

*Private Members' Business*

shares. We can see that Reform Party members are basically speaking out of both sides of their mouths at the same time.

Taxation has created confusion. When people are investing in industry, confusion is one thing that forces capital to leave the country. Capital likes certainty and taxation and administration in Canada have created tremendous confusion. With that an outflow of capital has been created.

Mining is a very significant capital intensive industry. Within the industry each job represents \$100,000 of investment in capital. Many of the taxes the mining sector faces have nothing to do with income. Once again in spite of the intervention by the member from the third party, many of the taxes relate to provincial jurisdiction and not federal. A more mature attitude would be to realize that tax administration in the mining sector is outdated, outmoded and in dire need of change.

Let me explain some of the taxes so members will understand why the mining sector is having such difficulty. First there is a significant insidious tax, what I would call a capital tax. Many industries in Canada are subjected to it. Basically a capital tax is just that, a tax on the capital invested in a business.

Perhaps that sounds reasonable to some people, but when we take it to the next step we discover that a capital tax also involves a tax on employed capital like bank loans. For instance, the more debt one has, the more taxes one pays. With a capital intensive industry like mining clearly this is a very retrogressive tax. The tax is administered by provincial jurisdictions.

I have had some discussions with my colleagues in the Bloc. The problem across the country is that there are all kinds of tax administrations in each province. It is very difficult for a multinational corporation to understand the best place to run a mine based on tax administration in an individual province.

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Another aspect that has created great consternation and a great deal of uncertainty in the mining sector has been the whole concept of a resource allowance. Let me try to explain resource allowance in a very short period of time.

The provincial governments levy what are called royalty taxes. Royalty taxes are somewhat closer to a profit type tax because essentially they are oriented on production. There are royalty taxes in the oil and gas sector. There are royalty taxes in the mining sector, basically based on the amount of extraction that takes place.

What the federal government attempts to do is to try to make some kind of recognition that mining companies are subject to these royalty taxes. Some people might ask why not simply

allow them as a tax deduction? Some people have suggested that as a way to amend the taxation of mining companies.

The problem we have, and getting back once again to the speaker from the Reform Party, is that each province calculates royalty taxes differently. There is a different administration in British Columbia, Alberta and Saskatchewan. There is a totally different one in Ontario and also in Quebec.

What the federal government attempts to do is develop a formula which will allow some kind of methodology of calculating what would be a uniform royalty tax across all mining sectors. The problem is it has become so unbelievably complicated to calculate what a resource allowance is.

We have had the spectacle of the Gulf case. That company was able to argue effectively under the tax laws for a totally different interpretation of resource allowances than did the federal government. The federal government's bottom line was a loss of over \$1 billion worth of tax revenue.

This has created further consternation within the tax administration system and it is continuing to be a problem. Mainly it is a problem because governments cannot sit down together and work things out in a reasonable and harmonious fashion.

That is not the end of the problems of the mining sector. There are all kinds of other non-profit taxes which take place within the mining sector. The hon. member has mentioned gasoline taxes because he basically likes to criticize the federal government, but we also have other forms of taxes, not the least of which is energy taxes.

The mining sector is a huge consumer of electricity. Most of these electrical utilities are administered by provincial administrations. Quite frankly, they have been mismanaged over the years. At one time Canada had a very attractive energy rate making it a cheaper place to undertake mining in North America. That competitive advantage has been lost over the last 20 years through what I consider to be different types of practices and basically mismanaging that resource. As a consequence, our mining sector faces some of the highest energy rates of any mining operation in North America.

This reminds me of a story. I was once in the jungles of Peru, long before I started this job. Somebody said: "Canada is the third largest country in the world geologically, with a small but well educated population. Why is it Canada cannot manage its resources effectively and be a world leader?"

We are seeing how people within governments, no matter what public administration is involved, federal or provincial, are basically out to kill the golden goose.

Another area that is a federal concern is payroll taxes. I do not have to tell most members that the increases in UI rates and