the other day, the economist for the Bank of Canada, in a newspaper headline, said: 'Bank warns GST may spark recession. Proposed goods and services tax will shove the economy into a recession in the first half of 1991. Introducing the GST at this time, when we have high interest rates, a high dollar, higher taxes from the provincial governments, and more and more layoffs, will shock the Canadian economy. It is a recipe for creating a recession.' So I do not know what the point is in deleting that part from the resolution. It seems to me that it is an accurate part.

The Member for Mount Pearl said the GST may be beneficial to Canada, but it may not be to Newfoundland.

It is not beneficial to Newfoundland, because we have so little industry here. The fact is it will hurt what industry we have, particularly because it applies to transportation costs; it is going to make our goods more expensive to sell to Central Canada. Of course, this is one of the criticisms we have of the GST, it is more regressive regionally in Canada because it is going to hurt the outlining parts of the country more than the central parts, because it applies to transportation costs. In that sense, it is going to be a tax on food, medical services, and all of those things which we have to import. So it is a regressive tax on individuals, on businesses; it will be more burdensome on small business and regressive on regions.

The Member for Mount Pearl also said, I believe, he favors the tax because it reduces the federal sales tax from 13.5 per cent to 7 per cent. Nobody really expects it to stay at the 7 per cent level very long, but the fact is that while it is being reduced it is going to be applied to more goods and all services for the first time. The Federal Finance Minister says it is going to be revenue neutral, so that means that there is not going to be any net reduction in taxes. So there will not be any benefits, there will not be any less taxes like that. Of course the Federal Minister would have us believe that it is going to help us pay the deficit while it is still going to be revenue neutral, and I suppose there are still some people who believe that, but they

are disappearing quickly.

The Member said the tax will be good for Canada. Well, I do not know how it can be good for Canada when it is going to raise inflation to the extent it will, and when it is going to cause such labour strife. Just in a newspaper today, Maureen Farrow, chief economist of Coopers and Lybrands said, 'I do not trust the business sector not to mark up or round up prices. There has been the temptation in every other jurisdiction that has gone to a VAT to do so.' And, of course, that is what is leading people in the labour movement to negotiate very strongly for wage increases. So the tax is going to lead to wage increases, it is going to be inflationary. It is going to increase the cost of living and it is going to help prop up interest rates. So I do not know how anybody can believe it is going to be good for Canada.

The Member for Kilbride, when he was speaking, said that he accepted that a legitimate criticism of the GST was that it might be inflationary, but he said what is going to discourage inflation. And I want to point out to him that if we were to use the income tax route again we would discourage inflation, because the income tax route is so attractive, you know. It is deflationary, it is progressive, it costs nothing to collect. All you have to do is change the numbers that are now on the tax forms and the deduction instruction.

AN HON. MEMBER:  
(Inaudible).

MR. NOEL:  
We are talking about the future

now and what the Federal Government is proposing to do. And this is why I think people should really seriously reconsider their support of the GST. It is such a costly tax, you know. \$7.5 billion over five years in order to collect that tax and all of the headaches that it is going to provide for business, all of the headaches it is going to provide for consumers and individuals. There are going to be some products that will have one tax and some will have two taxes, and some will be taxable - food for instance - if you eat it in it will be taxable, if you take it out it will not be taxable. When people see prices quoted in advertisements, marked on shelves and on goods in the stores, they will not know if it is to be tax included or if tax is excluded. Why are we in this country getting into such a complicated system when there is an easier one, and one that could enable the Federal Government to stay out of the field of taxation, direct taxation, that has been traditionally left to the provinces? I do not understand it.

AN HON. MEMBER:

Did you say \$7.5 billion to collect it?

MR. NOEL:

Just to collect it will cost \$7.5 billion. I do not understand why people are not keeping up-to-date with the points that are being raised about this. To just quote from when this Neil Brooks study was released a couple of months ago, the newspaper article said, 'the Federal Government could save more than \$2.5 billion in administrative costs over the next five years by scrapping the proposed goods and services tax, and raising the revenue instead

through a small increase in the income tax. Neil Brooks who teaches at Osgoode Hall Law School in Toronto said yesterday that the savings for the private sector would be even greater, at least \$5 billion.' So that is \$5 billion from the private sector and \$2.5 billion from Government. This is money that is going to be wasted just to have that particular tax, which is a great tax for bureaucrats, and a great tax for people who want to have Government spending beyond their means.

MR. TOBIN:

Do you support it?

MR. NOEL:

My friend we have been talking here for two hours almost today on this. The motion is against the GST. From what I am saying today, if you conclude that I might possibly support the GST, then I understand why you asked earlier why I was reading some of my speech. I was reading some of my speech in order to try to make it comprehensive for people with that kind of problem, but obviously I did not read it slow enough.

