

will try to do so. I think the minister has put the program back to what it was in its general form before the special situation under the regulations was created to deal with the particular problems which arose for the first time with firms in the export market.

As I understand the regulation, the reason for its introduction and for this particular section to deal with exports was twofold. The export levy was intended to deal with profits which were going to be excessive for firms which were in the export market, on the one hand, and second, there was a desire to prevent the diversion of goods originally produced for the domestic market to foreign markets. There were anomalies which arose from the export levy, which the minister has dealt with by removing it, but by removing it we are back to square one with the two problems which existed before the export levy was introduced.

What are the consequences now of removing the levy? First, firms which are exporting have the right to go scot-free in terms of the regulation of their profits, but I remind the House that in statements, not made tonight but earlier, by the minister the employees in those companies will not be exempt from the guidelines.

Mr. Macdonald (Rosedale): I said that tonight.

Mr. Broadbent: The minister said that tonight. I read his statement quickly and did not notice that it was said. I stand corrected. He has said that employees will still come under the guidelines but the companies will not, which is at least a consistent application of the rough justice principle which goes with the rest of the program.

The second point to be made is that firms selling in the export market will have a clear advantage, from a profit point of view, over those selling in the domestic market in the same industry. In our view, and I suspect in the minister's as well, this leads to an unfair situation for many Canadian companies.

As the minister well knows, in virtually every province in Canada there are some firms which are now producing, within the same industry, primarily for the export market, and other firms producing primarily for the domestic market.

The paper industry is a good example of this. This means that companies which are producing just by chance—historically now with this program—for the export market are going to have profit expectations and the right to them which firms producing in the domestic market will not have. The minister may say that he is going to deal in some vague, unspecified way with requirements for reinvestment for those firms, but the point remains that even if the government produces at a later date some tough regulations about the necessity to reinvest in the Canadian economy the excess profits of these firms which produce for the export market, that still means they are given a financial advantage, under this program, over their domestic competitors. They will be able to use their higher profits to reinvest, and that will provide more jobs, but it also means they will have a greater opportunity for investing and expanding than their competitors who now happen to be producing for the domestic market.

The second point from a broader, community point of view, as opposed to that of the corporations themselves, is

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more serious. I think the hon. member who preceded me is substantially correct that in the short run, because of a world-wide recession from which we have not yet recovered, there are few opportunities for firms in Canada to divert production from the domestic market to the foreign market and make greater profits, but I submit that that is very short run indeed. This program runs until the end of 1978, and I think every corporation worth its salt in this country, after the minister made his announcement tonight, will be looking very carefully indeed at future sales abroad as opposed to sales at home. I have little doubt that, if not in a matter of weeks, at least in a matter of months we will run into some serious domestic shortages which will be the result of firms quite understandably transferring production from the domestic market to the export market.

What this will mean is the necessity for some form of export controls, and I think the minister should have said something about that tonight. If we do not have export controls, just as sure as we are here tonight we will experience severe shortages in a number of Canadian markets in the weeks and months ahead. So the problem is simply postponed by this decision. It is not dealt with at all.

I should now like to refer the minister to page 2 of his own statement. The concluding sentence of the second paragraph reads as follows:

If there is evidence of excess export profits and evidence that they are not being reinvested, the matter will again be reviewed by the government.

● (2030)

What is the definition of "excess export profits?" The minister did not answer that. Does any company in Canada know what the definition will be? Previously, under the guidelines and in the special regulations for the export levy, that was made clear, but nothing could be as unclear as this phrase "excess export profits". It is completely undefined, Mr. Speaker, and I think that is unwise. The government should have produced more specific details along with the announced change in regulations.

If the government does take any action, however it defines excess export profit we are going to have a further example of *ex post facto* law. Companies that are now operating will gain a certain level of profit from their exports, but precisely because it has not been defined by the minister they do not know what will be seen as excess export profits and may later find that retroactive action is taken against them. I think it is extremely unwise and unfair.

Finally, Mr. Speaker, the potentially serious situation that could arise for firms which under the existing law and under certain circumstances—that is, prior to the announcement that was made tonight—were going to be permitted to charge world prices in the domestic market, should be pointed out.

I refer Your Honour to page 18 of the white paper entitled "Attack on Inflation". In the section "Exports" the following appears:

If a firm can demonstrate to the Anti-Inflation Board that it would be impractical or harmful to the national interest for it to price in the domestic market differently than in the international market, the firm