

Export Levy

Mr. Macdonald (Rosedale): Mr. Speaker, I will have to disappoint the hon. member for Edmonton Centre (Mr. Paproski). I will start off, however, by congratulating him on his appointment. This is indeed evidence that the meek shall inherit the earth.

I should like to make a brief statement this evening on the subject of the export levy which is one of the measures the government proposed last fall as part of the anti-inflation program.

As hon. members are aware, the proposed features of this levy were tabled last December 18, and consultation on the measure was invited. Since that time the government has received representations from many interested parties, both about the general nature of the levy as well as its precise details. In particular, the matter was discussed extensively at the meeting with provincial finance ministers on February 2, and I undertook at that time I would reconsider the levy and discuss it further with my colleagues in the federal cabinet.

As members will recall, under this proposal exporters would remain free to sell at international price levels so that Canada would gain the full advantage of any increase in the value of Canadian products on world markets. In the interest of equity, however, it was also proposed that any profits of Canadian exporters, in excess of the guidelines applying to firms selling in the domestic market, would be subject to a special levy. Up to 90 per cent of the levy could be refunded to companies to help finance new capital investment in productive facilities and other specified projects.

From the standpoint of equity the government felt that with respect to the work force of exporting firms or with respect to firms in Canada which sell only to the Canadian market, both of which would be subject to restraints under the control program, that some balance was necessary with respect to exporting firms which, if uncontrolled, would have the possibility of achieving substantial profit increases during the control period. While it would be difficult to achieve an exactly balanced treatment it was felt that the levy would at last provide a more even treatment as between exporting firms and others in Canada who are subject to the restraint program.

[Translation]

The foregoing argument has not commended itself to a majority of provincial governments in Canada who are representative of all parties and all regions. At the Federal-Provincial Conference and since, several provincial governments have expressed to me their concern that the export levy might discourage the initiative to achieve greater exports from Canada at a time when the revival of Canadian export sales is of critical importance to regional and national economy. They expressed the concern that the levy could add further uncertainty to investment decisions in Canada and might discourage new capital investment. This despite the provision in the proposal for refunding excess profits for the purpose of investment. Clearly any measure that might have an adverse impact on further investment in Canada or might check our pursuit of markets abroad would not be in the interest of anyone, neither exporters, their employees, governments, nor consumers.

[English]

I therefore wish to announce the government's decision not to proceed with the export levy measure.

Some hon. Members: Hear, hear!

Some hon. Members: Oh, oh!

Mr. Macdonald (Rosedale): However, the Anti-Inflation Board will be asked to monitor profits of exporting firms and, where excess export revenues are generated the way in which they are re-invested. If there is evidence of excess export profits and evidence that they are not being re-invested, the matter will again be reviewed by the government.

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I would interpolate here another comment, that contrary to the opinion that has been expressed in the House with respect to the possible diversion of investment from Canada if the export levy should take place, one provincial government at least has expressed concern lest export profits not subject to the levy might be diverted to investment outside the country. I would say in respect of that particular concern that the Anti-Inflation Board and the other agencies of government will monitor with particular care the fact that the relief of export profits from this particular measure should not result in investments taking place outside Canada.

At the same time the government will follow developments in the Canadian economy for signs of diversion of goods to export markets at the expense of adequate domestic supply. There is little prospect of this developing in the near future in view of the extra productive capacity available in most sectors, but the government will be prepared to act if special situations arise.

In view of the fact that the existing anti-inflation regulations had anticipated the introduction of an export levy, a number of consequential amendments to the regulations will be required. In particular, export sales will generally be exempt from the domestic guidelines; however, where a firm voluntarily cuts back on supplying its Canadian customers in favour of foreign customers, the diverted export sales will be regarded as resulting in excess revenues and will be viewed as a contravention of domestic guidelines.

As I have had the occasion to state many times both inside and outside the House, we believe that the application of the anti-inflation program should be as responsive as possible to the concerns of the provincial governments which are participating in the program and to all those in Canada who will be affected by it. Recent developments have indicated that there are other areas of the program which also require some important change, particularly the need to ensure that people's rights remain fully protected. These issues are now under review, and I hope to be able to report to the House within the next week or two on a number of other changes which will further improve the operation of this program.

May I express my thanks to the House for the opportunity to make my statement at this time.

Hon. Marcel Lambert (Edmonton West): Mr. Speaker, if I may be forgiven some expression of humour here to