



CANADA

# House of Commons Debates

**THE HONOURABLE JOE VOLPE, P.C., M.P.  
SECOND READING SPEECH ON BILL S-3  
THURSDAY, MAY 13, 2010**

Mr. Speaker, I am delighted to speak to this bill today.

Those of us in the Liberal Party are into what is called nation-building. Nation-building is a bit different from what the parliamentary secretary said a moment ago is the primary function of parliamentarians, that is, to make sure they conduct things the way a business person would run his corner shop. That is not to diminish the fact there always needs to be economic probity, financial probity in everything that we do, but there is a different action.

In this place, all Members of Parliament, whether their background is in business, law, academic teaching, small business, or worker, are interested in building this nation. They do it through the economic stimuli available to a Parliament like our own to ensure that all men, women and children have the opportunity to fashion out a future for themselves in this country, to avail themselves of all of the natural resources that are here and the human resources that come with the interaction of people who live in a collective, and all of the entrepreneurial skills that are developed either through some of the institutions that are funded by government in part on the one hand and stimulated by those who see the value in research and development on the other.

Bill S-3 addresses one component of that social economic development that comes with nation-building. One would expect that I as a Liberal and those of us in the Liberal caucus would be supportive of any initiative that would render the free flow of capital for investment to allow enterprise to capitalize on its ingenuity and create wealth as a result, and to do it not just here in our country but elsewhere. It is called the exporting of our intellectual property, of our entrepreneurial skills, indeed of our culture.

Those of us who are nation-builders, those of us who are members of the Liberal Party, understand that government is not only about operating a balance sheet. We understand that balance sheet has to include the ambition and the dreams of all Canadians in whatever fashion they are developed around the country.

The reason taxation treaties are important and why Liberal governments in the past have sought them in the context of the OECD and the model tax convention that has driven it is that we believe in fairness, the fairness that comes with making an investment and recovering revenue

from that investment, but not an investment or return that would be double taxed. In other words, we do not have to make a contribution twice to the infrastructure of a culture, economy and society that may be thousands of kilometres away.

That does not mean our corporate culture would go in and ransack and pillage and walk away without any responsibilities. We believe in a mutual co-operation with legitimate authorities in other locations that welcome our entrepreneurs, our investors and co-operate with them in developing the local economy while allowing ours to come back with the merited profits without being taxed there and here.

When we have to tax here and we have to tax back, the first casualty is probity, i.e., it is replaced by corruption. The second of course is people look for ways to avoid tax and that obviously leads to tax evasion.

That does not work well for the development of any country, because the underlying weakness is one that says the individuals, or the corporate individuals who make an investment, who garner wealth from the activity in whatever place that activity is resident, no longer have a responsibility to their community.

In the Liberal Party we believe in a collective responsibility. We believe there should be profit and capitalization of all intervention and investment that is made in a territory or a collective, but we believe that something must be left behind: growth. Growth is what we leave behind, and a respect for the individuals that allowed us to move along.

We have developed a series of treaties with many countries. I am glad to see that we are now moving ahead with Greece, Turkey and Colombia. I understand that we are already in negotiations with other countries like Cuba. The idea is that those countries and their legitimate authorities help our own investors to secure a proper investment environment and at the same time leave behind an additional investment through taxation that is not so onerous as to generate avoidance, evasion and corruption.

Legislation like this seeks to impress upon the international stage that one can be a responsible and active democracy and still be very dynamic economically. One can be socially oriented, i.e., have a sense of responsibility to the collective and at the same time pursue a very dynamic and rewarding bottom line. We wonder why legislation like this, which purports to do that, would not have been presented earlier and would not have been initiated in the House of Commons, where all money bills, tax initiatives and fiscal responsibilities are developed, debated and promulgated.

We would have thought that. Not to be light on this, but it seems to me that it did happen in the past, but prorogation came along and killed it. Now it has returned again through the Senate. It has come back here. Maybe there will be another prorogation. I must think about it a moment. Why? Because the parliamentary secretary talked with such great earnestness about the government's commitment to all of these bottom lines and fiscal responsibility issues and about how this is almost indispensable to everything in the world.

I agree, but I am not sure that the issue of commitment can be attached to that speech. The legislation was presented, debated, prorogued and killed. Now it has been raised in the other

place and brought here. We will make a few interventions. There is no indication that things are going to be moving with any speed. It is important for our businesses to understand that the government is actually in a position where it wants to help and prepare the road so that foreign governments are at least as sensitive to the dynamics of the marketplace as our own might be.

It struck me as well that the parliamentary secretary talked about the greatness of the Canadian financial system and the basis upon which it is founded, how solid it might be, how much of a beacon it is for the rest of the world, how the marketplace is solid and how there is an appropriate balance between business and government, between society and business and between what must be invested and what must be taxed. In other words, how do we make a contribution to renewal and growth?

The parliamentary secretary said that all of these things are part of the Canadian culture. In saying that, he is paying a compliment to the governments of former Prime Minister Jean Chrétien and former Prime Minister Paul Martin, who were able to establish a system of balanced budgets.

