

**LEGISLATIVE ASSEMBLY OF SASKATCHEWAN**  
**First Session — Eighteenth Legislature**  
**29th Day**

**Monday, January 5, 1976**

The Assembly met at 2:30 o'clock p.m.  
On the Orders of the Day.

**INTRODUCTION OF GUESTS**

**MR. R.L. COLLVER** (Leader of the Progressive Conservatives): — Mr. Speaker, it gives me a great deal of pleasure to introduce to you and to the Members of this Assembly two very distinguished gentlemen, one the Hon. Alvin Hamilton, Member of the Privy Council and Member of Parliament for Qu'Appelle-Moose Mountain, and secondly, Mr. Frank Hamilton, Member of Parliament for Swift Current-Maple Creek. They are here to assist all of us I am sure in our endeavours.

**HON. MEMBERS:** — Hear, hear!

**QUESTIONS**

**SOME NOVAPHARM DRUGS NOT ACCEPTABLE**

**MR. E.C. MALONE** (Regina Lakeview): — Mr. Speaker, before the Orders of the Day, I have a question I should like to direct to the Minister of Health (Mr. Robbins). The question, Mr. Speaker, deals with a drug firm known as NovaPharm and I would ask your indulgence for a moment because I have to preface my question with a few facts.

The question deals, Mr. Speaker, with a publication put out by the Department of National Health and Welfare called Quad Review Four, I am not sure if the minister is familiar with this publication, but what it does is rate drug companies and the drugs that they produce and sell to the public. In the introduction it says briefly:

This information is presented so that members of the health professions may decide on the basis of scientific and technical facts which drug product to select. Your appraisal and use of these data will enable Canadians to obtain lower price drugs at high quality.

Now, in view of the fact that the Government is considering either purchasing this company in its entirety or an interest in it, Mr. Speaker, I should like to draw the Minister's attention to the report and indicate to him that in the report there are some 63 items or drugs that are sold by NovaPharm that are listed in the review. Out of those 63 items, 46 of them are rated as unsatisfactory according to the standards set by the Department of National Health and Welfare in this review. They are unsatisfactory for various reasons but they are unsatisfactory, that is 73 per cent of them. I understand that any physician or pharmacist who would look at this review before prescribing a drug would note the U rating and in that event would likely prescribe another drug, because of the U rating. My question to the Minister, is he aware of this publication and the facts that are contained therein?

**HON. W.A. ROBBINS** (Minister of Health): — Mr. Speaker, I haven't seen the publication but I must inform the Member that there is a committee of pharmacologists and pharmacists who review all of the drugs that go into the formulary. They are constantly reviewing these drugs on a continuing basis and obviously they would take into account all of the facts that he presents in that particular article in relation to NovaPharm. I am positive that this committee is very careful in the scrutiny of the drugs that are approved for the drug program of Saskatchewan.

**MR. MALONE:** — A supplementary question then, Mr. Speaker. The Quad Review Four which I have here and I will send it over to the Minister, also indicates that because of these U ratings that the Federal Government has a number of options ranging from a warning to the drug company or advice to the drug company to change their procedures to the other extreme of prosecutions. The Minister has indicated that he is not aware of the review but would he undertake in the not too distant future to check to see if NovaPharm has been prosecuted or if it hasn't been prosecuted, what steps have been taken by the Federal Government to have their U ratings on the various drugs changed?

**MR. ROBBINS:** — Mr. Speaker, I am not absolutely certain that I have clearly in my own mind what the Member has in mind with relation to this particular question, but I would point out again that the committee reviews and the committee is certainly going to make certain that every drug that goes into that formulary is one that is approved by that committee which consists of pharmacists, pharmacologists and physicians in the Province of Saskatchewan.

**MR. MALONE:** — A final supplementary, I don't think the Minister is following me and I apologize. I am not talking about the review committee that looks after pharmacare in Saskatchewan, I am talking about a publication of the Federal Government that rates various drug firms and it doesn't matter to me what the Saskatchewan review committee does so much as what this publication says, so my question finally to the Minister is, in view of this information, in view of the findings by the Department of National Health and Welfare, would you at least undertake to check to see how far you have advanced in trying to buy this company and if you find that the company has been prosecuted, or if their products are unacceptable, would you at least change your mind and not buy this company which is shown to be unsatisfactory by this publication?

**HON. A.E. BLAKENEY** (Premier): — I propose to respond to that on behalf of the Government. The question states a fact which is not a fact. The first question presupposed that the Government was considering buying NovaPharm. That is false. The final question asked us whether we will change our mind. The answer is, we have not made up our mind. There is no decision to buy NovaPharm. There is no consideration by the Cabinet or the Government to buy NovaPharm and any questions asked on that assumption are erroneous.

## **RECONSIDER GOVERNMENT'S PROPOSAL RE POTASH**

**MR. S.J. CAMERON** (Regina South): — Before the Orders of the Day I have a question I would like to direct to the Premier. In view again of the magnitude of the Government's proposals with regard to the potash industry and the Premier's recent indication that in his own view perhaps as much as half the province is opposed to the Government's proposals, is the Government prepared now to reconsider its position and hold a series of public hearings across the province with respect to the Government's plan?

**MR. BLAKENEY**: — Government policy will be announced in due course.

**MR. CAMERON**: — May I ask you specifically, if I gather from your comment you may be considering that, you may be considering a series of public hearings. We had put forward a second proposal and would like to ask you if you are now prepared, through the Speaker, to consider the alternative which we put to you and that is to have the matter together with your studies, financial data, market analysis and so on, put through a committee of the Members of the House and to have them take a careful look at the proposal and report back to the House? Are you prepared to reconsider that one?

**MR. BLAKENEY**: — No.

**MR. CAMERON**: — My last supplementary. Are you prepared as a minimum, assuming you reject the first which I gather you are considering, to initiate a series of public information or discussion forums around the province in various centres to which would be invited spokesmen for the potash industry, the Government and the Opposition, to lay the thing before the people of the province in some more satisfactory way than what has been done to date?

**MR. BLAKENEY**: — Mr. Speaker, I doubt whether there would be much profit in having government spokesmen on the one side and potash spokesmen on the other side and in a very redundant way, having representatives of the Opposition.

**SOME HON. MEMBERS**: — Hear, hear!

**MR. BLAKENEY**: — It is rather clear that one potash industry has at least two spokesmen other than itself in this province and I wouldn't want to load the meetings in that unfair way.

**SOME HON. MEMBERS**: — Hear, hear!

**MR. CAMERON**: — I think you responded to the first part of the question, Mr. Speaker, not the balance. I asked him, is he prepared to initiate public discussion forums of this kind, would he answer that one?

**MR. BLAKENEY**: — I have no further comment to add to what I addressed to the House.

## **USA TO TRADE WITH USSR FOR POTASH**

**MR. D.M. HAM** (Swift Current): — Mr. Speaker, a question directed to the Premier. Is the Premier aware that the United States is making arrangements with the Government of the USSR to trade potash for surplus American wheat?

**MR. BLAKENEY**: — No.

**MR. HAM**: — First supplementary, Mr. Speaker. Is the Premier aware of the implications for Saskatchewan agriculture and the Saskatchewan potash market if the proposed agreement is entered into?

**MR. BLAKENEY**: — I am not aware of any such proposed agreement.

**MR. HAM**: — Second supplementary, Mr. Speaker. In light of the proposed agreement, will the Premier withdraw this legislation before it is too late or call a general election and let the people of Saskatchewan pass judgment?

**MR. BLAKENEY**: — In light of my absence of knowledge of a proposed agreement I am not prepared to withdraw any legislation.

## **PROVINCIAL ANTI-INFLATION PROGRAM**

**MR. C.P. MacDONALD** (Indian Head-Wolseley): — Mr. Speaker, I should like to direct a question to the Minister of Finance (Mr. Smishek). I am not sure if the Minister, would he indicate whether he has seen this CUPE Saskatchewan Division newsletter, 'Pressure Needed on the NDP':

The NDP Provincial Government cannot ride the fence forever. If wage controls are ever implemented in Saskatchewan the Provincial NDP must be held responsible. . .

What I am really asking the Minister, could he inform the Members of the House when and if the Government of Saskatchewan is going to introduce to this House an anti-inflation program? Already two and one-half months have gone by and I think the people of Saskatchewan, trade unions, collective bargaining negotiations now underway are waiting very, very anxiously for information as to any date.

**HON. W.E. SMISHEK** (Minister of Finance): — Mr. Speaker, the Hon. Member made reference to some letter, I have not seen the letter he is referring to. As far as the Government's anti-inflation program, I might inform the Hon. Member when the regulations were announced, I believe on December 18th, by the Prime Minister, together with the

Hon. Mr. Macdonald, these are regulations under Bill C-73. I regret to say that those regulations didn't reach us until December 23rd. They chose to make them known to the Press but yet did not see fit to provide them to the Provincial Governments, at least not to us, and it is expected that the provinces are to respond quickly. The regulations as Mr. Macdonald described are complex and complicated. At the present time we are reviewing the regulations very thoroughly and their implications for the Saskatchewan economy. Certainly we as a government have indicated that we are prepared to work with the Federal Government to see that all steps are taken to control inflation to a minimum. Our Government policy will be announced in due course.

**MR. MacDONALD:** — Mr. Speaker, a supplementary question. Really what this article says is that you are going to get saddle sore from riding both sides of the issue. I should like to ask the Minister, is it the Minister's intention or the Government's intention to set up their own anti-inflation board so that the people of Saskatchewan will have an indication, particularly those now in the process of negotiation, as to whether they will be dealing through the Provincial Government or not? Is that a fact?

**MR. SMISHEK:** — Mr. Speaker, just to the first part of that question, may I inform the Hon. Member there is no province I am aware of that so far has entered into an agreement with the Federal Government, so if he is trying to blame the Saskatchewan Government may I inform the Hon. Member to the best of my knowledge, based on our checking, certainly as late as December 31st, no province in Canada has entered into an agreement with the Federal Government or has made any firm commitment. So our position is no different from that of any other province and we are, as I said, studying the problem, it's a complex problem, and we will be announcing our position fairly soon.

**MR. MacDONALD:** — A supplementary question. A few weeks ago I asked the Minister if the Government of Saskatchewan was going to come out with a definite program on some cuts of its own. Could you indicate whether or not the Government of Saskatchewan or the Treasury Board has now come to a conclusion as to what particular programs or items, or what steps the Government of Saskatchewan is going to use to reduce expenditures to cut unnecessary expenditures and to take some leadership? Have you come to any final decision? Is it your intention to announce some leadership and some cutbacks by the Government of Saskatchewan as well as the signing of an agreement with the Federal Government?

**MR. SMISHEK:** — The answer is, yes.

## ADJOURNED DEBATES

### SECOND READINGS

The Assembly resumed the adjourned debate on the proposed motion of Mr. Romanow that Bill No. 1 - **An Act respecting the Development of Potash Resources in Saskatchewan**, be now read a second time, and the proposed amendment thereto by Mr. Lane.

**MR. C.P. MacDONALD** (Indian Head-Wolseley): — Well, Mr. Speaker, it is nice to be back in the Legislature again and it is nice to be resuming this great potash debate in the Province of Saskatchewan. One of the things that I am sure has disappointed Members on both sides or both parties on this side of the House is the failure of the Government after the Christmas recess to sit back and assess the impact of this potash legislation. They haven't apparently come in with any change of heart which is certainly very disappointing to me and certainly to industry right across Canada. I am certain they have also had an opportunity to go out in the Province of Saskatchewan and get an assessment of public reaction. I know that Members on this side of the House have certainly had an indication of public reaction and it is very, very critical of the Government's actions at this time.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. MacDONALD:** — It is a disappointment. This afternoon, Mr. Speaker, this is the first time I have had an opportunity to participate in the debate on Bill 1. It gives me a lot of scope for a wide range in opportunities to sit down and assess some things and today I should like to take the opportunity, Mr. Speaker, if I might, to look at the principle of taxation.

