

*Income Tax Act*

which would create higher employment. The abolition of the sales tax has been advocated over and over again by the Leader of the Opposition and by all of us on this side of the chamber. But when one adds that 11 per cent sales tax on building materials to the cost of a stick of lumber, or one pound of insulation, or a bag of cement that has to travel from our southern areas all the way to Whitehorse, Dawson, Inuvik, Yellowknife, or wherever else it is destined for in the north, it just places costs away beyond reasonableness. I do not think hon. members realize that building costs in the north generally are 20 per cent to 30 per cent higher than they are in any other community in Canada.

Yet there is still this almost pathological resistance to a recognition of the principle that the same kind of treatment should be afforded to all citizens of the north, and not just to government employees. I suggest it is time that the government cease discriminating against the ordinary citizen of the north and give him the same treatment as it gives to its own employees. I was expecting, and I still expect, the hon. member for Northwest Territories to take up the torch in this debate on this subject. I do not think that there has been any time in which I have been resident in the Yukon—for some 20 years now—when the people up there have not made representations to the effect that the government should encourage the permanent settlement of Canada's northern areas. One of the ways in which that could be accomplished would be by providing tax incentives for Canadians to settle the north. The argument might be made, "Well, you had the opportunity when your government was in power to do just that." I am not making any excuses for it not happening when the country was governed by the party of which I am a member. I still think it is a good idea. I did then. I failed to sell it then, but there is no reason why the principle cannot be sold now.

Passing to mining once again, there were one or two matters which I omitted from my remarks yesterday with respect to the prospector, and I am going to cure that omission in due course. But for the moment I want to discuss the effect of the proposals in the bill before us, when taken together with the other legislation now pending in this Parliament, on the mining industry generally. I have spoken of costs so far as they affect the individual living in the north. The individuals in the north have many occupations. Among those are truckers who haul mining products, and drive transport with respect to the operations of producing mines. There are explorers. There are prospectors. There are miners. People are engaged in virtually every occupation in connection with exploration, development and production of mine products.

The mining companies themselves, which are becoming fewer, have the same kind of costs to meet, and more so than their counterparts in the south. In order for a mine product in the Yukon or Northwest Territories to be competitive with the product of its counterpart in the southern areas of Canada it must be a significantly higher grade product. One can imagine that if that assertion be correct, and I submit that it is, the number of new mines that could be brought into production of relatively lower grade product if only they could compete with southern mining products. The reason they cannot compete is the fantastic

cost of finding a mine, developing a mine, bringing it into production, and transporting its product into the southern and world markets. In order for a product in these northern areas to be competitive at all, the grade of the product has to be so much superior to that in the southern areas, thus making it economically feasible to develop a producing mine. I say this by way of background to illustrate that every single cost that is added to the process of exploration, to the process of development, to the process of bringing in a producing mine in the Yukon, simply makes the product of that mine less competitive with its southern counterpart.

It can be put another way. The more costs which are added to mining operations in the Yukon, the less value will be its proven assets or reserves, so that eventually given a certain grade of mine product, which is economic at the moment, there is a point at which, as costs are added, the ore becomes uneconomic and the mine must close. These costs can be added by taxation or by poor management. They can have the same effect as a fall in the market price of the mineral that that particular mine is producing. They can be added by increased royalties and by labour costs. There are several ways. But the most significant manner in which costs are added to mining operations is through royalties and taxation. In the last three to four years in the Yukon, five new mines have gone into production and in the last year and a half to two years all but one of those mines have ceased producing. One of the four which has ceased producing is now carrying on further exploration work and is refinancing, but the other three are gone because the value of the ore pinched out, as well as other things such as increased costs. I am not suggesting for a moment it was these taxation measures which brought about those closures, but I am suggesting that other current legislation before this House, taken together with the threat of the white paper proposals for taxation, certainly had a bearing on those closures.

(5:10 p.m.)

If the proposals in respect of the elimination of the three-year tax exemption period and if the proposals with regard to earned depletion go on as proposed in Bill C-259, the costs attendant upon those two changes will be in themselves sufficient to eliminate the several possibilities of new mines. I cannot state instances. The effect of these proposals is simply to raise the level of the value of the ore that has to be found before a new mine can come into production. I am not making this case on behalf of the mining industry, as some might charge me with doing, but am making it on the basis that the mining industry is one of the most important industries in our economy today. It is the third largest mining industry in the world, second only to the United States and the Soviet Union. The mining industry in the 100 years in which we have been a nation has had a spectacular growth because of the incentives that have been provided to encourage that growth. All of a sudden these incentives are to be removed by Bill C-259. I said a moment ago I was not making this plea on behalf of the mining industry. I say now I am making it on behalf of Canada as a whole. Canada cannot afford to so inhibit one of its most important industries as to diminish the immensely significant contribution that industry has made to the over-all nation-

[Mr. Nielsen.]