

*Yukon Minerals Act*

als for tax reform. In any event, on page 65 thereof, paragraph 5.32 we find this:

At present the profit derived from the first three years of operation of a new mine are exempt from Canadian corporate tax. This provision provides an incentive to corporations to commit the large amounts of money necessary to develop a mine, and recognizes that this commitment must often be made at a time when the extent and quality of the ore body cannot clearly be ascertained. However, the government believes that in many instances the three year exemption is too generous. Neither exploration and development costs nor depreciation need be deducted during the exempt period. As a result, many more than three years profits are effectively exempt, and taxpayers can recover much more than their investment without becoming taxable.

Notwithstanding the admission by the Minister of Finance of the risks involved in mining, he, nevertheless, advocates in his "proposals for tax reform" that retrenchments be made in this important concession to the Canadian mining industry which in many respects has been responsible for its significant growth.

It is interesting to note the remarks of the Senate Standing Committee on Banking, Trade and Commerce, in its report on the white paper, particularly as stated at page 37. The report notes that the estimated net foreign earnings of the Canadian mining industry amount to some one billion five hundred million dollars per year and that the mining industry's activity has benefited all sections of Canada significantly. The Senate report acknowledges that substantial profits have been realized in the mining industry. It also acknowledges that corresponding risks have been taken. I can only commend to those hon. members who might be inclined to support the finance minister's views the remarks contained in paragraph 11, page 38 of the Senate report which I should like to quote:

The defect in the white paper's approach to the financing of the developing of mineral deposits is that it fails to take into account the essential difference between the two types of investors and the demand of the risk investor for rewards that are commensurate with the greater risks in this area of mining development. The proposals to permit new mines under certain conditions to write off 100 per cent of the cost of mining machinery and buildings to allow deduction of the cost of acquisition of mineral rights as part of the cost of exploration and development are in the opinion of your committee completely inadequate as a reward to attract the financing to begin a program of exploration and development of mineral resources.

• (4:40 p.m.)

Some hon. members will no doubt be tempted to point out that since the publication of "Proposals for Tax Reform", the Minister of Finance has made certain concessions which will affect the taxation of the mining industry. One of these concessions is that the federal tax abatement for mining will be increased from 10 per cent to 25 per cent. What we must, however, bear in mind is that the Yukon territory is not a province, and consequently the benefit of this abatement does not apply to it. Mining in the Yukon is thus placed in double jeopardy by the completely illogical position of being subject not only to a new scale of higher royalties as proposed in the bill under consideration, but also to materially higher taxation than mines in other provinces as a result of the new taxation measures proposed by the Minister of

Finance and which, for some curious reason, he claims to be reforms.

I submit that the government simply cannot have it both ways. It is completely unreasonable for them to expect to have high taxation rates apply in high risk industries. The government must also be mindful of the fact that Canada is not the only country with vast undeveloped natural resources. While of course, at least until very recently, our stable political climate and the existing taxation incentives have served as inducements to foreign mining interests to participate in the development of our resources, we would be nothing less than naive to think that the measures which are proposed in the present bill, plus the impending measures which loom on the horizon in the government's taxation plans, will serve to retain and permit continued foreign participation in this very costly and high risk segment of our economy.

I submit that it is further evidence of the inconsistencies of the government's thinking for it to have a Department of Regional Economic Expansion concerned with promoting economic growth in the slow growth areas of our country, while at the same time the same government proposes measures which will obviously compel mining interests to seek more attractive areas, and possibly areas outside of Canada, in which to invest. Certainly the Yukon territory would not be an area in which these companies would invest should these ill-considered measures come into law.

Surely, the royalty rates which apply to mining in the Yukon territory should fully reflect the fact that mining operations there will not benefit from tax abatement provisions because the territory is not a province. Moreover, they should also reflect the fact of the enormous distance which the ore has to travel from its original source to its marketplace, thus making the operation far more costly than if it were located in the lower regions of Canada. The precise details of the royalties provisions in the proposed act are far too lengthy and complicated for me to deal with specifically and individually at this time. However, hon. members will find upon studying them that not only do the royalties reflect an increase from the preceding act, but they are as well clouded with uncertainty for mine owners by the provision for extensive administrative discretion concerning the amount of the various deductions which the government will permit mines to claim in arriving at the value of their output in the course of any year.

I have tried to make clear that high levels of taxation and high levels of development in the Canadian mining industry are incompatible. I think this claim is borne out in the submission made to the Standing Committee on Indian Affairs and Northern Development by the Yukon Chamber of Mines, and I should like to quote their remarks in this connection. On page 7 of their brief the following is stated:

This high level of exploration activity is unlikely to continue in 1971. Respondents to a questionnaire circulated to this chamber, to major exploration and junior mining companies who had carried out Yukon exploration in 1970 almost unanimously reported reduced exploration budgets for 1971. Replies from 39 companies which spent \$5.7 million in 1970 forecast expenditure of only \$2.3 million in 1971, a drop of some 60 per cent. This

[Mr. Schumacher.]