

Income Tax

disadvantage while at the same time moving to exclude foreign capital in this area?

Mr. Cullen: Mr. Chairman, the hon. member is probably more familiar with the bill than I am with regard to this particular enterprise. I would think that after a careful reading of the bill, which he has obviously had, he would be prepared to concede there are clauses wherein there is that particular kind of incentive to the point where we are criticized on one side for doing too much and on the other side for not doing enough.

Mr. Bawden: Ignore them.

Mr. Cullen: The hon. member waves and says we should ignore the NDP. However, they speak for a fairly large number of people in Canada and represent a particular feeling in this country. We have to be pragmatic politicians and endeavour to find which will achieve consensus in the House.

Mr. Bawden: Mr. Chairman, I still cannot get an answer from the parliamentary secretary. He suggests that members should read the bill and draw their own conclusions. I say the parliamentary secretary has an obligation to outline this to the House or admit that he does not understand the bill and does not have these answers.

Mr. Nystrom: To further add to the confusion, I wish to direct a series of questions to the parliamentary secretary which I am sure his officials can answer. It is my understanding that the May 6 budget proposed lowering the amount which companies could write off for exploration from 100 per cent to 30 per cent. We have had the November 18 budget and there are now two categories. First, there is the category for the principal business corporation. My understanding is they can write off 100 per cent of their exploration costs. In the May budget, that was proposed to be 30 per cent. In the bill before us today, a corporation that is not a principal business corporation can write off 30 per cent of its exploration costs. Am I correct in that?

Mr. Cullen: Yes, Mr. Chairman, with one change. It has been said that we backed down. I would not say we backed down; we backed off.

Mr. Nystrom: The parliamentary secretary says they backed off. I wonder if that was as a result of having a majority government. In any event, by backing down, how much money will the Canadian treasury lose? How much money would this actually involve per year, going back the last few years and anticipating for the future, if they had written off only 30 per cent of their exploration costs rather than 100 per cent? How many million dollars are we dealing with? I realize this would be a guesstimate.

Mr. Cullen: Replying first to the hon. member for Calgary South, as I tried to indicate we have been chastised by the party to his left for the 30 per cent figure. The fact that we now allow 100 per cent exploration costs, and that the new tax abatement has had the effect of reducing the federal tax rate by 25 per cent, demonstrates initiatives that have been taken and which we hope will have a positive impact on this industry.

[Mr. Bawden.]

In reply to the hon. member for Yorkton-Melville, in the budget speech of November 18 the minister indicated, as recorded at page 1425 of *Hansard*:

For the year 1974, I estimate that the changes I am proposing tonight will improve the position of the oil and gas companies by about \$100 million and of mining companies by about \$15 million as compared with my May proposals. This saving for the resource companies affected is a full 25 per cent improvement over the May position.

The hon. member may disagree with the word "improvement", but those are the figures given on budget night.

Mr. Nystrom: Those are the figures for one year. I take it that was based on the current rate of exploration. Exploration is now down. If exploration increases, that could skyrocket in the next few years. Hopefully, that is what the government envisages. What is meant by a "principal corporation"? Is Exxon a principal corporation in most of the undertakings they have? Which are the non-principal corporations? Does this by chance discriminate against small Canadian corporations? I suspect it does. This is a point the hon. member for Calgary South has made in the past. If this is so, why is there the double standard?

Mr. Cullen: Mr. Chairman, I am advised this is a question of tax status and "principal corporation" is a definition that is well known. It has been founded in history for this particular enterprise. We would not know the specific corporations; it is a question of interpretation. With regard to the hon. member's use of the expression "skyrocket", I must dissociate myself from that. We certainly hope exploration will take off, but whether it will take off like a skyrocket is something we really do not anticipate.

Mr. Symes: I rise on the same point, Mr. Chairman. It is important that the parliamentary secretary tell us what is meant by "principal corporation". We want to know just how much discrimination there is against Canadian companies. By principal corporations, does the parliamentary secretary mean Imperial, Gulf, and so on; subsidiaries of American companies? We have the fantastic situation of the Canadian government giving subsidiaries of multinationals tremendous tax breaks compared with Canadian companies in the field. I cannot for the life of me figure out the reasoning, considering the capital pool and the amount of money these major subsidiaries in the oil industry in Canada can draw from their parent companies. When we think of Exxon, the parent company of Imperial, making profits last year of over \$3 billion, we must ask why the Canadian government is not insisting that Imperial draw from Exxon some of the funds necessary for exploration, rather than giving them the incentive of a 100 per cent write-off.

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Figures for the decade of the sixties show the parent corporations gave to the oil industry in Canada only some 17 per cent of the capital needed by the subsidiaries to expand and explore and, in return, received in the form of dividends 18 per cent of the revenues raised in this country. So the parent companies are not financing the subsidiaries in Canada; in effect, the taxpayer is doing so. An analysis of the funds raised in the sixties shows that about 38 per cent of the capital raised by subsidiaries was