

*Income Tax*

this measure as extremely necessary and urgent in these circumstances and worthy of support from the entire House.

Let me now move to the hon. member's reference to INCO. INCO has been able this year to do something it has not done in the past. The problem arose because there has been a decrease in the market for nickel in the last two years. As a result, the company started to stockpile. This 3 per cent inventory allowance will help the company carry the cost of stockpiling. The company has never financed such a stockpile before. It has the equivalent of seven months' supply of nickel at this moment, and this allowance will permit the company to carry the cost of that stockpile even longer. This is probably one of the factors that allowed the company to postpone its decision to lay off some of the miners, and it has allowed them to carry the large inventory.

In fact, one of the propositions put forward by the hon. member for Nickel Belt was that the company should do even more stockpiling than it is at the present time. We discussed this with the company but felt it was not advisable at this time because, if the company were to stockpile even more, this would depress the market even more, and the prices the company would get from whatever sales it had would be lower and would diminish profits, eventually making life even more complicated for the company than it is right now. This 3 per cent inventory allowance has been of help to other companies, but especially INCO.

The hon. member has talked about tax credits. Of course if the companies do not invest for the creation of new jobs they will not have the tax credit. If a company does not have a tax credit it cannot be calculated as an advantage. It is a credit for people to invest in such a way as to create jobs. If they are not investing in Canada they will not be using the credit. Often the leader of the NDP refers to this tax bill as a rip-off for the corporations while some of the same corporations are ripping-off the people. That is not true. If a company is not investing in a way to create new jobs it does not have the advantage of the propositions we have before the House at the moment.

**Mr. Peters:** I thank the minister for his explanation, but I think he is confused about what we have asked in terms of the inventory at INCO. What we have suggested is that the government could hold an inventory of nickel, as it did in respect of uranium. In this way it would not provide the company with finances for inventory. Let us not fool ourselves, INCO is not a poor company. It is the major nickel producer in the world and controls the price of nickel. It does not control the market and that is why the difficulty arises. The consumption of nickel is not as high as it has been.

I am sure the 3 per cent inventory allowance to offset the affect of inflation has resulted in INCO and Falconbridge working overtime for the last eight or nine months in order that it could end the year with an inventory as large as possible, getting as much in the way of an allowance as possible.

When we talk about maintaining an inventory we are talking about the government stockpiling and maintaining control

[Mr. Chrétien.]

of that stockpile. The government might find itself, as it did in respect of agricultural products, in competition with other segments of the economy. In this way the government might find itself in competition with INCO, and I am not sure that would be such a bad thing.

As the young gentleman indicated, what the government is now putting into the law will stay in the law until another budget or financial bill is brought forward making the change. The government has not written into the bill any method of decreasing the inventory allowance when circumstances change. It has not spelled out why the inventory should be allowed to increase. In addition, as I understand it, the government has not written into the bill a year end basis for the taking of inventory. I suppose this will vary because of different fiscal year bases for different companies and other calendar year arrangements.

I am sure the minister will wish to consider the difference between the type of inventory or stockpiling by INCO and the inventories of other manufacturing sectors. Replacement costs represent a major factor, but INCO does not have such a replacement cost. It probably will not cost any more to produce nickel until the current contract runs out. It will not cost more to produce nickel this year than it did last year because the company has control. All it needs to do, as it has always done, is high grade. You always maintain the price of your product by the grade of ore you use. If you want to produce a cheaper product you use a higher grade, and if you want to produce at a more costly rate you use a lower grade. In this way the company has control. Is the minister giving consideration to other companies that experience a replacement factor in respect of inventory? Replacement will be a factor in—

**The Chairman:** Order, please. I interrupt the hon. member as his time has expired. He posed a question to the minister and the minister answered, and the allotted 20 minutes are ended. I will now have to go to another member, and perhaps return to this hon. member afterward.

● (1752)

[Translation]

**Mr. Clermont:** Mr. Chairman, when I mentioned clause 14 of Bill C-11 yesterday, as reported at page 1626 of *Hansard*, respecting a loan taken out by an insured against his policy I gave the example of a \$3,000 loan. In view of the answer of the Minister of Finance (Mr. Chrétien) I believe he gave clarifications today when he answered other questions.

But if my loan is \$3,000 and I have paid \$3,200 in premiums so far, in the circumstances, Mr. Chairman, I do not have any amount to add to my income for the current year. Is this right or not?

**Mr. Chrétien:** Offhand, Mr. Chairman, I think the hon. member for Gatineau (Mr. Clermont) is right.

**Mr. Clermont:** Mr. Chairman, I think this is right because based on my questions and the answer this can be correctly interpreted as such although in the discussion yesterday I