Now let's assess very carefully the arguments of the NDP as presented by the Attorney General. They are very simply put, I think they can be put into three areas. No. 1, might suggest that resource benefits belong to the people of Saskatchewan and, of course, I don't think there is any debate in this particular area whatsoever. The second one, expansion has not occurred and therefore they feel that the only way that they assure expansion of the potash industry in the Province of Saskatchewan is by expropriation, entering into the business and taking over the mines themselves. The third, of course, they have taken very strong exception to the legal entanglements and they suggest that this might jeopardize tax revenue or the benefits to the people of Saskatchewan.

Mr. Speaker, I want to say and I want to say very clearly, I don't believe that this is the heart of the matter. This is only an excuse. The real argument goes much deeper and the real argument goes to the whole question of fair taxation. Let me put it this way, what is the right of the NDP or any government in the Dominion of Canada, to tax any individual or any company? The second point, what level of tax is just and fair? In other words, how far can a government go in taxing an individual, a company or a corporation. The third, what recourse has an individual or a company when the tax is unjust? This is the real heart of this issue, Mr. Speaker, and of course let's look at the potash industry.

I think when anybody starts to talk about taxation there are two very, very basic principles that must be adhered to. The first one, Mr. Speaker, the NDP are very fond of standing up and talking about taxation must be based on ability to pay. And how often have we heard the Premier and Members of the Treasury Bench stand up in this Assembly and start to talk about any tax should be based on the ability pay. And I recall the arguments with great clarity the last time they raised the income tax. Then, of course, we have many examples in the Province of Saskatchewan where the NDP attempted to follow that principle. I mentioned the income tax, I think of succession duties, where they abhor the principle of somebody who has saved for all of his life, worked to put funds and savings aside, paid taxes on them and then would pass them on to his beneficiaries. But they say, oh, no, we should tax the rich because they have the ability to pay. I think of the gift tax, I could go on and on. But in this particular legislation, Mr. Speaker, and in the quarrel with the potash industry they have completely ignored in the reserve tax the whole principle of the ability to pay of an individual or a corporation. And I intend to get into that in detail later.

The second principle of good taxation, Mr. Speaker, is that all individuals or companies should be taxed and treated as equally as possible. When we talk about equality and taxation and the principle of taxation of course I think all of us are aware that it is sometimes very difficult to tax different industries as equitably as possible. I think of the retail industry and so forth. But the Dominion of Canada, all governments at both federal and provincial levels have made very, very sincere attempts, first of all to treat everybody individually, equally.

Let's take the individual income tax. You and I know that it's on a progressive scale. People who have a taxable income of a certain level are treated exactly equal, and as their taxable income increases the tax level goes up but it goes up equally with all the individuals right across the Dominion of Canada. I think of the gasoline tax, or the consumption taxes, I think of corporate taxes (another good illustration). A corporate tax is based on the principle of equality of payment. That each individual industry should pay according to their profits. Mr. Speaker, I think I can go on and point out two other consumption taxes such as sales tax and so forth.

But let's look at the potash tax and particularly the prorationing tax and the reserve tax. One of the most difficult things in Saskatchewan is that very few people understand what the reserve tax is. Let me start off with the prorationing tax, Mr. Speaker. First of all the NDP have gone into great lengths and great arguments to indicate to the people of Saskatchewan that in 1971 when they became the Government that the potash companies were all in favour of prorationing, because they were in difficulties and that they needed to space out their production capacity, divide up the markets in order to protect all the industries. They said that, they made no bones about it. That the move of Ross Thatcher and the leadership that he provided across Canada in the international field had saved the potash industry from depression and some of the mines from outright closure. Then they go on and say, but later on in 1972 and 1973, they change their mind. Mr. Speaker, I want to tell them it was not the potash companies that changed their minds. It was the

NDP who changed their mind because they immediately attempted to change a conservation measure into a taxation measure.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. MacDONALD:** — The potash prorationing scheme had one purpose in mind and that was to conserve and prevent dumping on the international market. It was an attempt to spread out the market equally among all the potash corporations or companies in Saskatchewan. It was not intended to be a tax and yet all of a sudden the NDP, when the tide began to turn, and the potash industries began to see some daylight, they immediately took this conservation measure and decided that this should become a taxation measure and the result of course followed. There was only one result, it meant that the NDP Government was going to have permanent control over the production and the marketing of the potash industry in Saskatchewan. And it is no wonder that the companies objected. And of course that tax was also not based on ability to pay.

But, Mr. Speaker, let's go to the reserve tax. And this is really what the whole fight in this particular Legislature with the NDP Government and with of course the potash industry is all about. I don't know, Mr. Speaker, of a more insidious tax on any industry in the Dominion of Canada than the reserve tax. I don't think there is anybody in the Province of Saskatchewan who really understands the reserve tax because it is a very complicated formula. I want to very simply if I can try to, point out to the people of Saskatchewan and for the record some of those very complex factors that are taken into consideration.

But first of all, Mr. Speaker, it's a very complicated formula. It starts off with the factor called the rated annual productive capacity. And of course, Mr. Speaker, each mine has a designated capacity by the Department of Mineral Resources, by the Minister, and this capacity cannot decrease, but it can increase if productive capacity goes up and does not take into consideration failing markets or anything else.

The second thing it takes into consideration is the average selling price. This also is determined by the Minister and based on the total average price of potash sold in the previous 12 months, and of course it doesn't take into consideration any long term contracts that perhaps give a good price when things are tough in the potash industry and perhaps gives a reduced price when things start to go up. You and I know that there are one or two potash mines in serious trouble because of long term contracts.

The third thing is they have a scale factor determined by the Minister and it varies with a 50 cent increment along with the rate of capacity.

The next thing they have, they have an ore grade factor. And of course the grade of mine ore based on a 12 month production, on the previous 12 months. Of course I don't think there is anything wrong with that because I think what they really do is they take the productive capacity of that individual mine and they assess the grade of ore that has been sold over the previous 12 months and they give it that ore grade factor.

The next thing they come to is the capital investment factor, Mr. Speaker. Now this is calculated by dividing the gross investment in mines for the product 100 times the rated capacity and I'm not going to try to explain that. It's pretty complicated.

And they have a mill rate. A quarterly rate set by the Department.

**MR. MOSTOWAY:** — . . . (unintelligible)

**MR. MacDONALD:** — Is that the Whip at it goodness. Please don't — be quiet, polite, courteous because I'm going to be here a long time today and you might as well listen very, very carefully. Not only that, you might learn something from all this.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. MacDONALD:** — The sixth factor of course is the quarterly rate set by the Department of Mineral Resources which will vary at a 50 cent increment with the rate of potash.

What it comes to, Mr. Speaker, is this: The annual capacity is multiplied by the scaled factor for \$40 per ton price. One grade times the grade factor times the fixed price of \$40 times 20, which of course is the mill rate, divided by the capital investment. Now that's a very complicated formula and nobody in the Province of Saskatchewan really understands it, least of all the Members opposite.

But, Mr. Speaker, it has one specific result. It is the tax in Canada on an industry that is completely unbearable; it is backbreaking; it has the potential to destroy it. First of all, Mr. Speaker, it has no relation to profit. The price of potash or the cost of operation of a potash mine could go up and the profits go down and the reserve tax stays the same, Mr. Speaker, or relatively the same. It's not related to product, it's not related to the ability to pay, and this is the biggest objection of the potash companies and the potash corporations. And you know, this is the Government across there, that said that an individual, particularly if he is rich, should pay heavy taxes according to his ability to pay. But on the potash industry they completely ignore it, Mr. Speaker.

The second thing, the higher the price of potash, the worse the tax discriminates against the company. Now if you can believe this, the higher the price of potash, the worse it is on the company. Doesn't that seem ridiculous for a tax, that if the amount of the product or the value of the product goes up that it should be worse on the industry? In other words, instead of encouraging them to sell, encouraging them to expand, encouraging them to enlarge, what it really does, as the price of potash goes up, its value, it completely discourages the mine.

The next thing it does, it discriminates against the large producer. And this is another thing. It actually, Mr. Speaker, on the small production here (and I am going to read you an essay which clearly points out some calculations) that a small producer pays about 76 per cent according to an example given. When you get into the large producer he pays 87 or 90 per cent on the reserve tax. It discriminates against the larger one, yet

at the same time this, the Government says, the reason we are taking them over is because they refuse to expand.

Also, another thing it does, the formula penalizes a mine constructed in the low per ton capacity cost. In other words, because the formula is divided by the capital investment factor, any company which has a low per ton capacity cost and does a good job of construction of the mine, uses efficiency, gets its machinery (perhaps it has been built before the real inflationary period started) that particular company is penalized.

The next thing, older mines are penalized of course, when the inflationary dollar was not as high as it now is. In other words, if the mine was built back in 1966 or 1967, as compared to one built in 1969 or 1970, the older mine is actually penalized once again because of the division by the capital investment factor.

Another one, Mr. Speaker, is the tax credit provisions. For decreases in production are inadequate and badly timed. Now when this particular tax was put in (and I don't know if the Minister has changed it) theoretically a mine could go out of production for a whole year and still have to pay the reserve tax. Mr. Speaker, that's how bad it is.

Another one, Mr. Speaker, the tax overpayment being credited in the next quarter, or in the preceding tax period is without interest. In other words, if a corporation pays the reserve tax, if they pay too much, the government takes that money, puts it in the consolidated fund and then finds that that company has overpaid they don't pay them any interest and yet they have their money.

The next thing is what the potash company objects to more than any other single thing, it is that the Government sets the tax rates by regulation and by Ministerial discretion. Mr. Speaker, here are five or six reasons why the potash industry objects very strenuously to the whole concept of taxation of the potash industry by the reserve tax.

Let's examine this tax on the potash industry. First of all, Mr. Speaker, it is the highest tax on any industry in the Dominion of Canada. There is no industry, Mr. Speaker, not lumber, not oil, not uranium, not coal, not agriculture, not manufacturing, no industry in the Dominion of Canada is taxed at the level that the potash industry in Saskatchewan is taxed at.

**MR. ROMANOW:** — Who says so?

**MR. MacDONALD:** — I say so. And, Mr. Speaker, you try to find another industry taxed at 85 or 90 per cent in the Dominion of Canada, and in my research I certainly can't find one and I should love the Attorney General, when he closes debate, to stand up and enumerate industries that are taxed at 85 per cent or 90 per cent of their profits. And if it's not the highest in the country, there may be one or two more, but I certainly don't know them, and I would certainly like to find if the Attorney General or the Minister of Mineral Resources (Mr. Whelan) can present an example of an industry that is taxed as high as the potash industry in the Dominion of Canada.

You know, Mr. Speaker, we had one other industry in Saskatchewan where we tried to turn around and find an example of where the NDP Government decided that they were going to put 100 per cent - over \$3 a barrel - in Bill 42. Of course, we saw the disastrous impact of Bill 42. Figures have been quoted in this debate how the number of wells drilled in Saskatchewan in 1975 was something in the neighborhood of 1,000. In a time when energy is disappearing in our country and energy resources are in demand and are required and are needed, here we turn around and find that the Government, under Bill 42, didn't learn a lesson. They are now busy amending Bill 42, trying to amend the regulations, trying to attract the industry back. Mr. Speaker, they saw what happened to an industry that was taxed beyond its capacity to pay and didn't take into consideration relocation costs, new oil discovery costs, didn't take into consideration any of the other factors.

