

Income Tax Act

"complicity". Could he elaborate on what he meant when he said that the former government was an accomplice to something?

Mr. Ritchie (York East): I would think, Mr. Chairman, that the hon. member should be aware of it; he was in the House at that time and he knew what was going on, no doubt, although perhaps not as much as the responsible people concerned. But it is a well known fact that PetroCan's largest purchase was financed, in large part, through the use of term preferred shares, an action which was taken immediately before the budget of November, 1976. It was a huge amount, \$1.5 billion, perhaps the largest one negotiated with term preferred shares, although I am not sure about that fact. PetroCan was then a government emanation, as it still is. PetroCan could not have done this without the government knowing about it in advance, and I would be very surprised if the minister of finance of that day was unaware of it.

Mr. Breau: Mr. Chairman, the hon. member comes close to making accusations—

Some hon. Members: Oh, oh!

Mr. Breau: —that border on the legality of certain actions. PetroCan is indeed a corporation which was owned by the Government of Canada at that time and still is. We hope it will remain so. It is being administered by a board of directors set up by an act of this Parliament and it operates independently. The Minister of Finance does not sit on the board, so I wonder how the parliamentary secretary pretends the former minister of finance knew in what way PetroCan was being—

Some hon. Members: Oh, oh!

Mr. Breau: Mr. Chairman, I do not understand why members on the other side are so ticklish and sensitive on this matter. I am just doing my duty and asking a very simple question of a new member who, by the way, is doing pretty well in piloting this bill through the House. He mentioned the word "complicity", and I am just asking him to clarify what he means. Petro-Canada has a board of directors which operates independently of the government, but the parliamentary secretary says that the former minister of finance probably knew how PetroCan was going to finance a certain acquisition of Pacific Petroleum at that time. How does he explain that the former minister of finance knew of this since he did not sit on the board?

Mr. Ritchie (York East): If I am wrong in suggesting that the former minister of finance knew or should have known about this arrangement, I will gladly withdraw it, but as I understand it, one of the major arguments for the existence of PetroCan on the part of those who believe it should be continued as a government corporation is that the government of the day can direct it, can use it as an instrument. I presume that members of the former government considered that to be one of the purposes of PetroCan. In any event, I would think that when the government of the day was about to close off, and, I am sure, not without a great deal of thought, an avenue

[Mr. Breau.]

which they considered an abuse of the then tax law, they should have made terribly sure that no arm of the federal government pursued that kind of abuse, not on a small scale but on a major scale, and not far ahead of the decision but very close to it.

Mr. Breau: When the first bill on the creation of Petro-Canada was brought before the House, it was designed in such a way as to have left it more independent from the government, and it was members on that side of the House, who were then on this side, particularly the hon. member for York-Peel who was then member for York-Simcoe, who after a filibuster of five or six weeks in committee insisted that there be a mechanism for the Minister of Energy, Mines and Resources to direct the board of directors under certain circumstances. So it was not the Liberal government at first which wanted to have a close link with the board of directors of PetroCan but rather the hon. member's colleagues at that time.

PetroCan was a corporation operating as a private corporation under the laws of Canada and there was a provision in the act which permitted it to finance projects in a certain way. There was nothing wrong with that and it was not up to members of the board of directors or civil servants who are there to protect the interests of Parliament to make a judgment and say, "We think this is not an equitable tax system and therefore we should not finance ourselves in a certain way". These people are there to operate the corporation and be responsible for it on behalf of the taxpayers and all of us, and if the tax system is not equitable, it is up to Parliament to change it, not up to individuals on the board of directors of Petro-Canada.

So I resent the word "complicity" and the fact that the parliamentary secretary would imply there is something wrong in the way the government operated and in the way Petro-Canada achieved its means of financing the acquisition of Pacific Petroleum from Phillips Petroleum. There was absolutely nothing wrong with that.

The reason I am sensitive about this is that it is well known—

Mr. Rae: That you want to take up time.

Mr. Breau: Mr. Chairman, the hon. member to my left from Broadview—is it Greenwood?

Mr. Knowles: Broadview-Greenwood. You will get to know that name before long.

Mr. Breau: The hon. member says that I just want to take up time. I resent that. I have not abused my speaking time since the start of this Parliament. I have never taken up all my time. I have always tried to make my speeches as short as possible. I have never questioned anybody in the NDP when they have made speeches. I have never said they are wasting time. Sometimes I sit here and I say to myself that I will let them speak longer, and they might start to make sense and perhaps understand something after a while. So I do not think