

*The Budget—Mr. Penner*

which understood its responsibility and left individuals alone to work and prosper.

I do not think there is any question that after the next election there will be a new government in the country. The speech of the Minister of Finance on budget night and the speech of the President of Privy Council today indicate the need for a new government, not more of the same.

Canadians have a clear-cut choice in the next election. Do they want a government which believes in government involvement in large segments of the economy, government regulations in large segments of the economy, and more and more nationalization? Do they want a government that believes the state operates things more efficiently than the private sector? I don't think so. What Canadians want is a government which will provide a framework in which they may work, prosper, and be rewarded. They want a government which believes in them as people and in enterprise as a system. My party will give Canadians such a government, a government which will turn the country around, so we may move into the last 20 years of this century and become, without question, one of the most prosperous nations on the face of the earth.

**Some hon. Members:** Hear, hear!

**Mr. B. Keith Penner (Thunder Bay):** Mr. Speaker, on budget night it was most heartening to hear the Minister of Finance (Mr. Chrétien) say, "Let me turn now to the resource industries, and mining in particular". It was heartening because of the important role the mining sector plays in the economy of the country.

Since 1950 mineral production in Canada has contributed directly approximately 4.5 per cent to our gross national product. Minerals, excluding fossil fuels, account for 10 per cent of the value of Canada's exports, and fabricated mineral products account for another 10 per cent. Last year nearly \$3 billion in wages were paid to workers engaged in mining industry activities. Mining continues to be an important influence in the frontier development of the country. With that background, it was heartening to hear the Minister of Finance turn his attention to this sector.

Despite what mining has contributed to Canada, the Canadian mineral industry continues to be under-developed compared to that of the United States and New Zealand. Studies have shown that higher exploration costs, falling returns, and increased risks have had a negative impact upon mineral enterprises in Canada. In April of this year the Department of Energy, Mines and Resources published a survey entitled; "Known Mineral Deposits in Canada that are not Being Mined". This rather substantial document presents a compilation of known Canadian mineral deposits which, while neither in production now nor announced for production, are either economically exploitable today or are within the reach of becoming so during the next 25 years, as a result of foreseeable economic and technological changes.

The authors of this survey have attempted to identify certain bottlenecks which have hindered primarily mineral resource development. Of course they mentioned national economic

[Mr. Gillies.]

conditions, the international market situation, and metal prices. All of these play a large role in development decisions. One obstacle which stands out in the report is that of the unpredictability of trends in real costs of financing, development, and mining. The Minister of Finance helped in a significant way to offset this uncertainty by announcing that the current write-off for development expenditures in mining is to be raised from 30 per cent to 100 per cent.

In his budget address the minister noted that federal and provincial resource ministers have done an in-depth review of the tax situation in mining. This analysis was badly needed because of the uncertainty created for the mining industry by changing provincial taxation and the federal-provincial dispute on mineral taxation. During the 1970s increased taxation levels resulted in lower mineral production expenditures. The sector task force on the Canadian non-ferrous metals industry concluded the following:

The taxation of mining income across Canada is chaotic and perverse. It has resulted in a situation in which development of all but the richest discoveries would be uneconomic even when demand and prices improve. As a result, exploration activity in this sector is far below the levels needed to sustain present production, let alone provide for growth.

To establish a level of confidence which will ensure future growth and stability, the mining industry has recommended that federal and provincial governments agree upon a uniform definition of taxable mining income, and a combined federal and provincial tax rate or rates not exceeding 45 per cent net of resource allowance.

By means of taxation, governments should be encouraging the growth and expansion of mining. The industry should be helped to become more competitive on an international scale. I know that not everyone agrees with this position. There are those who argue strongly against any tax preferences for the resource sector. In their minds, these preferences discriminate against investment in the manufacturing and service industries. I should like to challenge that thesis.

● (1432)

First, I would point out that mining, at best, is a high-risk enterprise. There is a high degree of risk involved in mineral exploration. For every mine eventually brought into production, there are hundreds of uneconomic "prospects" which have been evaluated at great expense of time and money.

Secondly, it seems to me that if we discourage the investment of capital for mineral exploration and development in Canada, it does not then follow that this capital will automatically flow into manufacturing or into the service sector. Instead, what is likely to happen is that we will choke off the inflow of foreign capital, and this capital that would have come into Canada, plus Canadian capital that would be designated for resource development, will simply go somewhere else in the world. It will go where the investment climate is more favourable than it is here. So there is no way in which, if we discourage mineral exploration and development, we are going to help any other sector in the country. In the long run we will simply be hurting ourselves.