

*Softwood Lumber Products Export Charge Act*

In fact, I met with the Minister of National Revenue (Mr. MacKay) yesterday and it is my understanding that where aboriginal people are working off the reserve but the funds earned are paid to an establishment on the reserve, no taxes are payable.

In respect of the logging and sawmilling operations in my own constituency, and elsewhere in the country, this is a fundamentally important amendment. The proposed amendment reads:

"or temporary license but does not include a person within the meaning of the *Indian Act*;"—

The purpose of the amendment, as the Hon. Member for Winnipeg—Fort Garry has pointed out, is simply to ensure that Bill C-37, when passed, does not have to come back to the House for amendment because that particular section would be *ultra vires*.

**Mr. McDermid:** Mr. Speaker, I do not wish to prolong the debate, but my recollection is that Revenue Canada made a ruling on that point at the hearing, stating that in fact the export tax was applicable to everyone, including Indian people who export lumber; that the tax situation that both Hon. Members have referred to pertained to the reserve and the reserve lands and the use of the particular material on the reserve.

Once the material is moved off the reserve it is subject to taxation. Once it is exported it is subject to the excise tax regime.

As I understand it, Indian people making an export would have to pay the export tax, in the same way as any other exporter. They would be the exporter of record and licensed to export and in fact would have to pay the export tax. That ruling was given by an ADM of Revenue Canada at the committee hearing.

I will leave it in your good hands, Mr. Speaker, to look at that, as you said you would, and suggest that we get on with the debate on the two amendments that have been accepted by the Chair.

**Mr. Deputy Speaker:** I have looked into the matters raised by the Hon. Member for Winnipeg—Fort Garry and the Hon. Member for Skeena.

With respect to the matter raised by the Hon. Member for Winnipeg—Fort Garry, I should like to advise him that in fact the citation of Beauchesne concerning Motion No. 1 is in fact 773(1), as set out in the decision of the Speaker.

Let me now deal with the matter raised by the Hon. Member for Skeena. I thank the Hon. Member for his argument. However, the ruling made by the Speaker on this matter will stand.

We will now proceed with the two motions that have been accepted, Motion No. 7 and Motion No. 9.

We will first deal with Motion No. 7, which will be debated and voted on separately.

**Hon. Lloyd Axworthy (Winnipeg—Fort Garry)** moved:

Motion No. 7

That Bill C-37, be amended in Clause 14 by adding immediately after line 29 at page 10 the following:

"(4) Revenue derived by Canada from the charge imposed on softwood lumber products under this Act and payable to the provinces according to subsection (2) may be applied by the province to the awarding of contracts for silviculture, roadbuilding, recreational, and other foresting activities on a non-competitive basis."

He said: Mr. Speaker, I believe that this amendment goes to the heart of the debate that has emerged over Bill C-37. It is one that is related directly to the right of this Parliament, in its time-honoured tradition, to designate how tax moneys raised by this Parliament should be spent.

The importance of this amendment goes back to the controversy surrounding the introduction of the Memorandum of Agreement by this Government on that famous cold wintry day of December 30 last when, in a last-ditch effort, the Government signed an agreement with the United States pursuant to which there arose the obligation of imposing a tax upon Canadian softwood lumber producers.

Subsequent to that, there was provided a letter written by the Secretary of Commerce, a very substantial official in the U.S. system, along with the Chief Trade Negotiator, Mr. Yeutter, to Mr. Dennison, the head of the Coalition for Fair Lumber Imports in the United States. In that letter, the writers made a very clear commitment as to how the funds raised by the Canadian Government could or could not be used. In specific reference, they said that moneys raised by the Government could not be used for the "awarding of contracts for silviculture, roadbuilding, recreational, and other foresting activities on a non-competitive basis".

At that time, Mr. Speaker, we raised the matter of the very clear infringement upon the sovereignty of this country that such a limitation on how Canadian tax moneys could be spent would represent. We were given assurances that it was only the "musings of the Secretary of Commerce of the United States", that it did not have any clear standing in law and that it was not a formal part of the Memorandum of Agreement.

But, Mr. Speaker, the fact is, a major signatory to that Agreement, the Secretary of Commerce, as well as the Chief Trade Negotiator, put in writing a clear commitment to their own lumber lobby in terms of what they interpreted to be the meaning and significance of that Agreement.

Certainly that has provided a number of Canadians, both in the industry and without, a real reservation. If one regards the statements made by the provincial Ministers, there is a feeling, as well, that there is delineation, a prescription, as to how the \$500 million to \$600 million raised through this new tax in fact can be used.

If the Government of Canada has agreed implicitly to the kind of interpretation provided by Mr. Baldrige and Mr. Yeutter in their letter to Mr. Dennison, then certainly in my view it is clear that it has agreed to limit a very fundamental right. But, because the Government did so is no reason why the