

Income Tax

Mr. Chrétien: The principle is yes, it could be.

Mr. Friesen: The second question I have in relation to that is in connection with the point raised by the hon. member for Sault Ste. Marie relating to Bill C-58 and the effect it has had on Canada, especially the convention trade. I think there is well documented evidence to the effect that the Americans have taken issue with this particular piece of legislation which we passed two years ago, and they have undertaken seemingly retaliatory measures. At least there have been movements afoot in the American Congress to have their tax measures altered in order to combat what they think is a prejudicial tax arrangement which we have in Canada.

I know that some months ago there was talk about some kind of dialogue between External Affairs or the Department of Finance here and their American counterparts. I would like to know what is happening in that interchange and if there is any movement toward mitigating that circumstance.

Mr. Chrétien: I do not buy the argument of the hon. member that the Americans have retaliated. Their law with regard to the reduction of expenses abroad by U.S. companies was not directed only against Canada. It was directed against all the nations of the world, because there had been some abuses taking place. I do not think we can link the fact that we passed Bill C-58 with the action of the U.S. Congress affecting conventions. It was not related at all.

● (2122)

In an effort to resolve the situation when I was Minister of Industry, Trade and Commerce, I talked with my counterpart in Washington. I explained the problem which had arisen for us—that we felt the U.S. action was unfair because Canadians were spending so much on vacations and conventions in the United States, and I was told that on the first occasion possible the situation would be remedied. In fact it was almost remedied by an amendment introduced into the Senate by Senator Goldwater—an amendment which was lost by one vote. The U.S. administration tells me that in its tax reform program being presented at this time the intention is to make the provision much more reasonable as far as Canada is concerned. I do not quarrel with the fact that only two conventions are permitted; it would be surprising if businessmen would want to have more than two conventions in the same year for the same group. The difficulty is that the level of permitted expenditure is not high enough at \$35 a day. If you are in Toronto with an allowance of \$35 a day, you would be lucky to be able to go out after breakfast.

An hon. Member: In Montreal, too.

Mr. Friesen: Well, it seems very strange that within a year after that bill was passed Canada, according to the figures given me by a member of the government in the other place, lost something like \$120 million in convention business. The minister would have a hard time convincing me that there was not a cause and effect relationship, especially since I have read

the resolutions which were discussed in the United States Congress in connection with this matter.

I should like to point out further that in the Vancouver area several hundreds of jobs have been lost because of the passage of that bill. An animation company which employed scores of people went out of business because of it; advertising companies went out of business; companies which were filming advertising for television productions and other companies making short features also went out of business. All these operations ended, with consequent unemployment, because of that particular measure. I should like the minister to reconsider the provisions of the bill before us in an attempt to improve the situation.

There is another matter I should like to bring to the attention of the committee. If the present restrictive taxation policy is to be applied to advertising over United States television stations, and since there is only a limited amount of television advertising time available, does this not amount to a conspiracy in restraint of trade? After all, the CTV station is saturated. The CBC station is saturated, and the new television station has about as much advertising as it can take—anyway, the ratings are so low that many of the advertisers do not want to be on there. The Prime Minister says we are not producing enough—that we are producing at only some 85 per cent of our capacity. Well, we could be producing at 100 per cent of our productive capacity but if there is no opportunity to tell people about the products which are available, all the productivity in the world will not do any good. I ask the minister to reconsider this policy and to make it less stringent so that those who wish to advertise in the Vancouver area over stations south of the border would have the right to deduct expenses for advertising carried, say, by KVOS.

[*Translation*]

Mr. Chrétien: Mr. Chairman, I cannot begin once again the whole discussion on Bill C-58 which was debated last year. Obviously the hon. member did not agree at that time. I said earlier that I did not see any relationship between Bill C-58 and the restrictive situation concerning U.S. conventions on Canadian territory. There is no relationship because, as a matter of fact, U.S. conventions are limited not only in Canada but also in Mexico and in Europe. Even in Canada, we imposed some restrictions because there was abuse in conventions abroad. Each country would like to protect its treasury by plugging up these sometimes very large holes of which some groups in society take unfair advantage, but there was no relationship between the two. So I note the fact that so far the hon. member is certainly less than enthusiastic over Bill C-58.

[*English*]

Mr. Orlikow: Does the minister have any figures as to the practical results flowing from that legislation? It seems to me that in the Winnipeg area some of the television stations in the United States are still carrying fairly extensive advertising which obviously originates in Winnipeg. I am wondering whether the minister has any information on the effect of this