

*Income Tax Act*

sector, on exploration and the development of mining resources attributable to the flow-through share program.

Mr. Speaker, it would seem that the combined effect of two factors resulted in a sharp drop in the issuing of flow-through shares. According to the figures available to me, about 560 million dollars' worth of the shares were issued in Quebec in 1987, but this year it is expected that only about 90 million dollars' worth will be sold. In Canada as a whole, a decrease of approximately \$1.2 million in the sale of flow-through shares is forecast, and a drop of up to \$500 million is expected for all of 1988. Why, Mr. Speaker?

The answer is simple. On the one hand, last year's October crash had a particular impact on investment in mining exploration projects. That was something the Government could not have prevented.

But in addition, Mr. Speaker, the uncertainty created by the Government's decision in June last year as part of tax reform to abandon any incentive for investment in and development of our mineral resources had a very negative impact on flow-through shares. This was because the Government announced in June 1987 that it was going to give up the mechanism that had yielded so much investment and given such impetus to the economy of regions like Abitibi and Schefferville and many others in Quebec. The Government maintained this position for a long time despite the pressure and representations from all over the mining industry, especially in Quebec but also in northern Ontario.

Finally, Mr. Speaker, after municipalities, exploration companies, stock exchanges, unions, educational institutions and other groups formed a coalition to save flow-through shares, progress started to be made.

[*English*]

It was the same thing in northern Ontario. We will see a very substantial drop in mining investment and exploration under the flow-through share program in 1988. One of the major reasons is the uncertainty which has been introduced into this program because of the Government's decision back in June of 1987, in the context of tax reform, to abandon the whole program of flow-through shares without putting anything else in its place.

As a result of a great deal of pressure coming from this side of the House, from the affected communities, and from the coalitions that were very broad ranging which sought to put these programs back in a way that would be effective and reasonable in terms of public resources and would continue the high rate of development and activity which was prevailing, gradually the Government has come around until we now have their proposals in this Bill.

After a period of more than a year we finally see third reading of this new proposal to replace what was effectively announced as being removed in June of 1987. When it is taken together with the impact of the crash in October of last year, it

has resulted in a very sharp, if not disastrous, cut in exploration. This is, interestingly enough, despite the fact that at this time the prices of base metals and of other metals which are sought through mining exploration have in fact risen substantially as part of the economic revival which has taken place within the industrial countries.

I wanted to note that fact while saying at the same time that the New Democrats are prepared to accept these amendments. Now that I have had a chance to look at them, I see that they are in fact technical and they show that, yes, the Senate can play some exceedingly modest but helpful role in an affair like this are.

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

Motion agreed to, amendments read the second time and concurred in.

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## INCOME TAX ACT AND RELATED ACTS

### MEASURE TO AMEND

**Hon. Tom Hockin (for the Minister of Finance)** moved that Bill C-139, an Act to amend the Income Tax Act, the Canada Pension Plan, the Unemployment Insurance Act, 1971, the Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act, 1977 and certain related Acts, be read the second time and referred to a legislative committee.

He said: Mr. Speaker, I am pleased to propose the second reading of Bill C-139 today. This debate gives me an important opportunity to review the principles on which the measures in the Bill are based and to remind all Members of the long, deliberate process of consultation and development which preceded the development of the Bill.

[*Translation*]

The primary object of this Bill is the implementation of the first stage of our government's tax reform proposals. It is the most sweeping reform of Canada's tax system in many years, and one of which we can be proud.

Mr. Speaker, it is important to remember that tax reform is an integral part of this government's program of economic policies laid out in the November 1984 *Agenda for Economic Renewal* issued by the Minister of Finance. Since September 1984 we have been working to achieve the goal of sustained economic growth and the creation of productive jobs for Canadians. Tax reform is part of our larger vision for a dynamic, innovative and competitive Canadian economy.

With the passage of this Bill, Canadians will benefit from a fairer and more efficient tax system—a tax system in tune with the needs of Canada today, and which will assist individuals and businesses in meeting the challenges of a changing more competitive world.