This tax, Mr. Speaker, makes absolutely no allowance for the years of loss or difficulty of the potash industry. When you consider that the potash industry in the Province of Saskatchewan has had five or six or seven or eight years of great difficulty, for years they were dumping it on the national market at something in the neighborhood of \$12.50 per ton in order to try to keep the doors open, then they turned around and had a bare minimum price of \$18 a ton which was its costs, and everyone knows, and the Minister of Mineral Resources has put out a pamphlet showing the difficulty that the potash industry had for years and yet the reserve tax makes no allowance whatsoever to recapture capital investment. It makes no provision for return, to retire the debt of the original investment, Mr. Speaker. When you take 85 per cent of the revenue before taxes, and turn around and make it a tax, and then expect the remainder to pay off the capital debt, to make a return to the shareholder and then at the same time to attract expansion, that is being ridiculous.

Also, Mr. Speaker, the reserve tax because it's not based on the ability to pay, it doesn't have any relationship to profit whatsoever, will not build confidence in the shareholders which could determine whether or not, Mr. Speaker, they should go into expansion.

Now, Mr. Speaker, I think that the reserve tax was a deliberate attempt by the NDP to create a controversy with the potash industry to turn around and put forward their plan of expropriation and to get into the potash industry.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. MacDONALD:** — Mr. Speaker, I don't think there is any question about it. What about the NDP charge about refusing to expand? Let's examine that for a moment.

First of all, Mr. Speaker, we attempted to demonstrate that the reserve tax is an unfair tax. That the reserve tax, Mr. Speaker, had no relation to profit, had no relation to the ability to pay, was excessive, almost to the point where it was confiscation. Now, Mr. Speaker, the NDP say they will take over this industry because they refuse to expand. Mr. Speaker, let me ask any sensible man in this Assembly or any sensible man in Saskatchewan. Would you expand under these circumstances?

Would you expand when there was no opportunity for a return on your investment? Would you expand when there was little opportunity to make a profit? Would you expand when a tax such as the reserve tax had all these detrimental effects on the industry? Now, Mr. Speaker, I don't believe the NDP expected the potash industry to expand. I think they hoped it would not expand. I think that this was really the scenario that the Attorney General and that the Premier and that the NDP Cabinet really intended with the institution of the reserve tax.

Mr. Speaker, they saw what happened in British Columbia. The reserve tax was based and patterned after a tax on the copper industry or the mining industry in British Columbia. When they turned around and saw what happened in British Columbia where the copper mines were actually operating at a loss. They turned around and saw the disastrous impact on the mining industry in British Columbia where mine after mine closed its doors, where exploration and development almost came to a standstill and yet, Mr. Speaker, the NDP expected the industry to expand under these circumstances.

Mr. Speaker, how could they expand when they hadn't even paid back the original capital investment and they could see no way in which they could do.

Now, let's go to the third thing. What protection or what recourse has an individual or a company or a corporation when they are taxed unjustly or unfairly in the Province of Saskatchewan or any province or by the Federal Government? Mr. Speaker, how often have we heard the NDP going around the province making the claim that the potash industry had the audacity to challenge in the courts the reserve tax or the prorationing tax. Mr. Speaker, there is only one alternative, one recourse that any individual or any company or corporation has, if they are being taxed unjustly, unequally or without the ability to pay. That is the right to go to the courts. Here the NDP are standing up in this House, standing up going around the province of Saskatchewan attacking the potash corporations for going to the courts.

Mr. Speaker, this is what we call justice.

The NDP Government I suggest, Mr. Speaker, has 10,000 people under charges by the Crown today in the Province of Saskatchewan. When you take in traffic fines, criminal charges, charges against the Crown, litigation against company expropriation and so forth. They reserve the right, Mr. Speaker, to go to the courts any time they want, if they feel they are not being treated fairly and justly. But the only recourse that an individual has, the only recourse that anyone has when taxation is unfair, when taxation is discriminatory is to go to the courts and this is exactly what the potash companies have done.

Surely I should like to suggest that the NDP should examine, very, very carefully what has occurred in the Province of British Columbia. First of all, Mr. Speaker, they watched the Premier of British Columbia go down to personal defeat and they watched the Government of the NDP in British Columbia go down to personal defeat with no loss in popular support. They almost maintained an identical ratio of the popular vote that occurred in British Columbia. I want to tell them what defeated the Government in British Columbia and anyone from British Columbia will tell them, was the resource policy of the British Columbia Government,

their attitude toward mining, their attitude toward lumber and their attitude on oil, on the whole resource industry, its lack of exploration and development, the lack of opportunity in the Province of British Columbia.

What really happened in British Columbia is that 60 per cent of the people decided that 40 per cent a minority were not going to dictate a change in the entire social and economic structure of their province.

I think that the people of British Columbia have taught the people of Saskatchewan a lesson. Maybe I could give the Attorney General and the NDP over there a little lesson in political science. What's really happened in British Columbia is that free enterprisers decided that the minority will not determine the future of their lives and that if it is necessary to consolidate their vote as an alternative they would do so. People in Saskatchewan and Ontario are already talking about taking as a lesson from the Province of British Columbia and assessing an alternative from the Province of Saskatchewan and Manitoba and come up with a political party that has the best chance of defeating the NDP and consolidating their vote behind them. Nobody is going to suggest that the Socreds, all the people who voted Social Credit were supporters of Major Douglas of Social Credit fame in the '30s, no one. What they were, they were against government control, government ownership of industry, they were against state regimentation, they were against high taxation, they were against everything that the NDP stood for and that's why they voted Social Credit and that's what is going to happen in Saskatchewan, Manitoba, Ontario and every province where the NDP are located.

The people of British Columbia did teach us a lesson, Mr. Speaker, they taught us that free enterprise people who believe in the things that the NDP are against or don't stand for, they had better consolidate their vote. I suggest in the Province of Saskatchewan they are looking at the Liberal Party and this will be a very important process.

Now, Mr. Speaker, I have here, for the edification of the Members a very important essay. Mr. Speaker, it is on mineral taxation . . .

**AN HON. MEMBER:** — . . . in the Cabinet!

**MR. MacDONALD:** — Oh, they are in the Cabinet. Not only that they will continue to espouse liberalism and the principles that they believe in. Not only that in the next election they are going to be re-elected and free enterprise is going to maintain its position. The NDP in the Province of British Columbia is dead, my friend.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. MacDONALD:** — They are a forgotten thing. They are going to be dead and buried, in 1979 here, you will find exactly the same results.

**MR. MOSTOWAY:** — . . . until Christmas not April 1!

**MR. MacDONALD:** — All right. Mr. Speaker, I want to read an essay presented to a mining conference in Toronto on the 12th November 1974, the speaker is H. Houston, C.A., Manager of Taxation, Hudson Bay Mining and Smelting Company, Limited, Toronto. It is on mineral taxation in Saskatchewan, 1974 developments. What this man does, who is a mining expert involved in the potash industry in Saskatchewan, clearly elucidates for all of us the steps in taxation taken by the NDP, points out the unfairness of them, gives specific examples of formulas and the application of the reserve tax and the prorationing tax and indicates exactly what is going to happen, Mr. Speaker. It is very, very pertinent to the subject. I want to take this opportunity to read it into the record.

Saskatchewan producers of metallic minerals have so far escaped any provincial tax increases.

This is one of the things that is very difficult to understand, though. Perhaps understandable as the industry is not a significant contributor to the economy of the province. In other words, gold, and other hard rock minerals have completely escaped any increase in taxes.

The Province's Minister of Mineral Resources has indicated however, that changes will be made to conform more closely to the newly adopted potash taxation policy which this paper will principally deal with. However, let us first look briefly at taxes on minerals other than potash.

I think this is important. We pointed this out at the start that no other industry, no other mining industry in Saskatchewan is treated as the potash industry, no other group of people in the Dominion of Canada are treated the way the potash industry is in Saskatchewan. Yet here we have two types of companies. All the difference is that they are mining a different element ingredient, a different product. One is treated one way in the Province of Saskatchewan and another treated another way. Is this equity in taxation? Is this the kind of taxation policy that is fair and just? Is it any reason that the potash industry is up in arms?

Mining taxes on metallic minerals are presently levied under the Mineral Disposition Regulations of the Mineral Resources Act at a rate of 12 1/2 per cent on the net mining profit after deduction of processing allowance.

Imagine 12 1/2 per cent! You compare that to the 85 per cent of the potash industry. We wonder why they are disturbed.

The processing allowance is eight per cent on the capital investment and processing assets with a maximum of 65 per cent of the mining profits and a minimum of 20 per cent. A reduced rate is provided for new mines on a sliding scale basis with a maximum rate of nine per cent on taxable profits over \$500,000. The big money is presently in potash (and this is what the NDP are trying to zero in on.) The province has the largest potash deposits in the world and the government has made it quite clear that they intend immediately to extract a bigger slice of flesh from the producers of this mineral.

By way of a little background, the productive capacity in Saskatchewan, following the period of initial development in the province exceeds world demand for the mineral which led to the Potash Conservation Regulation by the Saskatchewan Government in January 1970.

Of course we are all aware of the history of the potash regulations, prorationing, where they were brought in by Premier Thatcher and the government of the day, and this very difficult period is being referred to here by Mr. Houston.

The regulations established production and marketing quotas for each producer and set a minimum price for the product.

It was nothing to do with taxation, Mr. Speaker, not a thing.

The prorationing regulations as they are called are still in effect but the producing licenses for the fertilizer's year, July 1, 1974 to June 30, 1975 were recently issued to each plant authorizing production up to a full-rated capacity, the floor price was removed at the same time.

With demand catching up and indeed exceeding supply, in 1974 prices have increased to the current level of approximately \$60 per ton of  $K_2O$  compared with \$40 a year ago. This of course has not been ignored by the province.

Of course this indicates once again going back into the history of the potash development the dramatic change in the world market conditions from 1971 to 1974 where all of a sudden the price of potash, the continuing demand for food in the world made it possible or the demands increased very dramatically.

Continuing Mr. Houston's article:

I should explain at this stage that a  $K_2O$  ton is hypothetical unit of measurement in the industry which indicates the amount of actual potassium chloride KCL in a ton of refined ore. The  $K_2O$  ton actually equals approximately .61 product tons.

Regulations imposing an entirely new tax on the potash industry were released by the Government last month.

This of course is following immediately the reserve tax announcement.

This came right on the heels of discussions between the Saskatchewan Government and Finance Minister Turner who has not given any hint of the impending release of the new policy.

Of course how many times we talk about consultation between Ottawa and Regina. Before I get into a discussion of the new tax, let me briefly review the present tax legislation as it applies to potash. (Here was the existing tax.)

The Subsurface Mineral Regulations under The Mineral Resources Act levy a royalty on each ton of potash by a

multi-faceted formula, taking into account such factors as the grade of ore, the mill efficiency factor, a percentage of the posted sale price of the mineral, and a percentage of Crown land located in the producer's utilized areas. The rates vary from 4.5 per cent on mines for the grade of ore less than 21 per cent potash to nine per cent for those producing ore richer than 45 per cent.

The Potash Prorating Fee Regulations under The Mineral Resources Act levy a tax of \$1.20 per ton of product produced. Note that this tax is applied to product tons as opposed to K<sub>2</sub>O tons which form the basis for most other taxes.

