

Benson), which is recorded at page 2370 of *Hansard*. The question reads as follows:

Mr. Speaker, my question is for the Minister of Finance. In view of the decision by Wabush Mines to shelve plans for a three million ton expansion of its iron ore production in Labrador because of tax uncertainty, and in view of Brinco's reluctance to develop the Lower Churchill Falls power project for the same reason, can the minister say when he will present his tax reform legislation to the House?

The Minister of Finance indicated in response that he did not accept the premise of the hon. member's question and that he did not agree with the hon. member's conclusion. I might say for the record that later on, outside the House, the minister admitted he had misinterpreted the question. In fact, there has been a cancellation of a major development project in northern Canada because of the uncertainty of the direction of the tax proposals. I contend that this is a very serious situation and is certainly retarding the development of the northern part of Canada which, according to the members who have taken part in the debate to date, is the object of Bill C-193 and which, on the surface, appears to be a rather innocuous piece of legislation. The fact is that the utility companies in the Yukon and the Northwest Territories which are able to provide power in many parts of northern Canada make a profit, stay in business and are willing to expand. This indicates that there is certainly a place for private investment. As a matter of fact, if the Canadian north is ever going to develop, incentives must be provided as well as tax reform to allow private enterprise to participate in that development.

Last year we brought before the people of Canada a proposal in the form of a white paper to amend the taxation structure. Contained therein was a proposal to eliminate the three year concessionary tax arrangements which Canada has with mining, exploration, and development companies operating mainly in the northern part of Canada. The original reason for the concessionary tax arrangements with mining and development companies was to promote the development of northern Canada. The simple reason was that the risk factor in developing the north is great. Many more companies have failed than have succeeded. Companies have to gamble and a tremendous amount of risk capital is involved. In Labrador, which most economists, developers and planners feel is one of the great frontiers of the nation, there are great timber resources and especially a great mining and hydro potential. Private capital is badly needed. We have already heard that one company has shelved one of the major projects planned for that part of Canada because of the uncertainty which exists about the government's intention with regard to tax changes as well as the arrangement and organization of corporations doing what would normally be done by individual entrepreneurs.

In supporting the encouragement which is contained in Bill C-193 for Canadians to invest in the north, I would like to place on the record the conclusions reached by the president of one of the largest companies in the world, the British North America Company, or Brinco. Last July 22, 1970, Mr. Bill Mulholland, an outstanding North American and a young man with tremendous knowledge

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who replaced the former president who was unfortunately killed in a plane crash in northern Canada last year, was being interviewed by the Committee on Finance, Trade and Economic Affairs which toured the Canadian nation and heard the reports and briefs presented by various institutions and organizations in response to the government's white paper. Mr. Mulholland was being interviewed in St. John's, Newfoundland. I would like to read into the record one of the major reasons for the great concern among private businessmen about trying to develop our north and providing utilities in our last great frontier.

• (3:50 p.m.)

On page 7 of Report No. 77, the gentleman in question is reported as follows:

Finally, I would like to mention in particular that these proposals have some fairly serious implications for future projects. If we are contemplating today a project similar in nature to the Churchill Falls project,—

And let us remember, Mr. Speaker, that we are talking about a project built with private capital in northern Canada costing \$1 billion. We hope that it will start generating power some time in 1971. I continue quoting:

—let us say in size, in the time period required for its construction and commercial arrangements extending over several decades, the effect of these proposals would be to render highly doubtful whether or not you could responsibly undertake to do it as a private company or a company such as ours where our shareholders in Churchill Falls are a mixture of both government and private organizations.

I do not think these exchanges have ever been placed on the record of the House. The reason is, I think, that the hearings took place in St. John's and the national media are not greatly concerned about reporting events in St. John's. If the hearings had been held here, what was said would have constituted a major news story. Mr. Mulholland indicated pretty well that if the Churchill Falls project were contemplated today, with our present uncertainties, it would never get off the ground. On page 10 the report contains the following exchange between the present Parliamentary Secretary to the Prime Minister (Mr. Danson) and Mr. Mulholland:

Mr. Danson: Yes, it is pretty apparent in your brief. And you also say that the proposals would discourage subsequent development of a similar nature. Would this really discourage them to the extent that they would not take place, or would a company such as yours adjust like all businessmen to whatever circumstances are and then make their deals according to the new rules?

The Parliamentary Secretary was talking to Mr. Mulholland about a proposal, on the drawing boards, to develop the lower Churchill complex at Gull Island. This is to cost \$1 billion of private money. The report continues:

Mr. Mulholland: One of the principal reasons for being a private business is that it justifies our existence and our willingness to take risks. In this particular project, BRINCO, the parent company, had invested \$115 million prior to the end of 1968 before we had a power contract. One does it, of course, assessing the risks and the returns. The problem under these rules in the future in another project, is where would you raise