Today, a bank or any individual can lend money at an interest of 10, 15, 20, 30 or 200 per cent. The legislation on usurious practices no longer applies. This is why inflation increases, Mr. Speaker. If an individual is in trouble with the bank over an 11 or 11½ per cent interest rate, to get out of trouble, to pay the bank, he goes to a certain finance company which shall remain nameless, which will lend him money at the rate 24, 28, or 30 per cent, with a bonus of 15 per cent, so that he may reimburse the bank temporarily. This is what happens. The worker is caught in between and he must pay, but he realizes it. I checked the finance company account of a man who owed them $250 and at the end of two years, he was late in his payments, had renewed his loan and in refinancing, the company had added the interests and figured interests anew for another two years and that went on for two years; he owed $750. What can you do? I went to the finance company, I made a scene and told them that it did not make sense. They replied: That is our way of doing business. If that is their way, it is the way of thieves. Here in Parliament we favour thieves because every ceiling of interest rates has been removed. When the interest rate was 7 or 7½ per cent and a man lended money at 10 or 12 per cent, he was considered a usurer; he paid a fine and went to jail. Today, the man who lends you money at 200 per cent is not a thief but a financier! Can you imagine that? That is the dilemma we are in today. The problem was created by the government. We shall have to be more serious, Mr. Speaker, and I hope this bill is a foretaste of a forthcoming reform, that it is the beginning of the end, and that we shall have at last a tax law which is tailored to the workers' ability to pay and limit somewhat the thirst for money of finance companies.

● (1630)

[*English*]

Mr. Jim Balfour (Regina East): Mr. Speaker, at the outset may I extend my congratulations to the hon. member for Montreal-Bourassa (Mr. Trudel) both on his appointment as Parliamentary Secretary to the Minister of Finance and the rapid recovery from his brush with disaster a few months ago.

Some hon. Members: Hear, hear!

Mr. Balfour: This afternoon I should like to offer a few brief comments on the taxation amendments put forth in Bill C-65 which relate to the mineral exploration and resource development industries in Canada. May I first identify some of the main elements of this section of the act. I regret that the June 23 budget retained the most regressive measures of the budgets of May 6, 1974, and November 18, 1974, namely, the denial of a deduction from income of provincial royalties, mining taxes and similar charges, the implementation of the earned depletion scheme effective May 6, 1974, with the maximum claim limited to the lesser of 25 per cent of production profits or one-third of eligible expenditures, and the 30 per cent declining balance limitation in respect of development expenses.

In effect, Mr. Speaker, the retention of these provisions indicates that the government feels that federal-provincial wrangling for bigger pieces of the resources pie is more important than the well-being and economic stability of the resources industry.

It is now obvious that such measures were introduced with one aim in mind, namely, to force the provinces to back down on their royalties regime and allow the federal government to appropriate a bigger share of revenues from resource income. To the industry caught in the middle it simply amounts to paying tax twice on the same income. It is now proposed that the special basic corporation tax of 50 per cent and the 15 per cent resource profit abatement of federal tax will be withdrawn effective December 31, 1975, so that the net federal corporate tax rate will be 46 per cent for mining and oil and gas income, the same as the general corporate tax rate, and the abatement privilege will increase to 25 per cent.

For this purpose, production income is to be calculated after operating expenses and capital cost allowances, but before interest, exploration and development expense and earned depletion. The amount of the deduction is not dependent upon the actual level of provincial royalties and taxes, so that the federal tax base will continue to be insulated from changes in such levies. The new allowance is to be available to all taxpayers. The 15 per cent resource profit abatement was restricted to corporations, and since exploration and development expenses will not reduce the 25 per cent deduction the new rules will reduce the effective after-tax cost of such expenses.

The proposed 5 per cent investment tax credit for new machinery, equipment and buildings acquired after June 23, 1975, and before July 1, 1977, is to apply to such assets acquired for the purpose of exploration and development, operation of mines and oil and gas wells, and processing ore to the prime metal stage.

Mr. Speaker, in so far as these measures at least make a modest attempt to rectify the injustices I have referred to, we support them. Unfortunately, they do not go far enough and certain contentious measures which still remain in the budget proposals can only further curtail badly needed exploration activity for hydrocarbon reserves. Vast amounts of capital are required to be invested to seek out new energy sources. No one seriously questions that proposition. However, under the existing tax regime of the federal government, what is required will not occur. Instead of encouragement, investors are offered disincentives to take risks, and in the end the people of Canada will be the losers.

Mr. Andy Hogan (Cape Breton-East Richmond): Mr. Speaker, one of the major provisions of this bill is the reduction in the maximum amount of the 8 per cent tax credit from $750 to $500. The effect will be a very slight tax increase for taxpayers with incomes above $25,000. It is expected to increase federal tax revenues by about $50 million in a full year. It seems to me, from my experience in this House in the past year, that whenever this government uses fiscal policy, the result is always distribution of income that leaves the top 20 per cent of the Canadian population in its relative income position, while reducing the income of the lower income groups.

In order to back up that statement, let us look at the distribution of income, by income groups, for the years 1965, 1969, 1970 and 1974. In 1965, the bottom 20 per cent of