As I mentioned because of course that means that the product tons are more.

As I mentioned previously a K<sub>2</sub>O ton is roughly equivalent to .61 product tons. The Proration Fee was initially levied as of June 1, 1972, at the rate of 60 cents per ton and was increased to the present level of \$1.20 per ton October 1, 1973.

Mr. Speaker, I want you to note those two dates, 1972, 1973. They changed the whole philosophy of the prorating agreement or the prorating regulations.

Now for the developments.

Last April 29th, the Saskatchewan Deputy Minister of Mineral Resources, Mr. Jack Wotherspoon called the producers together at a private meeting to introduce a paper on the Government's proposed new potash mining policy. The Deputy Minister announced at the meeting that the Government wished to have the benefit of the industry's views before proceeding with any change in its potash policy. Within three days of the meeting however, Bill 129, An Act to Amend The Mineral Taxation Act was tabled in the Legislature. This provided enabling legislation for the Government to proceed simply by Orders in Council with all the sweeping changes contained in the proposed policy.

Mr. Speaker, this is one of the ingredients that I mentioned that the potash industry is so opposed to, is the power of the Government to set tax rates by regulation, by Order in Council and not by coming to the House.

The major amendments were adopted as SS 25A and 28A of the Mineral Taxation Act. Section 25A empowers the Lieutenant-Governor-in-Council to prescribe regulations levy a tax computed on the value of potash ore reserved, a proposed formula for such a 'reserves tax' was given to the producers at that time and draft regulations were released to the industry on October 23. They were implemented by Order in Council, 1956-74 dated November 12, 1974. The tax adopted does not differ in principle from the one first proposed.

Section 28A provides that the Lieutenant-Governor may by order require all or any portion of any tax payable under The Mineral Taxation Act to be paid in kind.

This is another thing, Mr. Speaker, this is one of the things that the NDP objected to so strenuously, it was the fact that the potash industry wouldn't present them with the facts. I think the potash industry made a mistake in that. I think they should have presented them with the facts. But the reason they didn't is because the Provincial Government had the power in these regulations to demand payment of taxes in kind and put the Saskatchewan Government in the potash marketing business, it made them competitors around the world. And, of course, the potash industry treated them the same as any other competitor. I don't know if you know anything about the potash industry, but, boy, they are very highly competitive, they are highly secretive. One potash mine doesn't know very much about what the other potash mine is doing. They are very secretive even among themselves.

Section 28A provides that the Lieutenant-Governor may be order require all or any portion of the tax payable in kind. The Section further directs that the potash in payment of the taxes due must be delivered at a time and place at the discretion of the Minister. In relation to this amendment the Deputy Minister announced at the meeting with the producers on April 29, that in the immediate future this Government intended to establish as quickly as possible a corporation or agency to market potash. As the Government presently does not have any productive facilities, the sales agency would market potash received by the Crown in lieu of cash payable by the producers for taxes and royalties levied on potash under The Mineral Taxation Act and The Mineral Resources Act, and it doesn't end there. He further indicated that:

The regulations would provide that the payment in kind would be a ten per cent discount which he said would cover the selling expenses of the Government's new marketing agency.

That's kind of an interesting approach too, the privately owned corporations could sell it to somebody else for a certain price, but they had to sell for ten per cent less to the Government of Saskatchewan, which was really an increase in tax of ten per cent.

Thus the industry would be faced with the situation whereby by a government agency would be competing with them on their market, their own potash, which the Government obtains at a ten per cent discount. This is not any more palatable when you consider that under the prorationing regulations, the Government has been requiring producers to submit detailed marketing information right down to the name and address of even their smallest customer together with the quantities purchased and the applicable prices.

Imagine, Mr. Speaker, the Government of Saskatchewan going into the potash industry, demanding that the potash producers give them a list of every single market that they have, from the smallest to the biggest, the price that they sell it on, etc. This, Mr. Speaker, of course, is very obnoxious also to the potash industry.

Perhaps the significance of this can be placed in better perspective when you consider that if the Government decides to require payment in kind for all taxes and royalties that they are projecting will be paid by the

potash companies in 1975, they would receive sufficient product to secure over a quarter of the entire market and would probably become the largest volume seller. Isn't that the way to get into business for yourself.

I want you to examine that, Mr. Speaker. What they are saying is, that if the Government in 1975 had demanded all the taxes paid in kind at a ten per cent discount, they would then have become the largest marketing agency of potash in the world. That, at a time when the markets were still depressed, when they were still not producing at a 100 per cent of their capacity. And yet the Government could go out and become the largest seller of potash with a limited market, with the potash companies themselves struggling to get back and up to 100 per cent production. And yet the Government of Saskatchewan could undercut them or could cut off their markets to sell the product at ten per cent less, at a discount or turn around and invade their own traditional markets.

To quote further:

We have mercifully been given a reprieve from this however. The Minister advised the producers on October 23, 1974 that the Government will drop for the foreseeable future, plans to take product in kind and become marketers of potash. Section 28A of The Mineral Taxation Act, however, will not be repealed and can be brought in at any time. Once again the Government of Saskatchewan can demand that potash be taken into consideration, or potash taxes to be paid in kind. This policy could thus be implemented at any time by a simple Order in Council. Incidentally the surface mineral regulations under which royalties are imposed presently empower the Minister to require a payment in kind at a discount of ten per cent, less than the current selling price if the products are used by the Crown, and full list price if the Crown desires to use potash products in any commercial enterprise in competition with producers. If the Minister's proposal is ever adopted these and all other regulations would change to provide for the ten per cent discount in all circumstances.

Now let's have a look at the new reserve tax.

Mr. Speaker, the reason I am reading this and explaining it is because this is really the whole core of the fight in the Province of Saskatchewan. Is the potash tax, reserve tax, a fair tax? Is it just? Is there not justification for the potash industry to go to the courts and test its constitutionality? Is the Government being right when it tells the people of Saskatchewan that they cannot stand or that they cannot tolerate any company or individual in the Province of Saskatchewan challenging them in the courts? Is there no reason or legitimate reason why this can be done? I quote again:

Let's look at this reserve tax. It is essentially a lump sum tax to be levied and paid on a quarterly basis on the 20th day of the third month in each quarter.

A lump sum tax. It's not related to profits and this is the importance, it's a lump sum tax, Mr. Speaker. In other words it's so much money that will be paid every quarter to the Government of Saskatchewan regardless of the price of potash,

regardless of the profits, pardon me, of the industry, whether they make money, whether they lose money or whatever it may be, it's a lump sum tax to be paid every quarter. Quote:

The Minister is predicting that the tax will produce at 87 million in additional revenue for the province in '75.

Of course, since that time 87 million taken with the other royalty taxes, the other prorationing taxes and so forth, it comes to approximately 130 million, estimated, at least we calculate for the year 1976. Another quote:

When this is added to the 22.5 million predicted revenue from other taxes on potash the total represents over 25 per cent of the expected gross revenue from the industry.

Mr. Speaker, let's just examine that, 25 per cent of the gross revenue, it's not the net, before expenses, before marketing costs, before anything else, 25 per cent of the gross revenue.

The reserve tax to be calculated by a complicated formula will become effective as of July 1, 1974. The components of the tax are:

First of all it has what is called a rated annual capacity, and I tried to simplify it for you in my brief introductory remarks.

This will initially be a fixed amount equal to the designated capacity used for the prorationing regulations.

In other words when they turned around and asked each mining company to present their facts on how much their production was in order to establish prorationing and what rate of production would be included in the 40 or 45 or 50 per cent and they turn around and each potash mine said they had a designated capacity of so many tons. Of course, this then became what is called the rated annual capacity, productive capacity.

This figure will never decrease, but it can increase if production in any 12 consecutive months within the immediately preceding two calendar years exceed the initial designated capacity. The increased capacity figure would then become the new "rated annual productive capacity". Which would then stay fixed at that amount unless revision again is required by production increases. This rated annual productive capacity figure will be the first factor in the reserve tax formula. There is a caveat here however. If the producer has overstated his capacity for prorationing and quota purposes he could be stuck with a lower figure; that is if the rate of capacity is greater than the average monthly production for the best three months of the preceeding 12 months of operation, multiplied by 11, then this smaller calculated figure must be used until in fact it does exceed the rated annual productive capacity. Once reached the "rated annual productive capacity" figure becomes from the time forward the amount to be used in the reserve tax formula.

The second thing that is in the formula is an average selling price.

This will be determined by the Minister every quarter, based on the total industry actual average selling price in arm's length sales for the previous quarter.

Third factor, would be a scale factor.

This will be determined by the Department of Mineral Resources. It will vary with price and 50 cent increments with the rated annual productive capacity or the calculated annual capacity whichever is the first factor in the formula.

This is all very complicated, Mr. Speaker, but I'd like to read it into the record.

Ore grade factor.

This again will be determined in accordance with the table to be released by the Department of Mineral Resources. The grade of mine ore will be weighted in the average grade of potash ore mines from the producing track during the latest 12 month period of operation.

Five, capital investment factor. This is the bad one, Mr. Speaker.

This will be a figure calculated by dividing the gross investment in the mine and refining plant as approved by the Minister of Mineral Resources by the product of a hundred times the rated annual productive capacity. The Deputy Minister of Mineral Resources has indicated that the gross fixed assets will be defined "as in the Income Tax Act." However, the Income Tax Act does not contain any definition of fixed assets so that it is not possible at this stage to determine precisely the allowable components of the investment base.

Mill rate.

This will be a quarterly rate set by the Department of Mineral Resources, will vary at 50 cent increments for the price of potash. Having determined all the foregoing factors, the value of the ore reserve, the mining refining plant is calculated in the following manner:

Annual Capacity times Scale Factor for a \$40 Ton Price times Ore Grade Factor times Fixed Price of \$40 times 20 divided by the Capital Investment Factor. (The constant of 20 used in the factor is predicated on a 20 year life for the investment.)

The \$40 fixed price and the corresponding scale factor are used in the formula to arrive at a fixed value for the ore reserve mine in the refining plant. The initial quarterly tax is determined by applying the appropriate mill rate to this value.

Mr. Speaker, this is very complicated, but when we get down to see the impact, what Mr. Houston says the impact of this tax is, everyone will understand that it is the insidious tax that I refer to. It's unfair, basically dishonest of the Government, particularly when no one in the Province of Saskatchewan understands it.

As the scale factors decrease proportionately with increase in the average price, the use of \$40 fixed price with the corresponding scale factor produces a tax figure greater than actually intended. Accordingly a credit is calculated to be carried forward in determining the tax due for the succeeding quarter. The correct tax is calculated by substituting in the formula the scale factor for the average price and the credit allowed is the difference between the initial calculation and the revised one.

It's a tax jungle is right, Mr. Member for Regina South (Mr. Cameron).

Table 1 illustrates the reserve tax calculation for a small, medium and large producer in graph A plus the reserve tax for selling price for the same hypothetical producers.

The graph (I'm coming to the graph) and this is the one that's startling. Is it any wonder the potash industry has very serious objections? I quote:

The graph indicates very clearly that the largest producers with their economies of scale suffer much more steeply rising taxes as prices increase.

Notice this, I repeat:

The graph indicates very clearly that the largest producers with their economies of scale suffer much more steeply rising taxes as prices increase. It is difficult to understand the Government's reasoning in structuring the scale factor to accomplish this result.

The more you sell the less you get, and the Government of Saskatchewan is asking the potash industry to expand. I continue:

It can readily be seen that the reserve tax formula is quite sensitive to capital investment. For example, a large producer, (producer C) would realize approximately a 20 cent reduction in the reserve tax for every dollar of additional capital expenditure.

