

that may have cost something in the neighbourhood of \$1 billion in lost taxes, based on the fact that the two corporations were treated as a partnership. If they are treated as a partnership, then when the time for recapture arrives, depreciated assets can be ratcheted up again in order to minimize the recapture and thereby avoid tax. The ruling of the tax department that provided this escape from taxes is described as being confidential, as I know some of them are, so I do not expect that the Leader of the Government in the Senate will have an answer to this question, but I do ask him if he will ask his colleague, the Minister of National Revenue and, if necessary, the Minister of Justice, to provide us with some detail of how that combination was defined as a partnership for the purposes of the section that is the basis for the ruling.

Hon. Duff Roblin (Leader of the Government): Honourable senators, I am familiar with the newspaper story as I had an opportunity to read it this morning, and it raises the point that there is a provision in the Income Tax Act that permits an effective recapture on depreciated assets or something of the sort which either eliminates or postpones tax. I rather suspect that it postpones tax. I can only tell my honourable friend that this provision is not a new one because it has been on the statute books for some time and is one that has been available for use by anyone who had legitimate reason to use it. While I do not think that I can promise to tell him the details of this case insofar as they are confidential under the Income Tax Act, what I can do is draw his attention to the regulations or legislation under which the transaction is embraced and that may give him the information he is seeking.

Senator Frith: I have a supplementary question. I do not think that it is a matter of postponement, but is actually a question of avoiding taxes. For example, taking a very simple case, if I have an asset that is worth \$1,000 and over the years I depreciate it to \$200 and then I sell it for \$800, I am taxed on that difference between the \$200 and the \$800 because I have recaptured some of the depreciation. However, the Leader of the Government is on the right track about what I would like to have.

BANKING

CANADIAN COMMERCIAL BANK—SALVAGE RECOMMENDATION

Hon. Ian Sinclair: Honourable senators, my question is for the Leader of the Government. On September 18, the Prime Minister was interviewed by Betty Kennedy, and I have in my hand a transcript of that interview.

One of the questions, in part, put by Betty Kennedy to the Prime Minister, was as follows:

... I am wondering if it is correct that it was your personal decision and your order to attempt to salvage the Canadian Commercial Bank in March?

The Prime Minister's reply, in part, was as follows:

No, the government decided on the basis of evidence made available to it that this was an appropriate decision. All government officials made that recommendation.

As I said, honourable senators, that is not the complete answer, but my question is related to that part.

Could the Leader of the Government tell honourable senators which government officials made that recommendation?

Hon. Duff Roblin (Leader of the Government): Honourable senators, my friend, with some persistence, is pursuing a line of questioning he has employed in the recent past.

I recognize the thrust, but I have to tell him that my answer is much the same as that given on previous occasions. It is that when this matter is before the committee I expect that the officials who had anything to do with this matter will be summoned to the committee and will be able to speak for themselves on what they said. I think that is preferable to my trying to second-guess them at the moment.

Senator Sinclair: Honourable senators, I think an answer would be most helpful to the committee and to the general public. I know that, at least where I come from, Betty Kennedy's show is well received. Those viewers will not be at the committee meeting, and I am sure they would like to know who the people referred to as "all government officials" were. Surely the Leader of the Government knows who they were.

Senator Roblin: Honourable senators, I have not only listened to but have also looked at Betty Kennedy over these many years, and I have the privilege of being able to describe her as a personal acquaintance and, perhaps, a friend. Therefore, I am always interested in what she has to say and the points she raises.

In this particular instance, a parliamentary inquiry is going to be conducted—not an inquiry on television or in the media. Therefore, I think my statement still stands that the place for this matter to be elucidated is in committee. My honourable friend is a member of the committee, and I hope to attend the hearings myself. I am sure he will have cogent questions to ask of all and sundry.

Senator Sinclair: Honourable senators, unfortunately, I am not a member of the committee which will be inquiring into this matter. Even if I were, I still believe that my request is proper.

My next question is this: What was the "salvage" operation recommended?

Senator Roblin: What was what?

Senator Sinclair: What was the salvage operation recommended?

Senator Roblin: I was surprised to hear my friend say that he was not a member of the Standing Senate Committee on Banking, Trade and Commerce, because I understood he was. However, the same answer applies: All the questions in connection with this matter, which are legitimate and can be properly answered, will be dealt with in committee. It is not appropriate to ask me to deal with these matters during oral Question Period, and I must decline to do so.

Senator Sinclair: Honourable senators, I have some other questions in regard to this matter.