

*Income Tax*

**Mr. Turner (Ottawa-Carleton):** The explanation would probably not be undertaken because of the high risk involved unless there was a commitment in the law that the expenditure could be written off against current income.

**Mr. Nystrom:** Why was the minister willing to do it for 30 per cent last year and why does he now believe 100 per cent to be justifiable? What is the reason for this startling change?

**Mr. Turner (Ottawa-Carleton):** Because I have taken part in intensive conversations with representatives of the provinces and with people who have to try to find these resources, including the independent companies, and I have concluded that in the light of the diminishing reserves of petroleum in the country this was the proper thing to do.

**Some hon. Members:** Hear, hear!

**Mr. Symes:** I find the minister's explanation incredible in the light of the profits the oil companies have received in the past and those they are getting now. Oil companies were content to explore when the price was about \$2.80 per barrel. Today, although it is true provincial royalties have gone up, the price per barrel has also increased and the oil companies are making even greater profits. So the argument that they need extra incentives is impossible to accept.

I should like to draw the attention of the committee to some figures on the cost of producing a barrel of oil and on the profits derived from its sale. Between 1965 and 1969 the average wellhead selling price was \$2.58 per barrel. The finding and development cost was 52 cents per barrel, of which 13 cents went into exploration. The cost of production, including the operation of gas plant, averaged 35 cents a barrel, and the provincial royalty averaged 30 cents a barrel and federal taxes 14 cents a barrel. So there was a profit in percentage terms of 49.2 per cent.

When the price went up to the current figure of \$6.50 a barrel the cost of finding and development did not rise—it is still 52 cents a barrel. The cost of production is still only 35 cents a barrel. Provincial royalties have increased from \$1.27 to \$2.22 on the average, and federal taxes amount to 60 cents compared to 14 cents under the old regime. The profit derived by the oil companies, despite the higher taxes, is \$2.81 per barrel, or 43 per cent, only slightly below the original profit of 49 per cent. And when we look at it in real terms, profits in dollar terms are much higher, the increase ranging from 60 per cent to 100 per cent last year, or gross figures in the hundreds of millions of dollars. Despite all this the minister says a 100 per cent write-off is needed.

It is so obvious. If the people of Canada could only see how the tax laws are made they would realize who it is the government really cares for, that is to say, the multinational companies and their corporate friends. These are the people for whom the laws are designed. Meanwhile ordinary Canadians pay higher prices while, at the same time, losing revenue because the government continues to subsidize the oil companies through tax concessions and write-offs.

I believe the minister is out of tune with the people, or at any rate out of tune with the people I talk to in all walks of life. They are outraged over what has happened to our oil industry, over the Syncrude sell-out, and the lack of initiative on the part of the government in failing to take over the resources of this country and develop them in accordance with Canadian priorities.

● (2020)

Clause 35 in the bill is just one further example of the sell-out on the part of the government to multinational companies, and it is also indicative of the change of attitude now that the government is in a majority in parliament and thinks it can ram this clause through to the detriment of all Canadians. I think the minister has failed to explain the change from the 30 per cent to 100 per cent, hoping that he had secured the majority of votes and that a mildly reasonable explanation would suffice. I think it is a national disgrace.

Amendment (Mr. Mackasey) agreed to: Yeas, 63; Nays, 9.

**The Deputy Chairman:** Shall clause 36, as amended, carry?

**Some hon. Members:** On division.

Clause 36, as amended, agreed to on division.

On Clause 37.

**Mr. Turner (Ottawa-Carleton):** Mr. Chairman, we tabled an amendment which I would like to move. It is intended to clarify the application of the fair market value rule where the taxpayer sells petroleum or mineral products to a government agent. I move:

That clause 37 of Bill C-49 be amended by striking out line 20 on page 84 and substituting the following:

Fair market value of resource output disposed of to Crown

(8) For the purposes of subsection (6), the fair market value at the time of disposition of a unit of any particular quantity of petroleum, natural gas or related hydrocarbons or metal or industrial minerals disposed of by the taxpayer referred to in that subsection to a person referred to in any of paragraphs (6) (a) to (c) shall be deemed to be the amount by which

(a) the average proceeds of disposition that became receivable in the month that included that time by that person for the disposition of a like unit from a person other than a person referred to in any of paragraphs (6) (a) to (c)

exceeds

(b) the average aggregate of all expenses (including depreciation) incurred by that person in respect of that month for each such unit that may reasonably be attributed to transmitting, transporting, marketing or processing thereof to the extent that such expenses are reasonable and necessary and do not include any cost of acquisition thereof.

Fair market value of resource output acquired from Crown

(9) For the purposes of subsection (7), the fair market value of a unit of any particular quantity of petroleum, natural gas or related hydrocarbons or metal or industrial minerals acquired by the taxpayer referred to in that subsection from a person referred to in any of paragraphs (7) (a) to (c) shall be deemed to be equal to the amount, if any, paid or payable to the taxpayer by that person in respect of that unit.

Certain persons deemed to be same person

(10) For the purposes of subsection (8), where a person referred to in any of paragraphs (6) (a) to (c) disposes of a unit of any particular quantity of petroleum, natural