Thus it penalizes the mine that was built a few years ago or that had some efficiency.

What overall effect does the reserve tax have on the producer? The Canadian Potash Producers Association commissioned an independent firm of chartered accountants to gather and consolidate financial projections for the calendar year, 1975. Table II illustrates the net after tax earnings for the small, medium and large producer using this data. The calculations assume no earned depletion as I think it is fair to say that no significant amounts of earned depletion are available because most of the capital investment for all existing producers occurred prior to November 8, 1969, qualification date for depletion earning expenditures.

The table indicates that the small producer faces a heavy tax load of 76 per cent. The medium producer a back breaking 85.7 per cent. The large producer is unbelievable 98.7 per cent.

Isn't it a tragedy that the people of Saskatchewan and the ordinary little businessman, the farmer, does not understand the complications and the results of the potash reserve tax and then they would wonder why the potash companies are going to court in a hope to get some kind of fair and just treatment?

I will repeat the above quote.

The table indicates that the small producer faces a heavy tax load of 76 per cent. The medium producer a back breaking 85.7 per cent. The large producer an unbelievable 98.7 per cent.

This according to Mr. Houston was the exact impact of a hypothetical situation of the potash producers when this potash tax was put in in 1974. Quote:

Admittedly, the costs used are industry averages which would not reflect the full economies of scale undoubtedly realized by the large producers. Nevertheless the tax levies indicated are crippling, even for the small producer where they are probably understated again because of the use of average cost data.

In other words, what he is saying, Mr. Speaker, is that it may not be 98 per cent of the reserve tax on profits for the large producers because as the production increases they would have economies of scale. In other words the machinery, the equipment, the power, etc. etc. would reduce the overall costs in a very short period. Again, Mr. Speaker:

If the total tax rates don't shock, perhaps the incremental rates will. Graph B illustrates the incremental tax rates for the three hypothetical producers and further highlights the discriminatory nature of the tax levied on the large producer.

You remember, Mr. Speaker, when I started off I said one of the bad things about the potash reserve tax was that it discriminated against the large producer. Mr. Houston points this out very, very emphatically and very clearly and yet this is the Government that says they are taking them over because they refuse to expand.

Producer A, the small producer, does not exceed an incremental rate of slightly over 90 per cent. Producer B however has an incremental rate exceeding 100 per cent at roughly around \$72 per ton price level, while the large Producer C exceeds the 100 per cent rate at a price level of about \$47 per ton. At present price levels Producer C will lose over 15 cents per ton every time the price increases by a dollar.

You can believe it. A tax system that whenever the price goes up the taxes go up and he loses more money. Mr. Speaker, how is it possible for the NDP to impose such a tax and to expect the potash industry to remain quiet.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. MacDONALD:** — The supply and demand situation is presently exerting

pressure for a price increase which must have the large producers losing some sleep.

Of course, this was written and presented in 1974. Very early, a month after the potash reserve tax was put in and, of course, didn't take into consideration the latest dramatic rise in price in the past year. I continue:

The Minister's original proposal provided no reduction in the reserve tax in the event of a planned shut-down. The new regulations however contain some relief from this eventuality.

Now if you can imagine. The original proposal said that they were still going to tax them on a lump sum basis even if the plants shut down. Now they have some additional new regulations which contain some relief and I suppose since that time Mr. Houston, and I hope the Government has had some wisdom in trying to at least change, amend some of the regulations that were so ridiculous in 1974. Again:

Before August 20 in each year the Minister is to determine that actual production in K<sub>2</sub>O tons for the immediate preceeding year. If the actual production is less than ten-elevenths of the annual capacity figure used in the formula the Minister shall recalculate the tax, substituting the actual production for the year plus one-eleventh of the annual capacity figure which was in fact used in the formula. If the amount of tax paid in the fertilizer year exceeds this recalculated tax, then the difference is applied as a credit to the tax payable during the current year. No provisions are made to refund the tax if the mine was shut down and never re-opened.

You talk about a tax jungle, Mr. Speaker.

Some upward or downward adjustment in the tax, but strictly in the discretion of the Minister may be anticipated by the wording of S8 of the Regulations. This section allows the Minister to adjust the average selling price to take into account, annual changes in costs indices related to the potash mining industry prior to setting the mill rate and determining the tax base.

What are the major objections to the tax?

Mr. Speaker, let me go over this again very briefly. It's a lump sum tax, it's got a very complicated formula, it discriminates against the large producer, it discriminates against the low per ton investment, in other words the efficiency of the construction. It discriminates against the older potash mines, those who had a lower capital investment. If you can imagine, these are some of the generalities of this tax. Now what are the effects or the objections of the industry and what are the effects?

Apart from subjecting the industry to an oppressive tax load there are major conceptual flaws in the reserve tax,

according to Mr. Houston. Apart from subjecting the industry to an oppressive tax load here are some of the objections:

1. Any major tax not geared to profits is inequitable.

Mr. Speaker, I don't have to repeat what I said about the NDP saying that it should be based, all taxes should be based on ability to pay. There is only one principle of equity and that is ability to pay on the amount of profit and this has no relationship to profit whatsoever.

2. The tax clearly discriminates against the larger producer.

I've explained why. First of all, Mr. Speaker, because of the scale factor and because of the overall investment.

3. The formula would penalize a mine constructed at a low per ton capital cost relative to a more costly mine of the same capacity.

In other words it gives no allowance for efficiency. Typical socialism, typical bureaucracy, it's typical without any question.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. MacDONALD:**

4. Older mines constructed with less inflated dollars will find themselves in a poorer position compared to mines built at a later date with higher cost dollars. Equitably, some indexing figures should be introduced to arrive at comparable present values.
5. Tax credit provisions for decreases in production are inadequate and badly timed.

Listen to what he says:

Theoretically, a plant could be virtually shut down for a complete year but still have to pay the reserve tax based on a rated capacity. Credit — and partial credit at that — would not become effective until the following year.

I believe if I remember the regulations correctly this has been changed.

6. The tax overpayment provided by the formula with credit being allowed in the following quarter without interest is clearly inequitable.
7. This legislation follows the distasteful pattern of virtually all mining tax laws in Saskatchewan in that it is riddled with ministerial discretion, even to the point of setting tax rates by regulations. I don't think it is any understatement to say that the future of the private sector in the Saskatchewan potash industry is extremely cloudy.

And I want to tell you that that was written over one year ago, a year ago last November. Mr. Speaker, how very, very clear and how wise and how informed Mr. Houston was when he talks about it as being cloudy. Continuing:

The Government has indicated that it intends to extend its involvement in the industry, developing productive

capacity owned by the people of Saskatchewan. The ominous portent of payment in kind adds further uncertainty. At this point we can only hope that some sanity will emerge before we all become civil servants.

You know one of the most interesting things, Mr. Speaker, and I wonder if the Minister or the Attorney General and the Government are going to produce the feasibility studies of Bredenbury, because they were going to get into production there. They had studies taken of what the costs would be. I wonder if they are going to lay on the table for the public of Saskatchewan and the Members of this Assembly just exactly what the costs as estimated by experts and engineers what the assessment will be in comparison to the purchase of an existing potash mine. Of course, this is what he means when he says it is extremely cloudy.

I suggest to you, Mr. Speaker, that if the NDP had been able to build a mine at Bredenbury — there is no question about the potash there, there is no question about the grade of ore, there is no question about the fact that they had the leases. In fact I was in Bredenbury and saw the stakes where the mine was to be built. There is no question about it that they could build the mine but I think what happened, Mr. Speaker, is that they took a look at the report and at the cost of estimates of the construction of a new potash mine and they found it came to four to five hundred million dollars. Immediately they became discouraged and sat down and drafted this particular law, saying it would be based on earned profits, if you can believe it, after taxes, which means, of course, that they are going to attempt to steal the present mines. With the cost of building one mine they could turn around and steal four or five from the potash industry and this is the reason we have Bill 1 and Bill 2 before us today.

I want to read to you table 1, "Saskatchewan Reserve Tax Calculations - Small, Medium and Large Producers." And this is astounding, this is Mr. Houston, a mining taxation expert. What I should have really done, is I should have xeroxed a copy of this so I could lay it on the table and send it over to the Attorney General. It starts off with basic data and it's got, "Producer A - Small, Producer B - Medium and Producer C - Large." and he starts off with a small producer at 300,000 tons. The medium producer at 750,000 and Producer C at 2 million. There are several mines at 750,000 capacity in Saskatchewan. There is one producer that comes close to the 2 million productive capacity in Saskatchewan. They give a total of six capital investment, \$36 million for the small producer and I think we can go back to Potash Company of America in that neighborhood. Seventy-five million dollars of capital investment for the medium sized producer and I think we go to some of them like Sylvite and some of the others and, that is a fairly accurate figure. One hundred and sixty million dollars for Producer C of the large one, which I think is also fairly accurate. The inflated cost I think would raise the cost of those very dramatically in today's market but I think that was the original capital invested approximately. Your ore grade is 25 per cent, which is approximately the quality of the ore potash that is mined in Saskatchewan. The scale factor, 1.0 plus, 1.14 plus, 1.2 plus. Ore grade factor is 1.000 for all of them. The capital investment factor \$36 million, \$75 million, \$160 million and, of course, then they turn around and they do it and they do the calculation and, of course, it comes out to a mill rate of \$60 a ton, quarterly rate times four and it comes to 12 for the small producer. It comes to \$12.6392 for the medium producer;

\$12.6302 for the mill rate for them all. They calculate the reserve tax and it comes for the small producer to \$2 million, \$8 million for medium and \$31 million for the large producer.

Now Graph A, for the small, the medium and the large Saskatchewan potash producer, shows the reserve tax versus the selling price. This is kind of interesting. And, of course, I can't show you, Mr. Speaker, but the chart indicates that when you come to the large producer and it comes to the selling price, as against reserve tax and its impact on the large producer, it is very, very dramatic. And I hope that the Attorney General when he winds up the debate will tell this House and tell the people of Saskatchewan how it is possible that he expects the potash industry to expand when the reserve tax discriminates so heavily against the large producer?

I should like to go on to Table 2. And this is again, of course, the small, medium and large Saskatchewan potash producer calculation of after tax profits, based on the Canadian Potash Producers' Association, 1975, estimated average financial data at \$60 a ton of  $K_2O$  selling price which is approximately accurate. Gross sales at \$60 per ton broken down to show the final net profit. They show the following; cost of sales, marketing and head office expenses, \$27; net profit before taxes, \$32.16; provincial and federal income tax, \$11.90 out of that \$60; prorationing fees, \$4.13; reserve taxes, \$8.42; total tax \$24.45. Net after tax, \$7.71 or 24 per cent approximately. That is for the small producer.

Now for the medium producer. Once again they start off with the gross sales at \$60 a ton. The net profit before taxation is approximately \$32 and this is all based on an industry average. And, of course, the \$11.90 is again stable for the federal-provincial income tax, 37 per cent, based on November 8, 1974 Federal Budget. The prorationing fee is \$4.13 out of that ton, the same. But if you will notice the reserve tax for the medium producer jumps from \$8.42 to \$11.54, in other words the total tax instead of being \$24.45 out of a \$60 ton, it is \$27.57 out of a \$60 ton. The net after taxes instead of being \$7.71 is \$4.59 and a percentage of 14.3.

