

Petro-Canada

Mr. Huntington: I will ask the minister to look at the cost of creating a dollar of capital in Canada, then compare that cost with the cost of creating a dollar of new capital in the United States, in Switzerland, in Hong Kong and the Caribbean where, as the government knows, there is a tax shelter.

We protect our eastern Canadian industries with tariffs, but do not protect our home grown capital from lower cost capital generated abroad. It is small wonder that we have such a high percentage of foreign ownership in our resource industries.

The government knows the cost of generating capital in the areas I mentioned. It knows about tax shelters in the Caribbean. The Canadian Development Corporation, which took over Texas Gulf, knows about them as well. Once the CDC acquired a controlling interest in Texas Gulf, a foreign company, what did it do? It transferred ownership off-shore, to a Dutch holding company operating in a tax haven in the Caribbean. The government knows how the international capital creation mechanism works. It knows how capital, at reduced cost, can be created. Why does it not apply its knowledge to our tax laws in Canada so that we can reduce the cost of creating new capital and thus enable Canadians to participate more fully in the ownership of this country's industries?

I point to what Polymer Corporation, another CDC-owned corporation, has done. Working through an off-shore trading company it transfers profits made in Canada off-shore; it pays a tax rate of between 7 per cent and 8 per cent in Switzerland, as opposed to the rate of 55 per cent it would need to pay in Canada. The company knows, of course, that if it did not pay the tax in Canada, the debt would be deferred.

I conclude that, as the government is possessed of this knowledge, its interference with the decision-making process of Canadian industry is deliberate. Therefore Bill C-8 is but one more step along the way to state capitalism in Canada.

Do we really understand what is a dollar of new capital? It is the residual of income, after you have paid all expenses and taxes. The government has access to a revenue trough slopping over with dollars. If it needs more, the printing presses print more. How can the private sector compete with that kind of resource money? It is impossible.

What does a dollar of after tax profit cost a taxpaying corporation in Canada? May I remind you that the Government of Canada has first call on the net income of any taxpaying private corporation in Canada. How can private industry compete with Petro-Can? How can it compete with the type of buck the Canadian government has for the development of resources?

One hears much talk of public ownership and public equity in an enterprise. Perhaps one could justify such equity in a company like Petro-Canada or the CDC if the equity capital were created from federal budgetary surpluses. If the government created capital that way it would have to budget for its expenditures; in addition, it would need to budget for a surplus. It would need, above all, to be honest with Canadian taxpayers, but I guess that is too much to ask.

[Mr. Woolliams.]

If the government had to acquire its capital from budgetary surpluses it would need to show some respect for its tax dollars and for the tax burden it has placed on the shoulders of the work force of Canada. The ministers and their mandarins would have to be frugal enough to protect their budgetary surpluses in order to be able to invest in a capital project such as Petro-Can. There would then be an incentive for the government sector to create capital, to budget for surpluses, to be careful with tax money, and to be careful with the purchasing power of it, instead of the sickening situation we have at present. There would be an incentive for the departments of government to be productive, creative, and to participate in private capital programs with the incentive sector of the country. Most important, there would be an incentive for the government to have some respect for the taxpayer.

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Foreign ownership, with all its emotional problems and excuses for more and more confusing legislation, could be corrected if we amended our tax laws and started once again to encourage Canadians to save and invest in their own resources and industries. All this confusion over foreign industry is caused by our lack of understanding as to what a dollar of capital truly is, how important it is, the risk nature of it, its creation, and the fact that it has to be competitive with other industrialized nations of the world where it is also being generated.

The most mixed up, disastrous, social dogma to be imposed on Canada yet is the syndrome that a buck is a buck is a buck. Only people who have never earned or saved a dollar of after tax income could agree with such nonsense. The fact is that a buck is a buck is not a buck when you are dealing in dollars of capital. A buck of capital is too hard to get and too precious to risk in Canada without offsetting incentives.

Since 1968 we have somehow or other removed from the Canadian scene those offsetting incentives and created the dilemma in which we find ourselves today. With a realistic knowledge of the facts that motivate men, this bill, along with many others, would not be necessary. In fact I categorically say it is not necessary.

I wish to reply to some of the reasons the minister gave for this infamous Petro-Can bill. In his speech at second reading the minister admitted that the privately owned oil industry has a good record of technical and management innovation. The incentive system has a habit of creating good records. Why has it been removed? Why has a climate been created where only something with state money can survive? I cannot foresee this solving the needs from now to the year 2000. I cannot see it solving the needs of the energy crisis we will have in the next eight years.

Some hon. Members: Hear, hear!

Mr. Huntington: The minister said he was concerned about the future. He believes that a significant degree of federal public enterprise is needed. I again ask, why is it needed? It is needed because the tax legislation has destroyed the decision-making bases of the country. It has created complete confusion in the private sector. It has removed the incentives that make a man tick, make him