

And the house having resumed in committee:

On clause 3—*Payments to Provinces.*

**Mr. MacLean (Queens):** I do not wish to hold up the passage of the legislation, since I support it, especially as it applies to the province from which I come where utilities of this sort are privately owned and where we have been suffering the burden of additional taxation, as compared with provinces where public utilities are publicly owned.

However, there are one or two questions I should like to ask the minister for the sake of clarification. It was impossible for me to be here during the resolution stage and I have not read all the discussion which took place at that time. But I wonder why this was not introduced as an amendment to the Income Tax Act, following the budget, in the regular way. Why is the tax not being refunded to the companies? Why is it collected from them in the first place? I suppose the government has certain reasons for following this round-about method of making refunds to the provinces. No doubt this has already been explained.

My other question is this: Have any of the provinces in their briefs to the minister on the subject of this type of public utility advanced the same arguments with regard to other types of public utility? I am thinking chiefly of telephone companies?

**Mr. Sharp:** We did consider whether we could not relieve these corporations of federal income tax. This is one alternative. However, as I said on the resolution stage, this course would have several disadvantages. First, the federal government would have to continue to assess these corporations for their liability under the old age security tax. Second, the federal government was obligated under the tax collection agreements with eight provinces to assess and collect the provincial corporation income tax on these corporations. Third, many of the larger public utilities earn income from sources other than their public utility operations, and it would be impossible to exempt them from income tax without jeopardizing the corporation income tax structure. Fourth, while certain provinces might wish to pass the tax saving on to the consumers by a reduction in utility rates, other provinces might not wish to forgo the share of the federal revenue they were presently receiving, or the additional revenue that they would receive under the new sharing arrangements. Fifth, if the federal income

tax were abolished, the shareholders in these public utilities would cease to be eligible for the dividend tax credit.

The question was then asked: Have the provinces requested that similar treatment be extended to other utilities such as telephone companies? As far as I am aware, no such suggestion has been made. I have heard some suggestion has been made. I have heard some public discussion about this, of course, but I have had no conversations with any of the provinces about other utilities, nor I understand had my predecessor.

Clause agreed to.

Clauses 4 to 6 inclusive agreed to.

Clause 1 agreed to.

Title agreed to.

**The Deputy Chairman:** Shall I report the bill?

**Mr. Knowles:** On division.

Bill reported.

**The Deputy Chairman:** When shall the said bill be read the third time?

**Some hon. Members:** Now.

**Mr. Knowles:** Next sitting.

**The Deputy Chairman:** By leave, now?

**Mr. Knowles:** Next sitting.

#### HEALTH RESOURCES FUND

##### ASSISTANCE TO PROVINCES FOR HEALTH TRAINING AND RESEARCH FACILITIES

The house in Committee on Bill No. C-199, to provide for the establishment of a health resources fund to assist provinces in the acquisition, the construction and renovation of health training facilities and research institutions—Mr. MacEachen—Mr. Rinfret in the chair.

Clauses 2 to 6 inclusive agreed to.

On clause 7—*Conditions.*

**Mr. Basford:** I should like to move a technical amendment to clause 7 as follows:

That clause 7 of Bill C-199, "An act to provide for the establishment of a health resources fund to assist provinces in the acquisition, construction and renovation of health training facilities and research institutions", be amended by adding thereto paragraph (d) and Sub-Clause (2) as follows:

"(d) Provided to the minister an agreement, the terms of which shall be approved by the minister, by which the province to which such payment is to be made, shall show or indicate in a manner