Now you get up into the large producer and once again we start off with a gross sale of \$60. The net profit before tax, \$32, the same as the others. The federal-provincial income tax exactly the same, \$11.90. Prorationing fees, exactly the same, \$4.13. But the reserve tax jumps from \$8 for the small producers, \$11 for the medium producer to \$15 for the large producer. Instead of \$24 for the small producer, \$27 for the medium, it is \$31 for the large producer. And, of course, what does he have net after taxes for a ton of potash, 39 cents, 1.3 per cent and I want to point out again as Mr. Houston did, that does not take into consideration the economies of scale, which means of course, a potash mine because of its size and its productive capacity for the same equipment can produce more and can mine more potash and so forth.

Now, Mr. Speaker, what I have tried to do here is to outline very briefly for you what the reserve tax has done in the Province of Saskatchewan and to try and point out that the whole argument of the NDP in this particular debate, that the potash industry has refused to pay the tax, the potash industry has challenged in the courts the reserve tax and that the only way we can be assured of a fair return to the taxpayers' of Saskatchewan is by expropriation and ownership.

I have tried to point out based on an analysis by a mining and a tax expert, - and I would like all of you, I would like everybody in this House to pick up this Conference Report, 1974 by all the tax experts in the Dominion of Canada and I've shown that, number one, you are getting all the blood you can get out of the potash industry right now on the reserve tax. You are getting all the blood, you can't get any more blood from a stone. You are getting all the blood you can get, it's paid in a lump sum, it's not related to profits. It's a terrible situation. The potash industry has no recourse but to refuse to expand until such time as it can get some kind of a return on its investment so it can pay off its capital debt and it can in turn make an investment for the future. You've got to change the reserve tax so that it doesn't discriminate against the larger producer in order that you can encourage a mine operator or a mining company to invest more money to expand its production. But don't penalize them because you are doing that and that is exactly what the reserve tax does. It penalizes the large producer and it is not related to profits. What is really required, if you gentlemen would sit down and say, look, here is the level of taxation that the Province of Saskatchewan can expect and that the people of Saskatchewan deserve. We will relate it to your profits so that if the price of potash falls as it has in the last three months, it has dropped something like \$5 a ton, we will relate too, to that decline.

When the Member for Swift Current (Mr. Ham) asked that question about a deal with Russia, he wasn't kidding. You remember the Leader of the Opposition indicated that the deal was in the works with Russia, over one million tons of potash and that deal will come to fruition in 1978. You've heard that the potash industry is now exploring just south of our border and I heard the Premier say they have to go 7,000 and 8,000 feet. Don't be ridiculous if they are not making anything in Saskatchewan no matter what the cost of operation is, they could turn around and accept increased costs of operation by 25 per cent and still make far more profit and get a much greater return on the investment to the people down below the border. I suggest to you, sit down with the potash industry, do away with the reserve tax, come up with a new tax, a tax that is related to profits, a tax that doesn't discriminate against the large producer, a tax that is fair, a tax that will not have the same disastrous results as the same kind of tax had in British Columbia which drove the mining industry right out of the province of British Columbia.

I am going to explain to you just exactly what has happened in British Columbia, because I believe that the reserve tax was actually copied off the formula of Dave Barrett. Dave Barrett, of course, put it in immediately following his election victory in 1971 and, of course, you know what happened to him. Mr. Barrett has now gone to his just reward. And I sincerely think that the NDP in British Columbia like all governments did some good things. I think that Dave Barrett and his government were pretty sincere in some of the social legislation they tried to implement but what really put the noose around Mr. Barrett's neck, what really strangled Mr. Barrett was his resource taxation policy.

Now, I am going to use that illustration with the hope that you can turn around and take an assessment of what did happen in British Columbia so that you will know what happened to Dave Barrett. And it is based on the same kind of a tax system.

The Minister of Health is a tax expert, he was the Minister of Finance, he knows that the reserve tax is the most insidious tax in Canada on an industry. He knows that it is unfair, he knows that it is unjust, he knows that it is not equitable with any industry. He knows that it is far more severe than any other industry in the Dominion of Canada, any other industry in the Province of Saskatchewan. He knows it is not related to the ability to pay. Surely he can sit down with the now Minister of Finance, the Premier and the Attorney General and the Government and explain, and get George Taylor down too, because George is shy. He is a lawyer and I think he may be partly responsible for the terrible complications of potash reserve tax. But really gentlemen, what we are really urging you to do, is you sit down with the potash industry and come up with a new taxation formula, based on ability to pay, based on equity, give a little incentive to expand, I think you know that the potash industry would grow and expand and become an important segment to the Province of Saskatchewan, and I think it is important.

Now I am just going to show you that what happens in the mining industry in one province and what is happening across Canada. You know this has been a debate on potash taxation and I like to hear the NDP say, well, we don't know what is going to happen with the Federal Government. They want to talk about the Federal Government and what they have done. I'm going to tell you when you talk to the potash industry they make one statement. The Federal Government is not getting one cent more than before, or very little. Industry's complaint is not with the Federal Government. They don't like the changes and the quarrel between the Federal and Provincial Governments because they know there is some danger and what happened in the oil industry might then well happen in the potash industry. That is they may say, look we want our pound of flesh the Federal Government too and we are going to make some more changes. But I suggest what happens in the federal level has a dramatic impact in Saskatchewan. What happens on a provincial level right across Canada has an impact on the Province of Saskatchewan. I would like to give you an example of some of the things that happened in the province of British Columbia and what happened as a result there.

Now this was written by H.F. Gougeon, C.A., I think it is Gougeon, if that is how you pronounce it.

**AN HON. MEMBER:** — Yes, that's probably right, Cy.

**MR. MacDONALD:** — Assistant Treasurer, Placer Development Limited, Vancouver. He begins.

My part in this panel is to provide an overview of recent taxation changes affecting the B.C. mining industry.

And this is very important because what happened after the NDP took over in B.C. is that it just completely brought all mining exploration to a halt. Mining stocks plummeted, in the Province of British Columbia because the same type of tax was not related to profits as you are going to hear when this gentleman explains it and you'll hear exactly what happened in the Province of British Columbia with disastrous results. You can't laugh, Mr. Minister of Health, you can't laugh because that did happen

in Saskatchewan and it has nothing to do with bringing a return to the Province of Saskatchewan or a return to the province of British Columbia. What happened in the Province of British Columbia was that they were getting no return because mining development and exploration and everything else almost came to a complete standstill.

I would like to preface my remarks by saying that as an employee of mining company which operates three mines in the Province of British Columbia and as the chairman of the British Columbia Mining Association Taxation Committee, I have been thrust into a hectic position over the past two years because of the ever changing B.C. tax scene. I trust this will become apparent once I explain some of the content and the effects of The Mineral Land Tax Act and the Mineral Royalties Act because where were certain provisions contained in the May 6th, 1974 budget.

When did it all start? As you are aware the attitude towards resource industry has changed dramatically in the last few years.

I think that is important and I think you people recognize that. 1971 you know, I love to hear the Premier get up and say why, we are taking more in three months out of the potash industry than the Liberals took out in four or five years. Of course that is true because at that time potash companies were operating at a loss, or almost a loss, at a break even point. The taxes had to be very moderate. But as resource values in this country changed, everybody began to recognize that resource industries had to pay a bigger and bigger share of the tax burden of providing services to the province from which that resource was derived. Therefore they expected and everyone expected in the Dominion of Canada, the NDP and all governments, including Lougheed's with the oil industry, that they would change the whole taxation principle and that they would turn around and reassess the existing formulae, the existing taxes and come up with more formulae so that the people of those individual provinces got a better return on the resources they owned. Everybody expected that and that's why if you people came up with a real formula that was not based on discrimination, that was not based on almost confiscation, that left little or no return to the shareholders, or no return in investment, no opportunity to retire debt, no opportunity to make profit to put away to reinvest in expansion, I think you people would have done a real service to the Dominion of Canada and I think this would have happened and there would have been a lot of people follow you.

Now remember this fellow works for three mining companies, he is the president of the British Columbia Mining Association, he is the chairman of the committee on taxation and here is what he says:

When did it all start? Previously mining was considered a high risk activity requiring a favorable tax climate in which to grow. Now however the mining area is sometimes viewed as earning excess profits.

I think that is a fair assumption to say in Saskatchewan.

As a result governments of all political stripes across Canada reacted by altering or considering altering the tax structure not only by removing incentives previously granted but also imposing additional taxes on the industry.

And I don't object to that kind of a principle. Removing any incentive for the potash industry and also imposing new taxes on the potash industry, I don't think anybody on this side of the House opposes that. That's when all of a sudden potash went from \$18 a ton to \$40 a ton, we are talking about a production ton here and we certainly anticipated that they should pay a much greater share in taxes.

It is not possible to ascertain the exact point in time when the present attitude was developed. Since the release of the 1967 Carter Report on taxation, it became evident that the mining industry would lose many of its federal taxation incentives. However, it now appears that the vast majority believe that mining companies should pay a greater share to the government in periods of high profits due to high level prices. Certainly there has been a good deal of debate about how much should be raised and how it should be raised. In any event B.C. was the first province in recent years to radically alter the taxation system applied to mining companies. Part of the present provincial government's '72 election platform included remarks such as, "In 1970 mining companies shipped \$128 million worth of B.C. copper concentrate out of the country without having to pay one cent in royalties for that resource." Accordingly once elected the government seemed committed to two things, obtaining an increased share of mining profits and obtaining them in the form of a royalty. The annoying feature about comments that mining companies do not pay a royalty is that they do pay a mining tax on profits at a rate of 15 per cent which is in addition to normal federal and provincial corporation income tax. Ironically the present provincial mining tax was originally a two per cent royalty which was changed to a mining tax on profits in 1948.

So this is the kind of thing that I think the NDP should have done. They should have put a mining tax on profits. There is no question about it. They could have done that, it is legal. The Province of British Columbia did it. They could have said 75 per cent, 70 per cent, 60 per cent and sat down and negotiated it and come out with a tax on profits and I think it would have been acceptable to the corporation, acceptable to the people of Saskatchewan and it would have been based on ability to pay. Continuing:

Probably the most important factor which has prompted the Province of British Columbia and other provinces to require mining companies to pay their fair share was the very high price of metals in '73 and the first half of 1974, especially when compared to the abnormally depressed metal prices in '71 and '72. For example, the international price for a pound of copper in the London Metal Exchange averaged 49 cents in '71 and '72 as opposed to 81 cents per pound in '73 and peaked to \$1.50 in early 1974. Presently the price is in the 60 - 65 cent range.

I think that this is kind of comparable to our potash when we started off at \$20 a ton and it went up very dramatically. He says, "Presently the price is in the 60 and 65 cent range" which, of course, is very, very dramatically down from \$1.50 and it just shows how much the value of the product of the metallic mining product can change very, very quickly. Just as the price of potash has dropped \$5 in the last three months, certainly it can

change very dramatically if any new major discovery is found or any new markets are developed by the Russians or the Russians become interested in new markets or if the great deposit in Brazil and Thailand becomes developed by the other countries.

Another factor is that the Province of British Columbia has taken the position that as minerals represent a non-renewable resource it should be subject to a royalty regardless of whether or not the mining companies operate at a profit.

This is the crux and this is where I think the NDP of Saskatchewan copied the whole concept of reserve tax. It came directly from that principle. The Province of British Columbia or the NDP in that province took the position that as minerals represent a non-renewable resource they should be subject to a royalty regardless of whether or not the mining company operates at a profit. This was a brand new philosophy of taxation and it was adopted in the reserve tax in the Province of Saskatchewan and certainly this is one of the reasons we are in trouble.

A supporting argument used is that no copper smelter operates in British Columbia and therefore all copper concentrate as well as in most other concentrate is exported so that it can be further processed by secondary industry in foreign countries with the result the province does not get the benefit of employment from a processing industry.

