

*Borrowing Authority*

are good, and I submit all of the 1950s and 1960s were good times, they should have a balanced budget.

I think it is a fair criticism of the government that during the good years it took this nation into massive debt instead of balancing the budget and reducing taxes.

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What would be the effect of putting an upper level on incomes? Although a Member of Parliament earns \$50,000 a year, he still has a family allowance cheque coming into his home. The theory is that when you receive a high income, the tax system will take care of that and, therefore, you achieve equity.

We know in actual fact the tax system is not doing that. Our income tax system is raising only 16 per cent of our tax revenue. Sales taxes, which impact on poor people, take a much larger percentage.

Those who earn the top incomes, such as Members of Parliament, can afford tax solicitors and tax accountants to help them find all the tax shelters, whether it is a 100 per cent write-off for films, aeroplanes or super depletion where there is a \$1.10 deduction against income for every \$1 invested. This is done at the cost of ordinary citizens. Therefore, we are not achieving equity.

The same is true of old age security. I know of many senior citizens who care about this nation. They do not feel comfortable about our deficit and would be delighted to give up their right to old age security. The basis is very simple. They have worked hard, and they feel that this nation has treated them well. They were able to put money aside for their own pension plans. They therefore feel benefits should go to other people.

There could be a limit of \$40,000 or \$50,000. Those who earn above that would cease receiving family allowances and old age security. The Canadian people are prepared to make that kind of contribution to this nation.

A problem arises if people do not perceive the tax system to be fair. Unfortunately, that is the situation in this country today. People do not feel our tax system is fair and equitable. That is why they are beginning to cheat. This is the reason why the underground economy is doing so well.

I discussed the first type of expenditure. The next one is loans and advances which we, through our government, make to Crown corporations. Petro-Canada is clearly number one in this regard. Over the last five years we have pumped a billion dollars into Petro-Canada. The government had to borrow that on the market.

We are faced with a situation where we have to pay, through our Canada Savings Bonds and treasury bills, 13 per cent and 14 per cent on that \$1 billion. The cost of that is about \$130 million to \$150 million a year.

In return for that money, we took Petro-Canada preferred shares. That is perfectly logical when you are creating a corporation. However, when we look at those shares, we see there are non-cumulative dividends. This means that if Petro-Canada in any one year does not pay a dividend on those

shares, it is lost for all time. That does not strike me as being fair in terms of a business decision. The people of Canada expect their members of Parliament to ensure that they get a fair rate of return.

The other aspect is that Petro-Canada borrowed an additional \$1.5 billion in order to buy Pacific Petroleum. In order to do that, it had to give preferred shares to the banks, which it did. Those shares have cumulative dividends. The banks have an absolute guarantee that they will always get their rate of return. The rate of return is tied to a couple of international monetary markets. If they feel a little shaky about it, they can make a call and Petro-Canada has to redeem those shares, plus accumulated dividends. The government has given a guarantee.

If they want to redeem those shares, they can insist on a premium of 2 per cent, so the banks cannot lose. The ultimate sweetener was that by doing it that way, they would not have to pay any income tax on the interest earned on the \$1.5 billion they lent. That is an incredible situation.

A deputy minister of finance was on the board of Petro-Canada. The deal closed about November 1, and that special tax loophole was closed in the November 1978 budget. The man was clearly left in a conflict of interest situation, however innocent and well-intentioned. It was an enormous rip-off.

In spite of that, Petro-Canada was not doing well. The government stepped in and gave it a preferential back-in to the extent of 25 per cent, but it had to pay. It does that. It was still not making money, so when the Liberals came back into power they poured in another \$80 million. Petro-Canada is still not doing well, so now we have the ultimate confiscation. It now has an absolute right to confiscate 25 per cent of our Canadian oil and gas companies.

The final insult is that Petro-Canada needs to buy another oil company. It is buying Petrofina. Six months ago, the shares were in the \$60 range. When there is a potential sale in the wind, there are a lot of sales. Suddenly the shares went up to \$86. I would like to see a list of those who bought the \$60 shares and ran them up to \$86.

Petro-Canada then made an offer of \$120 per share. There was a doubling of the share value in six months. How will they pay for that? There will be a levy on every Canadian who drives up to a gas pump. Canadians will have to pay that for an oil company which has not added one barrel of oil to our reserves.

Petrofina has never gone out on its own to search for oil. It has never done the analyses, taken the risks or found anything because it does not have the necessary skills. This is not to criticize the officials of Petro-Canada, but the minute Petrofina becomes part of government, it will be part of a bureaucracy with a special way of doing things. That will kill the initiative to produce like Canadian Hunter does. Once the Canadian Union of Public Employees moves in, I wonder how efficient Petrofina will be.

I wonder if that is a wise use of our taxpayers' money. In the oil industry the provinces control the leases available and the