

*Export Levy*

will not be regarded as having failed to follow the guidelines if it prices all its products at international prices, but would be subject to the special levy on all its profits.

More concisely stated, this says that certain firms in Canada are going to be permitted, prior to the announced change, to charge the world price for their product. That is to say, they are to be exempt from the guidelines. The "hooker" prior to tonight's announcement was that the excess profit that might accrue from that was going to be dealt with in precisely the same way as excess profits in the export markets. That was dealt with by the special levy. The minister has removed the special levy tonight and therefore leaves this part of the program in limbo.

Certain firms are going to be permitted to charge Canadians world prices, and they are now going to be in a vacuum in terms of any regulation under the program, that is, a vacuum in terms of not having a special tax of some sort put on them to take account of the excess profit. So, Mr. Speaker, tonight we have another example of the rough justice that the minister has spoken of so often in describing his own program. I hope in his answers later this evening the minister will clarify this very important point.

The change announced by the minister has removed certain problems and certain injustices that were bound to occur from those regulations but he has put nothing in their place. The very problems about excess profits and diversion to export markets that the export levy was brought in to deal with in the first place remain, and the minister has brought in nothing tonight to suggest that the government is going to deal with them in any reasonable way at all.

**Mr. F. Oberle (Prince George-Peace River):** Mr. Speaker, may I be permitted to ask the minister a couple of questions about his announcement. He said that he intends to monitor the industries that are both exporting their production and selling on the domestic market. Could the minister tell us how he intends to monitor industries that would divert products to the export market? This would be a great concern of many businesses, particularly the lumber and wood fibre industries. I can see a blackmarket developing in all corners of the country.

**Mr. Macdonald (Rosedale):** Mr. Speaker, we are talking about firms which, because of their size, would have been subject to the mandatory control provisions. Some 6,500 of those firms have been required to file regular reports with the Anti-Inflation Board with respect to their activities. Prior to this evening's announcement they would have had to make the calculation with respect to domestic and export business for the purpose of arriving at the export levy. Now they will have to make a differentiation for the purpose of determining which is export profit; therefore the Anti-Inflation Board will have the responsibility of scrutinizing those reports and comparing the historical performance of the business as between domestic and export business with the returns as they come in. The Canadian availability of products will also be scrutinized.

May I take this opportunity to indicate to the business community that if they find their suppliers are falling short of commodities it is important that this be made known to the government. In those circumstances, as the

[Mr. Broadbent.]

hon. member for Edmonton West commented, of course the Export and Import Permits Act would be available to exercise quantitative restrictions on exports so as to ensure availability.

**Mr. Oberle:** Mr. Speaker, my supplementary question deals with the statement made by the minister with regard to his intention to monitor the profits that companies will make on the export market and whether they will be reinvested in their businesses. Must the investment be in the form of expansion of plants, or can it be in the form of retiring debt charges that the company has accumulated?

**Mr. Macdonald (Rosedale):** Mr. Speaker, the primary interests is in creating additional jobs and growth in the Canadian community. We will continue to be concerned to see that there will be investment in capital expansion or in some of the other goals of the government, such as better pollution control systems and energy conservation. That will be primarily the object of scrutinizing the matter. Of course it will have to remain a matter for rather more flexible scrutiny in this case since failure to carry out this kind of investment will not result in immediate levies. But if we were to find a particularly widespread diversion of funds from constructive uses for the construction of additional facilities elsewhere, we would have to give very serious consideration to whether the proposition could be brought forward again.

**Mr. R. E. McKinley (Huron-Middlesex):** Mr. Speaker, it is obvious that this export tax was an ill-conceived idea in the first place. It shows how naive the government is when it comes to knowing what our industries have to do to achieve export sales. The government should have been aiding those industries to achieve export sales instead of prohibiting them with this proposed tax.

May I ask the minister why the government proposed this tax in the first place with the resulting difficulties that have already been shown for exporting firms and when it was brought to the government's attention by the opposition some time ago that there was little support or agreement for this measure, why was it so long in making the announcement which was made tonight?

● (2040)

**Mr. Macdonald (Rosedale):** Mr. Speaker, I regret that the hon. member was not in the House when I made my statement, because I dealt precisely with the purpose of the export levy proposal. I take it that the hon. member and his colleagues are not concerned with the equity argument, the question of fairness as between the employees of exporting firms, and the capital of the firm. As I said in my statement, we are concerned about the inequity of employees having their compensation controlled while the firm's will not be controlled. That was the purpose for putting the measure into effect in the first place.

To be fair to the hon. member for Huron-Middlesex (Mr. McKinley) his misunderstanding of the measure has been mirrored in other sectors. There will be this difficulty with regard to inequity. As I said, we have been prepared to be flexible and seek the co-operation of provincial governments. Provincial governments representing all parties represented in this House have spoken against the export levy. We have co-operated and withdrawn it. But the