

Export Levy

equity difficulty still remains. I hope that the hon. member and his colleagues will not raise any criticism in future if the question of equity is raised.

Mr. McKinley: Mr. Speaker, I thank the minister for his answer and clarification. My concern was for those people who have lost jobs as a result of this proposed tax. They are not worried about the Anti-Inflation Board controlling their wages, because they are not being paid any wages.

Mr. Macdonald (Rosedale): Mr. Speaker, there is no evidence at all that any have lost jobs as a result of the export levy. The levy has not yet taken so much as a nickel from any firm. What the hon. gentleman has raised, I say in all fairness, is a myth. No export business has been lost up to this point as a result of the export levy.

Mr. McKinley: Mr. Speaker, in my riding it happened.

Mr. Macdonald (Rosedale): With respect, I think the hon. member is mistaken.

Mr. McKinley: Mr. Speaker, I must tell the minister that the proposal to impose the tax did the damage, and the damage has already been done whether or not the tax was put into effect.

Mr. Macdonald (Rosedale): Mr. Speaker, I think the hon. member is misinformed on that, just as he was misinformed about the basis for the measure itself.

Mr. Broadbent: Mr. Speaker, has the minister's department looked at the industrial structure of this country, for example, firms operating in the paper, lumber and auto parts sectors, and assessed the difficulties of those industries? For example, a number of firms in each of these three named industries produced substantially for the export market, whereas other firms in the same sectors produced substantially for the domestic market. Has his department looked at this question to determine whether there will be major inequities as between firms within those industries? Has the minister looked into this matter?

Mr. Macdonald (Rosedale): Just so that I may understand the hon. member, is he talking about inequities as between firm and firm or as between a firm and its employees?

Mr. Broadbent: Mr. Speaker, I am talking of inequities as between firm and firm. I take for granted the inequities which apply to employees.

Mr. Macdonald (Rosedale): Mr. Speaker, it would be fair to say that, although we have given this question some attention, returns from industry in general indicate an almost universal request for the export levy proposal not to be carried through. I myself have seen no evidence of any one firm seeking the continuation of the export levy because it felt that, without it, it would be put in a disadvantageous position vis-à-vis any other firm.

Mr. Broadbent: I am raising a question about the existing regulations which will permit firms under certain circumstances to charge the world price on the domestic market. The government having removed the export levy, which was an instrument for dealing with the unfairness

which would result from charging the world price on the domestic market, can the minister tell the House what the government plans to put in the place of the export levy?

Mr. Macdonald (Rosedale): Mr. Speaker, the kind of situation to which the hon. member refers affects the base metal industries. For example, copper is customarily sold at one North American price, and at a higher price on the London metals exchange. We anticipate that copper will continue to be sold on that two-price system, the lower price being charged in North America, in the United States and Canada, and the higher price on the London metals exchange, or in countries where the London metals exchange price applies. In those circumstances there could be an increase in the domestic price beyond the strict cost-pass through rules. In those particular circumstances there would be justification for the increased price, and it is this: In a saw-tooth market such as exists for a product like copper, the current price of about 53 cents is probably below the cost of production. The return on investment in that case is calculated over a period of years rather than during a single year. Therefore, within moderation, we would recognize that it would be reasonable to recover the higher price, even from domestic customers.

If there were a dramatic price increase because of a copper shortage—and I interpolate here to say that, at the moment, it is calculated there is a substantial inventory of copper overhanging the international market and we do not anticipate a price increase at this time—then indeed, we may be forced to adopt a two-price system or, in the case of copper, a three-price system, one price for Canada, another for North American customers, and a third for the London metals exchange.

Mr. Broadbent: Mr. Speaker, may I refer to the regulations and the definition of excess profit. I am referring to page 2 of the minister's statement for the latter definition. I take it that the government will practice a form of *ex post facto* regulation making. It will see what happens, and then it could end up taking punitive action some way down the road after the event has occurred. It will do this, apparently, instead of setting up in advance detailed guidelines, so that corporations can know in advance the rules of the game.

Mr. Macdonald (Rosedale): Mr. Speaker, the hon. member raised the question of the definition of excess export profits. We would be looking in that case at an export profit above and beyond the sort of profit the firm in question had realized historically. Naturally not all export profits will be dealt with, only those that rise above and beyond the historic differential between domestic and foreign prices. In other words, we shall look at profits which are above and beyond those realized in an historic period.

Mr. Broadbent: Mr. Speaker, over what period of time?

Mr. Macdonald (Rosedale): Mr. Speaker, the hon. member asks, over what period of time will this apply. I remind the hon. member that, in net profit margin cases, we are looking at a five-year average.

The hon. member mentioned *ex post facto* regulations. It will be difficult to act in an *ex post facto* fashion. If we find