SOME HON. MEMBERS:

Hear, hear!

MR. NOEL:

Now you talk about the GST making Canada more competitive if we bring in the GST at the rate presently being proposed. Consumption taxes in Canada today account for 28.9 per cent of federal revenues and in the United States they account for 16.7 per cent, and the United States is our major trading partner and this is very serious. There is concern about Canadians going across the border shopping in the United States, taking Canadian dollars across the border to the

Americans, hurting Canadian retailers. What we are going to do is make Canadian service industries in that area less competitive as the Free Trade Agreement keeps clicking in and we eliminate trade barriers between the two countries, so many more Canadians are going to be doing their shopping south of the border.

The Member for Kilbride asked if the tax would be fairer. He said the GST would be a fairer tax. Let me tell you that if we were to adopt the income tax option instead of the GST option, people earning 30 to \$35,000 a year would have \$270 a year more in consumable income if we adopted the income tax option instead of the GST. One of the speakers mentioned tourism, and it is a serious threat to the tourist industry, and particularly in a Province like Newfoundland. It is a threat in a sense that it discourages people from coming in and it encourages our own people to take their vacations outside the country.

Just recently the President of the Tourism Industry Association of Canada warned that we could lose a billion dollars a year and more than 25,000 jobs. The President of the National Tour Association of America has written the Prime Minister warning that Canada, already an expensive destination for U.S. tourists, will no longer be a marketable destination and will be dropped from our tour programs. The GST will remove the advantages of a stronger US dollar and further exaggerate costs for gasoline, beer and cigarettes, which are already twice as high in Canada as in the United States, and he estimates that his package that is costing \$300 this year will go up to \$360 in 1991 and

\$420 in 1992. That is a forty per cent increase. The GST will have a devastating effect on tourism in this country. The Federal Government says it is going to do some things to rebate that, but it is still going to be a headache and they are not going to rebate the whole thing.

The sense in which the GST is going to be particularly regressive for small businesses is something that should be considered very seriously by all Newfoundlanders. According to the Canadian Federation of Independent Business, the GST will cost \$850 million dollars in compliance expenses per year, that is another \$850 million dollars, with very small operations bearing 72 per cent of the burden. The smallest businesses will find the tax most burdensome. Small business will have to invest more than \$360 million to upgrade their accounting equipment. That is in addition to the \$900 million of tax revenues that the Government intends to make available to help defray business costs. The Federal Government are going to give businesses almost \$1 billion to subsidize their adoption of the GST reporting requirements. Another waste of money.

If the GST is implemented we in Canada - now they talk about other countries and what is being done in other countries - will be the only country with a Federal system in which two different sales taxes are levied on varying arrays of goods and services. Some products will be tax exempt, some will be tax free. The tax exempt ones will be products that are not taxed on the end transaction when they are finally sold to the consumer, but they will be taxed all along the way. Charities will

be taxed at a 50 per cent rate, all the charities in the country.

Other countries have value added taxes but no other systems are as complicated as the one the Government of Canada is trying to impose in what is also an excessively complicated and strained political structure. No wonder Canadian investors are withdrawing from Canada, interest rates are going through the roof and our economy is turning into a shambles. These are things you read in the news every day. It is not too late for the Federal Government to reconsider what it is going to do. I mean a tax revolt is developing in this country. People have just had enough. When you have an option that can provide the same revenue with less cost, no cost in effect, no cost, the same revenue, no headache for businesses, for individuals, for consumers - how can people not consider that option? The income tax option, along with other things we can do.

AN HON. MEMBER:

People with high incomes will find loopholes.

MR. NOEL:

No, no. That is one of the things we can do. We can reduce the loopholes. We can talk about how to eliminate waste in a country. We can talk about how to cut Government services and the kind of things that Government -

MR. SPEAKER:

Order, please!

The hon. gentleman's time is up.

SOME HON. MEMBERS:

Hear, hear!

MR. SPEAKER:

Is the House ready for the question?

Is it the pleasure of the House to adopt the amendment?

Those in favor of the amendment please say 'aye'.

SOME HON. MEMBERS:

Aye.

MR. SPEAKER:

Those against the amendment please say 'nay'.

SOME HON. MEMBERS:

Nay.

MR. SPEAKER:

In my opinion the 'nays' have it.

All those in favor of the motion, please say 'aye'.

SOME HON. MEMBERS:

Aye.

MR. SPEAKER:

Those against the motion please say 'nay'.

I declare the motion carried.

Order, please!

This House now stands adjourned until tomorrow, Thursday, at 2:00 p.m.