I think this is a legitimate concern. I think we in Saskatchewan should have some concern about the fact that we don't process any of the potash here. It is true we don't use any or very little of the commodity. We don't have the other ingredients that are required to produce the kind of fertilizer that potash is used in but I think maybe we could be using an exchange, we should be encouraging this kind of thing and I think that was a legitimate concern of the B.C. government.

The first thing they did was put in The Mineral Land Tax Act. The first tangible sign that the provincial government would levy a royalty on B.C. mines became apparent in 1973 when The Mineral Land Tax Act was introduced. This Act applies royalties to minerals extracted from all lands except Crown lands (thus it covers minerals extracted from Crown granted mineral claims, i.e. freehold land which has not been granted by the government since 1957).

The Mineral Land Tax Act essentially imposes an annual tax commencing January 1st, 1974 on every owner of a designated mineral land situated within a production area of production tract. The tax is \$2 per acre plus an amount 'not exceeding 25 mills on each dollar of assessment of his designated mineral land within the production area'. The Act states that the terms, designated mineral lands, production area and production tract as well as the mill rate up to the statutory maximum and the basis of assessment are to be established by Order in Council.

As you might imagine B.C. mining industry officials and many tax practitioners were very critical of The Mineral Land Tax Act because on reading the Act there is no way of determining the base on which the tax is levied. Not only

are the taxpayers affected unable to quantify their tax burden but the tax rate and the tax base are set up by an administrator that is a civil servant, with the result that control is in the Cabinet and not in the Legislature.

Very similar to Saskatchewan.

The Act does not provide for any appeal against the designation of mineral land, the production area or production tracts.

Shortly after the introduction of this Act members of the mining association of B.C. met with the government officials in Victoria. They were advised that the numerous discretionary powers were in the Act to enable the government to impose royalties on Crown granted mineral leases, (presumably this is why the Act is drawn up to form a royalty in the form of the property tax) and that the assessed value for the mining company would be determined on the basis of the previous year's production value. The members were also advised that a royalty based on net smelter returns of 2 1/2 per cent in 1975 and five per cent in subsequent years is going to be imposed on designated minerals of all producing mines in British Columbia and that the assessed value would be set to accommodate such a levy for mines located on Crown granted mineral claims.

About a year after introducing this Act, the government issued these regulations. These designated certain production areas together with minerals containing therein to provide the means of determining assessments. Assessments are determined by the use of a complicated formulae which are designed to equate the royalty rates employed in The Mineral Land Tax Act to those employed in The Mineral Royalties Act.

In February 1974 The Mineral Royalties Act, commonly referred to as Bill 31 was introduced and immediately became the subject of heated debate within and without the House. The mining industry conducted an aggressive advertising campaign in its attempt to arouse public pressure to make the government either abandon or substantially amend the legislation. Complemented by heavy criticism by the press and the investment community, some significant changes were made to the Bill which was proclaimed as of October 1st, 1974.

Did you notice this, when the B.C. government brought in their Mineral Royalties Act, they did listen to the industry and they did listen to Members of the Opposition and the press and they did make some amendments and I would hope that the NDP Government in Saskatchewan would be equally as wise and make some changes as well.

The Mineral Royalties Act applies to minerals produced in B.C. from Crown land, i.e. land held under lease by the miner. It imposes two separate royalties which are effective as of January 1st, 1974.

(1) A smelter return royalty commonly referred to as the 'basic royalty' of 2 1/2 per cent for 1974 and five per cent for subsequent years applied to sales proceeds of 'designated minerals' produced in B.C. Sales proceeds

are determined as the international metal price less smelting, refining and transportation costs. This royalty may be reduced in two ways. First there is a reduction in the royalty rate of one percentage point if the minerals are smeltered or refined in British Columbia. Secondly there is a reduction in the royalty of up to one percentage point in years when proceeds received are sufficiently less than basic value amounts. Therefore the minimum royalty for 1975 and subsequent years can be three per cent of both those conditions.

An additional royalty commonly referred to as the 'super royalty' . . .

This is kind of like the reserve tax.

. . . of 50 per cent of the amount by which the international price as reduced by smelting and refining costs exceeds 120 per cent of the 'basic value' of the mineral. No deduction is allowed for transportation costs. Initially the 'basic values' are arbitrarily set up by Order in Council. To date, four minerals have been designated, have been assigned basic values for 1974. They are copper at 58 cents per pound; molybdenum, \$1.76 per pound; gold \$82.50 per ounce; silver \$3.00 per ounce.

I'll have to get my mineral affairs critic here to give me that.

The super royalty is computed by each company using its individually rated average values for sales made during each year.

A recent regulation of the Act provides new mines some relief from the super royalty during the first three years from commencement of commercial production. In a September 25, 1974 press release the Minister of Mines and Petroleum Resources stated: "In the case of new mines the incremental royalty takes effect only if net smelter returns exceed 135 per cent of the basic value of the first year, 130 per cent in the second year and 125 per cent in the third year of production." The following example shows how the basic and super royalties are calculated after 1974, both for a mine which commenced operating prior to January 1st, 1972 and for a mine operating in its first year assuming the copper price of \$1 a pound.

This is kind of interesting because it looks very much like the reserve tax in the kind of return it brings to the government. In a national copper price (and they are taking it at an estimated \$1) smelting and refining costs are 16 cents, gross value then is 84 cents, transportation costs four cents, net value 80 cents, basic royalty four cents, super royalty seven cents, total royalty 11 cents and the new mine, of course would be six cents as compared to 11 cents.

The super royalty for a new mine is calculated as 115 per cent of 120 per cent, which is in accordance with the wording of the regulation. Accordingly the rate is 139 per cent, not 135 per cent. May 6, 1974 Budget Proposals.

Now this is kind of interesting too because, of course, everybody takes great exception to what the Federal Government does

to the mining and the oil industry, particularly the provincial governments in B.C. and Saskatchewan and here is what it had upon existing tax structures. I continue quoting:

After the B.C. mining industry had just finished making royalty submissions to the provincial government, a crushing but not unexpected blow was struck by the Federal Finance Minister when he introduced proposals to disallow the deduction of mining taxes and royalties. Immediately it became evident that the industry was caught in the middle of the federal and provincial confrontation. The Federal Government had taken the stance that it was not going to let the provincial government reduce the taxable income base of the resource industry by significant royalty and tax payments to the provincial governments.

The awkward position in which the resource industry found itself is well explained by the following extract from the comments on the budget's resolutions for May, 1974 submitted by the joint committee on taxation to the Canadian Bar Association and the Canadian Institute of Chartered Accountants. 'One area of particular concern to this committee which does not relate to technicalities is the question of the taxation of the mining and oil and gas industries. We appreciate the problems involved and the difficulties in devising an appropriate formula for the division of revenues from these industries at this time, we do not believe that it is fair or right to allow the industry themselves to be caught in the middle of what is essentially a federal-provincial problem. There are indications that in some cases the combination of federal and provincial levies on the oil industry may result in a total tax which exceeds the profits earned and that in the area of mining, projects may be shelved because of the sudden increase in taxation which may render the investment uneconomic. We commented in our last brief in respect of federal taxation of provincial incentives, that taxpayers should not be made pawns of the federal-provincial dispute over the tax base; since then the situation has deteriorated rapidly in respect to an industry which is more than ever important to Canada. Problems of this sort must be resolved by consultation between governments, they cannot be resolved unilaterally through the tax system.'

One of the things which I think some of the gentlemen opposite might have been very interested in was the Report of the Economic Council of Canada. One of the things the Economic Council of Canada reported was that Canada in the next few years is going to need something between 800 billion and 900 billion of foreign investment if we are to continue to grow and develop and to have a country to maintain the standard of living that we are. I am not talking about foreign control, we are talking about in addition to Canadian capital. If this is the circumstance do you gentlemen not think that taxation measures such as the reserve tax, the taxation proposals, expropriation procedures over existing industries are going to help our development. Whenever an industry begins to make a profit instead of treating them fairly and dividing up the pot and seeing that the people get their fair share and leaving industry enough to expand and reinvest, the tool of expropriation and fear tactics that you are now putting into Saskatchewan will drive this foreign investment right out of our country.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. MacDONALD:** — Maybe what you are doing is that you are going to have the future generation of Canadians suffer and suffer and suffer as a result of the taxation policies and the expropriation in Bills 1 and 2 that you are doing in Saskatchewan. And not only that it is not just hating Saskatchewan. Did you notice that the Economic Council said that this was going to be very difficult to get this 800 billion or 900 billion dollars worth of foreign investment because of the attitude of some Canadians, some political parties. That is, was very bad and that we didn't want foreign investment. And all I suggest is that the taxation system used fairly, so that investment is reinvested in our country and if we need eight to nine hundred billion more in investment in this country in the years ahead then surely this government and all governments, provincial and federal, should be having an eye to whatever policy they implement and whatever programs they implement that they are not going to jeopardize that foreign investment. Already we are beginning to see, and I don't have to tell the Provincial Government, we lost \$500 million, between \$400 million and \$500 million of expansion and development of new mines already because of your attitude in the reserve tax and the prorationing tax. There is no question about it. It has been in every paper and, of course, the Premier in his Speech from the Throne got up and talked about our little capital investment of one mine and talks about the overall policy across Canada of that particular company. What he didn't say was that in the rest of Canada there was a depressed state but in Saskatchewan in potash it was on the move, the demand was up and the price was rising. This was the one area we should expand in and already in this province we must have lost I say \$400 million to \$500 million in expansion, capital investment and in the development of new mines because of the attitude of the NDP of this province. When you take the attitude of the NDP in British Columbia, the fear of you people across this country and if you can do it in one province you can do it in two provinces. What might happen in Manitoba and the other provinces in Canada, you have jeopardized hundreds of millions of dollars of investment in this country, in this nation which may well depend on the standard of living of your children and my children and future Canadians for years to come.

**MR. ROMANOW:** — Even in Newfoundland, Cy?

**MR. MacDONALD:** — That's right even in Newfoundland. And all I am suggesting to you that that is the reason. You are getting your pound of flesh out of the potash. There is no question about it. All you need to do, you don't need to expropriate them, you don't need to buy them out or force them to sell, nor blackmail them into selling, blackmail them with a club over their heads.

Can you imagine the potash industry, what are they going to do? Are they going to stay in Saskatchewan? Or are they going to sell out to the NDP Government and go to Brazil or to Mexico or Montana or North Dakota and develop a new mine or New Brunswick, or maybe Thailand? Whose money are they going to be using to develop competition? Whose money? They are going to be using the Saskatchewan taxpayer's money. They are going to be taking that \$500 million or whatever you are going to pay them it depends on how cheap you can steal it. When we

get into clause by clause study this Act is designed on earned profits after taxation. You determine the level of taxation, you tell them what the profits are going to be, then you are going to pay for the mine on those earned profits.

It is a shame, it is an attempt at theft to say that it is going to be a fair market value. All I am going to say to you, Mr. Speaker, is that what the NDP is doing is they are giving a \$100 million of the taxpayers' money, giving it to a potash company saying here, get out, sell out, get out of Saskatchewan, you can't make any money, you won't get any return on our investment. We have no incentive to expand, no encouragement to stay in the province. Some of these companies are in the potash business, that is what they know best that is where their expertise is. They are going to go then to either North Dakota, Montana, New Brunswick, Thailand, Brazil, New Mexico, wherever it may be and turn around and develop new potash resources which will be in direct competition with the ones here in the Province of Saskatchewan.

