

issue of employment creation. I quote from that report as follows:

• (1610)

Since the fiscal provisions of the IBCs are restrictive (narrow definition of eligible transactions, no bad debt deductions against regular income, and daily matching obligations at arm's length) and the international tax environment is not favourable (withholding tax abroad), transfers of assets and new business conducted through the IBCs will be quite small. Any positive impact on employment will therefore be minimal. Solicitation and negotiation of transactions currently take place abroad, where the business is located, and will continue to do so.

Management can be done partly in the offshore centres at present and a portion of that activity could be repatriated in Canada. The part that is in Canada today—certainly at the more senior levels—will continue at its present location. The same applies to credit analysis. Therefore, a small number of people required under the new legislation will work in the IBCs. Most probably the banks will only transfer existing positions and will certainly not create many jobs. Thus, the job impact of the IBC proposal appears modest.

I have heard that at the very most this may generate 20 to 30 jobs. As the committee indicates, those jobs are likely to be the transfer of existing jobs as opposed to new jobs. Therefore, if the basis for proposing this sort of legislation, which I think is clearly discriminatory, is to create jobs, no case has been made for that.

That brings me to the concern which I have as to what position I should take with respect to this Bill, bearing in mind that I find it extremely difficult to support. I must bear in mind at the same time, however, that there are other important financial provisions contained in Bill C-64. They include, for instance, the right to postpone until actually received in 1988 Canada Savings Bond interest which accrues in 1987 on series C-36 bonds. They also include the important provision that taxpayers can reduce or eliminate interest charged on deficient tax instalments by overpaying other instalments or paying other instalments before their due date.

In addition to that, bearing in mind the amendments which have been made to the Canada Pension Plan, the Bill provides that when an individual applies to split his or her pension with his or her spouse the portion going to the spouse will be taxed in his or her hands. Finally, the other important provisions are with regard to the child tax credit and the federal sales tax credit.

The Bill does not only deal with the issue of international banking centres but with a number of other very important tax aspects. Because it is a tax Bill and is in fact a Bill to implement the Budget, it is quite likely that the Government, in its wisdom, might consider a vote against this Bill to be a vote of non-confidence in the Government. I certainly have a great deal of confidence in the Government, notwithstanding my concerns with and objections to the provisions relating to international banking centres.

As you can appreciate, Mr. Speaker, while I do not believe that a vote against this Bill would be a vote of non-confidence in the Government, I can understand why you might believe otherwise. That puts me somewhat on the horns of a dilemma. I intend to resolve that dilemma by voting neither for nor

Income Tax Act

against this Bill. I hope to be in the House when the Bill is voted on at third reading. I shall not rise in support of it but I will ask to be recognized by you, Mr. Speaker, so that I can indicate that I am present but will not be voting for the Bill.

Mr. Nelson A. Riis (Kamloops—Shuswap): Mr. Speaker, I appreciate being recognized to participate in this important debate. It is our intention that this debate be relatively short. However, I do want to make some comments because I think that a great deal of mythology has built up surrounding the international banking centres which this legislation addresses.

During the time leading up to the committee's examination of the impact of international banking centres on various communities and after the concept was introduced by the Government many people thought this was a major step toward significant job creation, particularly in the Cities of Vancouver and Montreal. If you were to ask people about this in Vancouver even today they would say that they are looking forward to this designation because they need the jobs and the economic activity in western Canada and, more precisely, in the port city of Vancouver.

Unfortunately, the evidence shows that that assumption is not accurate. In 1984 the United States General Accounting Office did a thorough examination of the establishment in the United States of international banking centres. In 1984 they stated in their report: "Significant increases in employment and other real activity associated with IBCs—only 55 to 67 new jobs". In other words, after a number of years in one of the major centres of world commerce, the number of jobs that a small restaurant would create is all that resulted.

Some analysis has been done on what this will mean in terms of jobs in Vancouver and Montreal. The Canadian Bankers' Association studied what international banking centres had done in other places and applied that to Vancouver and Montreal. They factored in the extent of financial activity which takes place in those centres now. They concluded that between the two cities we may expect an increase of 26 jobs. The finance officials applied their analyses to the two centres and concluded that only 11 jobs would ultimately be created in Montreal and Vancouver combined.

The evidence which we have seen indicates that this is not the best way to create jobs. As a matter of fact, it is a very expensive way to do so. Studies which have been done to date indicate that about \$32 million would be lost to the federal Treasury as the result of the creation of these international banking centres. If we are to lose \$32 million to create 11 jobs, that works out to about \$2.9 million per job. That is a very expensive job creation program. If job creation is our aim, we can do much better. The point I am trying to make is that the aim is not to create jobs in international finance. There must, therefore, be some other purpose.

What is the purpose? People have assumed that the creation of an international banking centre would result in all kinds of money flowing into Canada which we could use for investment