

Income Tax

Mr. Turner (Ottawa-Carleton): Don't worry about any prompting. Make up your own speech.

Mr. Peters: The English language is developing week by week. The new term is "joint venture". Unless the bill is amended the minister will be subjected to tremendous pressures. I remember, when the Conservative government introduced amendments affecting pensions, INCO representatives came to Ottawa, exerted pressure, and induced the government to change those provisions. Unless the exemption provisions of this bill are changed, INCO and other similar companies in this country will ask for Syncrude-type concessions.

That procedure will be untidy, and unwieldy. At least eight other companies will seek exemptions. No reasonable person will stand for this sort of inequality in the tax structure. Consequently, the government will be subject to immense pressure. Judging from what has happened in the past, the government will not withstand the pressure—former governments have not withstood it—and grant exemptions to those powerful enough to demand them. Therefore, as the minister knows the limitations of the Financial Administration Act and the difficulties of securing passage of a private member's bill, he should amend the bill in the way I have suggested. If he does not the government will be subject to pressures from companies like INCO, Falconbridge and others involved in exploration, which can come to Ottawa with funds at election time.

Mr. Turner (Ottawa-Carleton): Mr. Chairman, perhaps I can deal the point raised by the hon. member for Timiskaming. He dealt with some matters mentioned by his colleague, the hon. member for Nanaimo-Cowichan-The Islands. First, the arrangement with Syncrude is a joint venture. "Joint venture" is a construction or industrial term for a partnership. There is nothing new about it. A joint venture, as the hon. member's legal advisor, the hon. member for Broadview, knows, is a common term in the construction industry, in which companies bind themselves together for a particular project to which they dedicate a certain percentage of capital in return for a certain percentage of the profit, or agree to bear a certain proportion of the loss. But they remain separate units, just as members of a law firm remain separate individuals, and share profits or bear losses, as the case may be.

An hon. Member: Since when do lawyers lose?

Mr. Turner (Ottawa-Carleton): I can say, on behalf of a number of lawyers in the House of Commons, that this has happened in the last 10 or 12 years.

An hon. Member: You mean, lawyers have lost?

Some hon. Members: Oh, oh!

Mr. Turner (Ottawa-Carleton): Let me say, in response to the laughter from the NDP side of the House, that some of the most successful practitioners happen to be sitting on that side of the House.

Let us get down to cases. First, the Syncrude joint venture and the arrangement that is reflected in the taxation situation are not retroactive. When the minister of finance of Alberta approached me, he said "Look, we got

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this joint venture setup with four companies getting together. Alberta will have 40 per cent of the deal. We want to ensure the tax arrangement under which we are setting it up has some reasonable permanence so we all know what we are doing. We in Alberta consider this a very important enterprise. Would you give us this undertaking?" I said fair ball, and I did.

● (1530)

I am talking about the fact that the royalty deductibility in the sense of not attributing to the four companies the 40 per cent of the income that goes to the province of Alberta, as one would under a fair market value sort of proposition, under the present arrangement applies to whatever share of the income that now goes to Ontario or the federal government. It will not be attributable to the private sector.

There is nothing unusual in that insofar as partnership law is concerned because one is only taxed on one's percentage. Because of the non-deductibility features and the fact we extended it to the fair market value rule, we have to make it an exception under this bill. This is not a retroactive deal. It is an arrangement I made on behalf of the government of Canada, at the request of the province of Alberta, with the four partners concerned. It is not an under the table deal. It is right out here on the floor of the House of Commons. It is confirmed in writing by me to the partners concerned.

I do not like the sometimes under the table operations of the Financial Administration Act in terms of its remission authority any more than the hon. member. According to the Statutory Instruments Act, any order in council under the Financial Administration Act would have to be publicly examined by the statutory instruments committee. That will be the case. The hon. member asks why I, as Minister of Finance, do not put myself in a position where I can resist similar pressure by putting in an amendment to this bill. He has got an arguable point. I do not minimize it. I tried to think this through the way he has. What I need now is a bit of flexibility until we see what the final contractual relationship is as the Syncrude project develops.

The hon. member for Nanaimo-Cowichan-The Islands asked the Minister of Energy, Mines and Resources about future Syncrude type deals. The Minister of Energy, Mines and Resources said we would have to look at them on their merits. It may be that, as we see the Syncrude or tar sands development mature, we will have to come back to the House in a more definitive way. I concede that. At the moment I need the flexibility of the Financial Administration Act, subject to its publication by an order in council, reviewable by the House, until I see how the tar sands operation in its entirety develops. I repeat that it may be we will have to come back in a more definitive way before the House. I concede the force of the hon. member's argument. However, I ask him to put himself in my position at the moment because we are in a pioneer venture. We do not really know how it will mature in legal, financial or taxation terms.

Mr. Peters: I am not too clear. In the joint venture is there a difference between how the royalty applies to the government percentages as against the company? For