example, if one of the companies has 20 per cent, is the royalty calculated only on the 20 per cent and the total added up to 70 per cent because the governments have 30 per cent? Do I gather there would not be any royalty on the government 30 per cent, that the other percentage would only be on the partners which are in a position to depreciate?

Mr. Turner (Ottawa-Carleton): Yes, Mr. Chairman. In the original Syncrude arrangement, to which later partners were added, Ontario and the federal government, that really does not enter into the taxation scheme. First, Alberta takes 50 per cent off the top. Then, for their equity participation, they get 40 per cent. The remaining 60 belongs to the four partners, now three partners, whatever it is. The partners will only be taxed on that 60 per cent, depending on their participation. That is all.

Mr. Benjamin: I think I have this, Mr. Chairman, but I am not sure. Let me put it another way. For example, if you take their share of the product and one of the private companies receives as its share 10 per cent of the product, will clause 4 apply to that 10 per cent in that any royalty they pay on that to the province of Alberta cannot be deducted as an expense?

Mr. Turner (Ottawa-Carleton): The answer is no, Mr. Chairman. What happens in the joint venture is that Alberta gets the first 50 per cent. It is against that 50 per cent that there is no deductibility of royalty or the equivalent of a royalty. With regard to the remaining shares, suppose Imperial Oil gets 15 per cent, and that is not the accurate figure, but suppose they elect to take it in oil, there is no further royalty paid on it because Alberta already has its 50 per cent. The non-deductibility feature is really to exempt Imperial Oil from paying its share of the non-deductibility feature of the 50 per cent already paid to Alberta. That is the only feature of it. The remaining profits have nothing to do with royalty because Alberta has taken its share, not by royalty but by percentage of the deal.

Mr. Symes: I would like further clarification. We were talking about the Syncrude deal which was 70 per cent ownership by the private oil companies, 15 per cent by the government of Canada, 10 per cent by the government of Alberta and 5 per cent by the government of Ontario. The minister is talking about Alberta having the first 50 per cent. Is this 70 per cent, 15, 10 and 5 per cent, to apply to the other 50 per cent? I would like that clarification.

Mr. Turner (Ottawa-Carleton): Mr. Chairman, the deal is that Alberta gets 50 per cent off the top before the profit shares apply.

Mr. McKinnon: Mr. Chairman, far be it from me to enter this debate at this late stage in order to hold up the bill. I am as interested as other members on this side in getting it through as quickly as possible, it having been discussed rather thoroughly.

In connection with the saving of energy resources that we are going to such expense to develop, has the minister considered lowering the 15 per cent import duty on small imported cars? I ask this for two reasons. First, imported cars generally are the greatest gas savers on our roads. Second, it is the highest import duty today in the industrial world of cars.

In Canada, there are 1,200 small businesses involved in this. In my own constituency of Victoria, there are over 400 people employed in selling or servicing small imported cars. These people are being driven to the wall because of the devaluation of the Canadian dollar, particularly in comparison with the German mark and the Japanese yen. I therefore ask the minister if he has considered removing this 15 per cent duty? Of course he may have to go another step with the removal of sales tax on domestic small cars. If it is too late in the day for the minister to consider making the change in this bill, would he consider further representations by letter?

Mr. Cullen: Mr. Chairman, an excellent brief and representation have been received in this particular area from the car importers. What we have to do is look down the road if that particular tariff item is removed. Aside from the impact in a positive way, which the hon. member is talking about, on the employees employed by the car importers in Canada, what would be the impact on automobile manufacturers in Canada? The importers are taking the stance that they would give competition to the big three or big four in Canada, and this would not have a detrimental effect on employment. We are not sure that this is in fact the case, but the car importers have made full representations.

● (1540)

I think the hon. member is correct in saying that further representations are being made, and have been made as recently as last week to the department, and I believe an appointment is set up for a meeting during the week of March 3 to look into the matter further.

Mr. McKinnon: As I believe the hon. member realizes, the problem arises from the devaluation of our dollar which means, for instance, that the cost of a Volkswagen has gone up by 30 per cent without there being any corresponding rise in its market value in Germany. I am pleased to hear the matter is being considered. I shall be making further representations myself.

The Chairman: Shall clause 4, as amended, carry?

Mr. Knowles (Winnipeg North Centre): No!

Mr. Symes: I should like to make some comments about this situation. We are getting bits of information in dribs and drabs as we discuss taxation of the resource sector in relation to the Syncrude project.

Last night we were treated to the spectacle of the government not having enough members in the committee for a vote to be taken. We saw government supporters standing up and delaying proceedings until there were sufficient Liberal members in the House. They were making all kinds of irrelevant comments.

We have been able to put together, through persistent questioning, a number of facts and to draw some conclusions as to just what is happening in this whole Syncrude project, or should I say Syncrude sell-out. We have learned that the government is putting up money not only by way of direct grants in return for equity holdings. Through the