

Income Tax

We do not believe it is necessary for the people of Canada to give the fantastic concessions which the minister proposes to give to the oil and gas industries. This clause proposes that the entire cost of exploration and drilling for oil can be written off by the companies. When you do that, you virtually take away all the risks from the companies which are engaged in the oil business. If you drill a hole, regardless of whether it is dry or not, you can write off the cost against your profits. If you find oil, you are permitted to charge a very substantial price per barrel. You can make a lot of money. You can use the accelerated depreciation, the fast write-offs and everything else. We do not accept that that is necessary.

I go back to what has been said many times by many people in this country. There is no need to develop all our resources just to give them away at bargain basement prices. Our resources will be needed much more in ten, 15 or 25 years from now. The value of our natural resources will be much higher at that time. We need not go out of our way, as the minister seems to be doing, to give the oil companies just about everything they want. That being the case, we cannot accept the basic proposal in this clause.

Mr. Hogan: Mr. Chairman, I want to say a few words on this clause. The debate before dinner seemed to have gotten off on an ideological strain. That means this clause is terribly important for what it says. It is symbolic in terms of the attitudes the Conservative party has in defence of what it calls private enterprise as against the socialist way of looking at this.

As with a lot of other things, we are using terminology in a different way. The Alberta members seem to be talking in terms of the defence of private enterprise which is relevant to a small sector of the economy owned by one or two family businesses or a few entrepreneurs, in the old sense of the word, that still exist in our economy and make a great contribution. However, in describing corporate capitalism they are using the same terminology. They are using a folklore of 19th century capitalism to describe corporate capitalism which has just as much planning as any socialist state, only the planning is done by the corporations in co-operation with any government that will co-operate with them.

For a very long period of time it has been the policy of the Liberal government and the Conservatives, when they were in power under the right hon. member for Prince Albert, to play ball with these large corporations. They not only give them an enticement to help get over a risk period, but take away any chance that there could be losses. When talking about Imperial Oil, Exxon and what have you, there is no profit and loss situation. The government gives them depreciation allowances.

These corporations are given 100 per cent write-offs as envisaged in this clause. There is no possible way these large corporations will suffer losses over a period of time, although it is true that with the way they keep their books, this may appear to be so for a given period of time. But they have a planned way of getting what they expect with regard to dividends and internal financing. It always works out because government plays the game that is envisaged in this clause.

[Mr. Orlikow.]

The Minister of Finance, who is in the chamber this evening, should take a few minutes to explain to us why he has gone from a 30 per cent to 100 per cent write-off. Why not a 50 per cent write-off? Why must these large corporations have a 100 per cent write-off?

The Deputy Chairman: Is the committee ready for the question?

● (2010)

Mr. Symes: Can the Minister of Finance answer a question which my hon. friend and others put this afternoon when he was not in the House? In view of the increased profits being made by the oil companies, in view of the fact that the minister was quite prepared to allow only a 30 per cent write-off on May 6, and in view of the fact that the 100 per cent write-off now proposed applies to foreign-owned corporations, why is the minister backing off and taking the position that the 100 per cent write-off for exploration is now justified?

Mr. Turner (Ottawa-Carleton): I gave those reasons fully in the budget speech on November 18. Because the risk is so high in both the mining and the petroleum industry I felt it would be in the interest of the country to allow a 100 per cent write-off for exploration.

Mr. Symes: Why has no consideration been given to the effect of the reduction in the provincial royalty rate which is now to be only 35 per cent as opposed to 65 per cent? The companies are getting an extra incentive from the provincial government yet the minister is still listening to the pleas of poverty from the oil companies by giving them 100 per cent. In the light of the concession the Alberta government is making, why does the minister still feel it is necessary for him to change his position?

Mr. Turner (Ottawa-Carleton): I have made that judgment and I have nothing further to add.

Some hon. Members: Hear, hear!

Mr. Benjamin: The minister says he changed his mind because of the high risk involved. Would he explain to the committee what is the risk? If there is a loss there are no tax penalties, and when exploration is made in or near proven areas the risk is, anyway, minimal. Certainly, in a situation like the tar sands or oil shale, or where there are known deposits of minerals, it is difficult to understand why a risk which was worth 30 per cent is now worth 100 per cent.

Mr. Turner (Ottawa-Carleton): Well, Mr. Chairman, if we knew where it all was there would be no problem at all. But we don't.

Mr. Benjamin: Since the minister confesses that we do not know what the risk is, or how much it is—

Some hon. Members: Oh!

Mr. Benjamin: Why does he not provide that if they can prove that a risk was taken, and if a loss was incurred, they could write it off? Why not wait until they can show in subsequent years that a risk was, in fact, taken and a loss sustained?