

derived from tax concessions and write-offs of the kind we see in the bill before us. Are we giving these corporations advantages which they really do not need?

Mr. Cullen: There is probably a basic disagreement between us as to whether they are getting advantages they do not need. But the short answer to the hon. member's question is that principal corporations are companies whose principal business is resource development. Under section 66(15)(h), a principal business corporation is defined. I do not intend to read the whole of the paragraph, but a principal business corporation means a corporation whose principal business is the production, refining or marketing of petroleum products or natural gas, or exploring or drilling for petroleum or natural gas. There are six further subsections and I refer the hon. member to them. It does not simply say that "a company" is the principal corporation. It could be an all-Canadian corporation, for that matter.

Mr. Symes: Considering that 90 per cent of the oil industry in Canada is foreign-owned and that 99 per cent of the refining industry is foreign-owned, the parliamentary secretary is really saying that we are giving the bulk of the tax concessions to the foreign, multinational corporations operating in this country.

Mr. Hamilton (Qu'Appelle-Moose Mountain): Mr. Chairman, the discussion of this item prompts me to put forward a thought or two leading up to a question. I believe the hon. member would accept my view that over the last 30 years a large number of Canadian oil companies have gone down the drain. One of the reasons has been referred to specifically by the hon. member for Calgary South who sits behind me. It is that these write-offs, though well-intentioned on the part of the government, are in fact one of the major reasons Canadians have lost control of their own resources. The great bulk of the small companies have never been able to get into a position where they were sufficiently in the black to take advantage of these write-offs designed to encourage exploration.

As I go over the history of events in the industry since the war, I see that well-intentioned parliaments thought they were helping the oil industry by making provision for write-offs. The intention is fine, but in practice the majority of the oil companies have not been able to survive because they never got themselves into a position where they could take advantage of these write-offs. The wildcatter trying to find oil knows that the chances against him vary between 8 to 1 and 20 to 1. I have seen many groups of Canadians pool their limited capital and enter this risky business of trying to find oil, encouraged by the thought that if they succeeded they would be able to write off the expenditures incurred. But they never found themselves in a position to take advantage of this particular concession.

I should like to ask the parliamentary secretary this question: Have there been any representations from the smaller, independent oil producers and gas producers asking that the government allow them to pass these losses through to the shareholders since the company itself cannot take advantage of the write-off provision? Under this arrangement the revenue department would simply allow a proportionate amount of the loss to be

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passed through to the shareholders in order that individual shareholders might get the advantage of what the government is trying to do. If this concept had been in effect in the past, some of these companies might have been saved. Some of them might, indeed, have become big companies able to compete with the internationals. Thus, the question I have raised is an important one and again I ask whether there have been any representations from independent oil or gas producers for this type of concession.

Mr. Cullen: I am advised that the representation or suggestion just made by the hon. member has not been addressed to the department. Most of the individuals who have made representations have set themselves up as syndicates to take advantage of existing provisions, instead of asking that losses be written off against shareholders' profits.

Mr. Hamilton (Qu'Appelle-Moose Mountain): If a syndicate were formed and took a loss, could that loss be written off against other income if it were not derived from the principal business? Is that what the parliamentary secretary is suggesting?

Mr. Cullen: I am advised that within limits this is precisely what is taking place, because the other opportunity, the one proposed by the hon. member, is not available to the shareholders.

Mr. Nystrom: I just want to make a few comments on this clause before it is voted on. In my opinion, you have a couple of choices when it comes to dealing with oil companies with regard to exploration and any other kind of tax write-off. The reality of the situation is that you are dealing with an industry which is basically foreign-owned, and whether or not it is contributing to Canadian corporations is really immaterial. If it is 90 per cent foreign-owned, then basically it will benefit foreign-owned corporations and there is no guarantee that Exxon or any other foreign company will reinvest those extra profits or extra capital in Canada. Quite often the funds raised in this country are invested in other countries.

When we are dealing with huge corporations such as these in the free market economy or the free enterprise economy, I think we have one of two choices. The member from Calgary South and members in his party have opted for one choice and our party has opted for the other. One choice is to keep it in the traditional free enterprise world and allow the corporations to develop the enterprise, to develop the oil. In order to do that you have to make all kinds of tax concessions, and the federal government recently—

An hon. Member: What about Saskatchewan?

Mr. Nystrom: I am getting to Saskatchewan right now. The government recently increased taxes on some of the extractive industries. Alberta, Saskatchewan and British Columbia have done the same with regard to royalties. As a result, there has been a fall off in exploration and development. The reason is the immense incentives in the United States in the form of low taxes and low royalties. The rigs are being pulled out of western Canada and are going down to the United States to explore and develop.