

matters contained in Bill C-259. Today I am concerned about the taxation of international income as reflected in this bill—the Boeing bill. I call it the Boeing bill because it has 707 pages and the government is trying to “jet” it through.

**Mr. Paproski:** Very good.

**Mr. Ryan:** In this topic, international income, there are two quite separate subjects. One concerns the taxation by Canada of those portions of income derived from Canada by non-residents. The other concerns the taxation of Canadian residents on those portions of their incomes derived from foreign sources. It is with the latter of the two subjects that I wish to deal now. More specifically, I intend to concentrate upon those sections of Bill C-259 which affect Canadian multinational companies.

The Canadian multinational corporation is extremely important to us. By the term “Canadian multinational corporation” I mean a Canadian corporation, of which sufficient voting shares are owned by Canadians to control the corporation. This kind of corporation brings in foreign exchange to our country, develops our technology and aids in redressing our balance of payments. In 1970 Canadians received \$513 million from foreign sources as interest payments and dividends alone as stated by the hon. member for Dauphin. But in the first two quarters of 1971, \$270 million were received. Obviously, Mr. Chairman, a great part of this income of foreign exchange into Canada was the result of the activities of Canadian multinational companies.

As well, they aid in the generation of markets abroad for Canadian produced goods and generate jobs in Canada itself. For example, Massey-Ferguson Limited, one of Canada's all too few great multinational companies, employs about 4,000 Canadians in Ontario directly, and thousands more indirectly in the industries that supply this farm machinery giant. This company is majority-owned and controlled by Canadians. Its head office and largest plant are in my riding of Spadina. There is a more general appreciation in the world today that home-based multinational companies are very important to the economy of any country. We need the ones we have and to seek more, thus ensuring their continuing ability to compete in world markets. Yet the government does not seem to wish to do this. It has introduced in Bill C-259 measures which will encourage Canadian multinational corporations to move their head offices out of Canada and merely continue branch plant operations in Canada.

Mr. Chairman, the President of Massey-Ferguson, Mr. Albert A. Thornborough, after studying the international income effects of Bill C-259 and consulting lawyers and tax advisors, came to the conclusion that the international tax law revisions proposed by this bill would make Massey-Ferguson a relatively less attractive investment to Canadians compared with an investment in a Canadian corporation operating only in Canada. He pointed out that the results would be that Canadians would sell their shares to American shareholders as the company will face higher taxes and stiffer competition because of the bill. So we ask, why is it that the government wishes to have our companies sold off to people of other countries?

### *Income Tax Act*

This is inconsistent with the cabinet's “Midsummer Night's Dream” when it adopted the principle of a screening board as recommended by the Gray report. We should be trying to encourage Canadian ownership, not discourage it, as this section of the bill does. A company doing business solely in Canada is exposed to only one tax system. However, when Canada extends its tax system beyond its borders, the multinational corporation in many cases is subject to double taxation which must be borne in addition to the extraordinary cost of doing business abroad.

• (3:50 p.m.)

The Massey-Ferguson case is just one example; yet it applies equally to all exporting Canadian corporations that have subsidiaries or affiliates in other lands. It does not take a sage to predict that if this bill's international income provisions remain unaltered, companies like Massey-Ferguson will move their head offices and most of their prime level activities to another country. Now that the DISC proposal has passed the United States Senate and will very likely be brought into effect soon, this company must be looking at the advantages of a large transfer of its activities to that country. Although Mr. Thornborough did not say so, it follows that as his company's competitive position deteriorates, so will its profits and its view of its whole Canadian operation. Hence, the value of the company to the Canadian people will very likely soon deteriorate and may even disappear. After top management, research and development facilities have been moved, not only lawyers, accountants and engineers will be looking for work, but, Mr. Chairman, many if not all of the factory jobs involved are going to disappear. That is what I am primarily concerned about. I am worried about the people who are now working for Massey-Ferguson in the centre and west side of downtown Toronto. There are thousands of them, and their jobs may disappear.

The Standing Committee of the Senate on Banking, Trade and Commerce in its preliminary report on the Summary of 1971 Tax Reform Legislation has also noted that the competitive position of Canada's multinational corporations will deteriorate. May I read from page 5 of that committee's forty-seventh record of proceedings. I repeat what is said there for emphasis, even though the hon. member for Dauphin has already alluded to this matter. The report reads in part:

Your committee is deeply concerned with the possible effect of the proposed legislation on the competitive position of Canada's international corporations in world markets. To the extent that Canada's world trading position is adversely affected, it follows that our economic growth as a whole must likewise suffer.

This government, Mr. Chairman, must face up to reality and admit the truth of this statement. Though the matter has been put gently by the other place, it is imperative for us to heed what has been said. In my opinion, the part of the tax reform bill we are now discussing constitutes a very serious government blunder. It must be remedied without delay. I would recommend that every hon. member of the House of Commons read the forty-second record of the proceedings of the Standing Committee of the Senate on Banking, Trade and Commerce. Hon. members will be considerably enlightened as to the predicament that not only Massey-Ferguson but also companies like Alcan find themselves in due to this Bill. Apparently,