

Income Tax Act

It is understandable that municipal associations and boards of trade want more economic action in their cities. What is not understandable is that the Government is selling and misrepresenting the program which will result in tax leakage without any compensating benefit.

● (1200)

Among the inconsistencies in the Government's position, we have recently had a White Paper on Tax Reform which proposes to reduce corporate taxes by broadening the base. Base broadening is being done by eliminating or reducing tax expenditures. Yet with this IBC measure the Government is introducing new tax expenditures, and it has failed to provide us with costs or even forecast the costs. No one knows what the benefits, if any, will be. The Government has been unable to produce evidence of benefits. This is a wide open program; it is demand driven. We have no idea what we are getting into. It affects banks, but the banks do not want it and have not asked for it.

During the whole year that this matter has been before us, the Department of Finance has failed to come up with any benefit cost analysis. We do not know how much these international banking centres will be used; perhaps they will not be used at all. It may be that the banks will continue to do what the Government says that all businesses should do, which is make their business decisions on a business basis, not on the basis of tax incentives.

Interestingly, quite some time ago one of the Ministers announced an IBC in Vancouver as part of a regional development plan. If any economic impact studies were done, they were never made available to Members. Someone described the international banking centre proposal in Clause 10 as the "bankers' relief act". Indeed, the banks do stand to gain a lot from such an open-ended measure, if they use it creatively.

In fairness to the banks, I should say that they have never asked for the legislation. But up to now the evidence has always been that when the Government designs an open-ended demand-driven tax incentive, the tax lawyers and the tax accountants are much more ingenious than the Government at finding ways to get maximum use out of it.

What do we know about IBCs and job creation? The banks say that they might create 25 jobs. The Department of Finance says that they might create 11 jobs. What do we know about costs? The Department of Finance estimated the cost to the Treasury at \$100,000 maximum. Nevertheless, it became very worried at the thought of our putting a cap on it. In committee, amendments to hold the cost to the treasury to \$100,000 were met with great panic. An amendment that would hold the cost to several million dollars was met with similar panic. Obviously, the Government does not know what are the costs. In New York State they suspect, but they had not completed a full audit when I talked to them, that there had been a leakage in the amount of \$200 million.

Let me repeat the three essential points about the international banking centres. They are being sold as a benefit to Montreal and Vancouver, and there is no proof that there will be any benefit whatever. Montreal and Vancouver, with high unemployment rates, could certainly benefit from government assistance, but why not do it in a logical fashion with export development assistance, or in other ways. This is a sham. There is no cap on the program, there is no assessment, and we have no idea of what are the costs. There is no guarantee that it will not run out of control. The Government has badly mismanaged this whole affair. The IBCs have been introduced as a regional development measure. They are not. It is a boondoggle, but it is not regional development.

How does the legislation fit with the Government's Canada-U.S. trade agreement? We are told the financial institutions will be wide open; there will be full reciprocity. How can the Government justify that position with a measure that is attempting to introduce banks to doing certain types of business in one city or another? It cannot. The Government keeps prattling to us about the importance of market forces. Yet the Government attempts to get banks to do certain types of business in two cities only. There is no other country in the western world which has produced this type of geographical limit.

We will watch with great interest. If I am wrong and this measure does bring prosperity to Montreal and Vancouver, nobody will be happier than I. But the onus is on the Government to produce some facts, and up to now it has totally failed to do so.

Mr. Mike Cassidy (Ottawa Centre): Madam Speaker, I would like to participate in the debate on Bill C-64. I must say that I am a bit surprised at the Minister. Bill C-64 is largely a technical Bill, but it also includes some measures on which the Government has been priding itself. In fact, the other day in Montreal the Prime Minister (Mr. Mulroney) had a great deal to say on Clause 10 which provides for the international banking centres.

[*Translation*]

According to the Prime Minister, international banking centres would bring prosperity to Montreal. The plan would benefit everyone in Montreal. It would absorb unemployment which is still at 11 per cent in the Montreal area, and so forth. I wonder why the Minister of State (Finance) failed to mention the advantages of this Bill and why he apparently instructed his Conservative colleagues to refrain from taking part in this debate and defending a measure that would not be effective, would be very expensive, would not provide any benefits in terms of jobs and which, I repeat, legitimizes the efforts of our Canadian chartered banks to avoid paying taxes to the Canadian Treasury.

[*English*]

The Minister of State for Finance (Mr. Hockin) might have been more forthcoming, given the proud boasts of the Prime Minister that this single measure will bring prosperity and