Someone is going to say, "Oh yes, but somebody had to pay for it". Canada had balanced budgets and surpluses, in the western world, so that we had the most solid financial system, financial administration, anywhere among the G8. In the OECD countries, Canada was seen as a country that reduced taxes. Of course we had a reduction in the national debt from roughly \$600 billion to about \$500 billion and an elimination of the deficit, from \$43 billion to zero. No, I am sorry, it did not go to zero; it actually went to a \$12 billion surplus, at last count, which was then reinvested in our collective, our community, Canada. It was invested in the taxpayers. It was invested in those Canadians who wanted to make this country grow.

Every country lusted at our model. They asked how it could be that Canadian administrators, Canadian legislators, could make investments in research, in human resources, in universities and colleges, could produce a federal system that allowed for two levels of government to be able to make investments in their young people, in the infrastructure to take care of the old, in the hospitals and medical systems that are required to give a quality of life that is the envy of the world? How can this be? What do they do?

Well, they took a look at the tax system. The two governments of Jean Chrétien and Paul Martin, over a 15 year period, produced the kinds of results I mention. They were able to initiate all these treaties that were reciprocal arrangements with countries, with the business environment in other places and the expectations of our business community.

The Government of Canada and the governments of the provinces were able to go into countries around the world in support of their businesses and receive the red carpet treatment. Why? Because when they struck those deals, those reciprocal arrangements, like those proposed by Bill S-3 right now where two countries are talking about recognizing which of the two has the residual authority to tax an activity, to tax an income, they do it on the basis of fairness. The Canadian government has demonstrated a culture of probity, a culture of continuity, a culture of respect for those who contribute the earning and those who withdraw from that earning to reinvest with their partner.

That is why countries around the world approached us and asked “Can we get an arrangement with you, because you can be trusted?” People do business with those whom they know, with those who have established a record of continuity, those who have established a record of trust.

That is why I mentioned a moment ago the issue of income trusts. The justification for it was that there was tax leakage here. We needed to get a little bit more. We could not lose that \$300 million. The parliamentary secretary said, “That's old hat”, three years ago. But it is not old hat to refer to the environmental standards that were set, perhaps not met, by previous governments of 10 to 15 years ago and replaced by no standards. Therefore, there is no judgment.

The issue of income trusts is extremely important because it goes to the heart of internal tax treaties. Those are the arrangements the Government of Canada, i.e. the people, the collective, makes with those who engage in economic activity to produce wealth and to share it, to fund programs.

When the Conservative Government of Canada made a big deal of saying, “We are making the tough decision; we are going to cancel these income trusts because that is \$300 million”, it said that these guys through a legal tax loophole were avoiding paying \$300 million. That is going to be replaced by a circumstance that sees 85% of those activities bought by American and foreign-owned enterprises. As my colleague from Scarborough Centre mentioned a moment or two ago, what happens is they get all the benefits and advantages out of the Canadian tax system and ours do not.

Of those companies that became the target of that \$300 million tax leakage, 85% are now in the hands of foreigners. By the way, they are not paying taxes here. They are paying taxes there.

What is worse is that those Canadians who had made an investment in their own future and in their own retirement lost \$35 billion overnight. They saw their savings melted away like rare snow on a hot June day. They just melted away because the Minister of Finance and the Prime Minister, both Conservatives, said “We need to make a tough decision. You pay for it. You have got \$35 billion to burn. You pay for it so that we can save \$300 million”. We save \$300 million and we are losing whatever is the balance to all those Americans who took the 85% of the income trusts that still exist. That is great.

Let us go back to these tax treaties. Foreign countries are looking at us; now it is tougher to negotiate with them. We are negotiating with them and happily there are people who still want to sit at the table with us, but they are wondering about our right-wing government, I am sorry, an extreme right-wing government. It does not pay attention to that dynamic I mentioned a few moments ago, the dynamic with the individual citizen, the individual taxpayer, engaged either as a worker, a subcontractor, an entrepreneur, an administrator in a large enterprise, or indeed, an administrator in one of those social institutions that make us the great country we are. That relationship of trust and mutual service is being eroded, if not snapped. They look at us and say, “If they have a country whose government has so little respect for all of the elements that go toward wealth creation, that go toward the development of a society that is an economic model for the world, what can we expect? If the Government of Canada has little regard for its own citizens, if the Government of Canada is busy in the process of eroding all of those programs and

institutions that have got it to this place of such elevation, what can we expect in any agreement we sign with them?" We should think about that.

Sometimes we listen to people like the parliamentary secretary, who say to us that this is good, that is good and this is good, then take a look at each item of the puzzle and go out and say, "Look at how many pieces we have in the puzzle". Put it together and see what it looks like.

We want to support a system, and we will support Bill S-3. We find that those initiatives are a logical outflow of those initiatives we had as a Liberal government. They have to flow from the logic of nation-building that we established in this place and that we still adhere to very proudly, despite the mudslinging that is thrown at us for all of the achievements we made through all those years. Those achievements no longer belong to the Liberal Party. They belong to the country of Canada. They belong to every province. They belong to every municipality. They belong to every citizen.

We have a responsibility in this place to ensure that all the interests of all Canadians, be they workers, small entrepreneurs, administrators or large corporate citizens, are always weighed in an equilibrium, a balance that sees them first as members of Canada, and Canada always.