I suggest to you the impact of future foreign investment of the reserve tax in Bill No. 1 and Bill No. 2 can have a terrible impact upon Canada, upon Canadians and upon future generations in this country.

It is rather interesting a few years ago Canada was very high up in relation to the standard of living of Canadians in relation to other countries in the world. Today we are dropping year by year. More and more countries in the world are improving over us in the standard of living. If we cannot turn around and attract foreign investment according to the economic survey and this is not the Liberal opposition saying this, this is not the Conservative opposition, this isn't the potash companies, this is the Economic Council of Canada, saying that if we can't turn around and encourage \$800 billion to \$900 billion dollars worth of foreign investment, other than Canadian investment that this country is in serious jeopardy and in serious danger and yet you people completely ignore it, completely go your happy route. You know the funny part of it is, I think in your own hearts all of you know that you are doing this. You are looking at what you think are the short term political benefits for your party, short term monetary gains for Saskatchewan and yet in your hearts you recognize the dangers of Canada and the dangers for the rest of this country. Oblivious to reason, you say, "Let's go on."

Because provincial royalties are not levied on mining profits it is very difficult to arrive at an effective tax royalty as a percentage of mining income for British Columbia mining companies.

We can say the exact same thing for the reserve tax. That is why I say I think the NDP Government in Saskatchewan copied their idea and the philosophy from the British Columbia mineral royalties tax in the Province of British Columbia. They are oblivious of what happened to Dave Barrett. It is not based on income, it is not based on profit and you might call it Barrett's boomerang, you might say that this is Blakeney's boomerang in 1979.

People don't forget. You take what happened when the British labour government nationalized the steel. They didn't forget that.

**MR. ROMANOW:** — After two more elections they might forget.

**MR. MacDONALD:** — Oh, no, no. You know what you are doing, speaking of health, I like to talk health. You know what the former Minister of Health did. You know what he did for political reasons, he turned around and cancelled the premiums, did away with utilization fees or deterrent fees, did away with the \$70 tax, and since then has destroyed the quality of medical care in the Province of Saskatchewan.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. MacDONALD:** — If you want to talk about it go ahead, go and ask any doctor, any hospital. You don't even have the courage and the guts to open the base hospital. You know why, because the costs are so high and you can't find the money. You are rasping medical care right down the Province of Saskatchewan, you are destroying the quality and the quantity. And that is because you did a cheap political thing and removed utilization fees and premiums.

Don't think, Mr. Attorney General, four years from now you are the ones who are not going to pay the price in medical care. You are the ones that are going to pay the price. You destroyed it.

**MR. ROMANOW:** — In 1976 we will win again on it.

**MR. MacDONALD:** — You are the ones that are going to pay the price. Go in '76, we will take you.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. MacDONALD:** — Let's go in '76. Let's go, when are you going? As a matter of fact, Mr. Attorney General, Mr. Premier, maybe that is not a bad idea. The Conservative Leader is calling for it, the Leader of the Liberals has called for it, the potash companies have called for it. A lot of people are calling for it, particularly after British Columbia and I mentioned that a little while ago. People of British Columbia taught Canadians a lesson. They are not going to let a 40 per cent minority dictate the entire social and economic traffic of this country. If you call an election you are going to pay by the results the same as in British Columbia. You know you didn't have a mandate. Call an election that would be the honest thing to do. I tell you, Mr. Attorney General, you might be shocked and surprised and amazed.

I want to pay \$70 a year medical premiums so that I can get my kids in the hospital when they need it, I will pay \$70 a year. You can quote that, it will be in Hansard.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. MacDONALD:** — It is about time that you people turned around. There are thousands of people trying to get into hospitals. The

nurses who are quitting and refuse to go to work in the Province of Saskatchewan because of the cheap wages that you are paying. You took \$17 million or whatever it is in medical premiums, I'll pay my \$70 and be glad. I believe that people who can afford it should pay it. That is on Hansard and you can quote that anywhere you like.

Mr. Attorney General I should like to carry this on as a straight political discussion about a variety of subjects, but I don't want the Speaker to call me to order.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. MacDONALD:** — If the Speaker will eliminate any danger of me being called to order, and you would like to sit down and have a wide range — I have got a long evening. I would just love to have a wide ranging political discussion on any subject that you can come up with. Pick a subject, I will answer any questions. I would love to do it. Election '76, you name it . . . that is in Hansard. Would you like me to say that the Attorney General has indicated in the House in the Legislature that he'd like an election in 1976?

Let's get back to this very important thing, this tax in British Columbia from which the NDP copied this insidious reserve tax for the Province of Saskatchewan, consider what it did. One that is based, not on profit, no relation to income. The following table attempts to show the combined effect of royalty mining tax and income tax load of an actual copper mining company operating in British Columbia in 1975 assuming the provisions of the Federal Budget in The Mineral Resources Act remain unchanged.

Possible effective royalty and tax rates for '75 on a British Columbia copper mining company.

This more than anything else brought about the defeat of the NDP in British Columbia.

International copper price per pound at 75 cents; revenue \$750, less smelting and refining costs \$122, gross value, \$628. Transportation \$37; net value \$591; operating costs \$406; income before royalties and taxes \$185; B.C. royalties, basic royalties five percent, \$30; super royalty another \$30; provincial mining tax 15 per cent of mining profits, \$24; income tax, federal, 25 per cent of income, \$46; provincial, 12 per cent of income, \$22; total taxes and royalties \$122, net income after royalties, \$63; overall effective tax royalty rate 66 per cent. (Then it goes on) for \$1 per pound, it's 78 per cent; at \$1.25, it's 87 per cent.

This is another thing that is interesting. The British Columbia tax is the same thing as the reserve tax. As the price of the product goes up, the percentage of the tax goes up. As the amount of the profits goes up, or the amount of the sales goes up, the amount of the revenue goes up, up goes the percentage of the taxes. The exact same principle as the Province of Saskatchewan. The thing that completely discourages expansion, growth or development in the Province of Saskatchewan or in any and certainly resulted in the complete refusal of the people in the mining industry in the Province of British Columbia from

investing in any kind of a mining enterprise there if they could possibly help it other than what they were required to do through investment that they had already made.

It is the same thing in Saskatchewan. How could you turn around and ask anybody to invest in Saskatchewan and expand when as the returns on the product went up the percentage of your taxes went up? This is the craziest thing about it. Sometime I want the Premier to explain that to me. Because I sure can't figure it out. How are you ever going to encourage anyone to go out and sell potash, to get a better price, when the minute you do the percentage of your taxes goes up? I wish the Minister of Finance would explain that one to me. Because I can't understand it.

#### Assumptions.

- (1) No earned depletion is available. Maximum earned depletion would reduce effective rates to 9.25 per cent.
- (2) Minimum processing allowance is available for mining tax purposes giving an effective rate of 12.7 per cent.
- (3) Royalties are not deductible for mining purposes. On May 30, 1974, a letter from the Mines Minister to the managing director of the B.C. Mining Association indicates that changes will be made to allow royalties to be deducted in computing mining taxes. If appropriate amendment is made the rates are 64 per cent, 75 per cent and 83 per cent, instead of 66 per cent, 78 per cent and 87 per cent.

It can be readily seen that the higher price level the overall effective tax royalty rates becomes confiscatory.

Isn't that a fact. The higher the price, it almost becomes confiscation. If that is a fact, is that why the Minister of Finance will not enter this debate? Is that why the Minister in charge of the Saskatchewan potash does not enter this debate? To explain the reserve tax and all its implications, the same as this British Columbia tax, it is frightening.

Furthermore, once the super royalty is imposed, the mining company earns less net income after taxes and royalties when the selling price increases. Because the incremental effective royalty and tax rate becomes 104.7 per cent assuming constant smelting charges. It is of interest to note that at all price levels the Federal Government only wants 25 per cent of income from mining. At the high price level moreover the federal share will be significantly reduced if the super royalty is allowed as a deduction in arriving at federal taxable income.

I would like to finish this paper by highlighting what I consider to be the bright and dark sides of the British Columbia mining industry arising from the events that have occurred during 1973 and 1974.

1. Less severe legislation. Certain amendments to The Mineral Royalties Act have been made since it was first introduced which have reduced the tax burden which was first expected by the industry. Originally it appeared

that the government did not intend to allow a deduction for smelting and refining charges with the resultant effect that the super royalty would be much greater. These charges are now allowed as a deduction which means that the international metal price must now be about 84 cents a pound for copper before the super royalties applied. Copper is by far the largest mineral produced in British Columbia — about 700 million pounds of copper being mined in British Columbia annually. If smelting and refining charges were not deductible the super royalty alone would cost copper producers an additional \$50 million at 84 cents a pound for copper.

Furthermore, the recent issued regulations provide partial relief from the super royalty during the first three years of operation. In addition the regulations provide an automatic and clearly defined annual adjustment to the basic values that are used in the super royalty calculation. Basic values will not be adjusted by half of the annual movement in the Canadian wholesale price index.

2. Provincial Administration. This year members of the taxation committee of the British Columbia Mining Association are being able to meet with the government officials to discuss many items requiring clarification under both royalty acts and to review and make suggested improvements to the royalty forms which will be required to be filed under the provisions of The Mineral Royalties Act. Government officials advised that there will be no royalties on December 31, 1973, 1973 inventories sold in 1974 and that the acts will essentially apply royalties on sales when the cash is received. These discussions are and will continue to be very important because the provincial government does not publish guidelines regarding the administrative practice which will evolve under the royalty legislation similar to the interpretation bulletins and information circulars published for the Income Tax Act.

I would like to point out that isn't it too bad that the NDP in Saskatchewan won't take the same attitude, recognize some of the weaknesses of the reserve tax, some of the difficulties of the industry and come in and bring about some legitimate changes.

Now the dark signs. They had said those were the bright signs, the fact that the Government was willing to listen, the fact that they had made some changes in regulations. They had given a three year concession to new industry. Now here are the dark signs.

1. Federal-Provincial Confrontation. It is of paramount importance that the two levels of government resolve their difference over the taxation of the resources sector. It is evident that the mining industry will not be able to grow and many mining companies will not be able to survive for long unless some agreement, satisfactory to all parties is reached.

Of course, I am referring to the same situation in oil as we are in the mining industry. And particularly in oil in Saskatchewan.

2. Effect on mining. Royalties and taxes are additional costs which must be applied to an ore body in determining whether or not it is economic.

This is the real crux in the Province of Saskatchewan.

Royalties and taxes are additional costs which must be applied to an ore body in determining whether or not it is economic. Increased taxation will require either a high metal price or higher grade ore bodies with higher cutoff grades to be developed in future years. This is particularly important in British Columbia where new and potential mines comprise low grade deposits which would be uneconomic except for their large volume throughout. As a result statistics indicate a sharp reduction in exploration and development expenditures in British Columbia — expenditures necessary to find new mines. Claim staking has dropped from an average of about 60,000 a year to an estimated 15,000 this year.

This is what has happened in British Columbia, from 60,000 a year claim stakes to 15,000. That's almost the same thing that has happened in the oil industry in the Province of Saskatchewan. It's disastrous.

Exploration expenditures have declined from an average of 38 million a year to about 15 million (less than 50 per cent). Further, no new major mines have been placed in production in British Columbia since 1972.

This again comes right back to almost the identical situation in Saskatchewan, no new potash mines at a period and a time when potash was really in world demand, food production and food demands are going up, big countries are no longer going to be permitted to let their families starve, or their people starve or go hungry and, of course, the need and the demand for potash has gone up and up and up and yet we haven't got one new mine coming into production, one new mine under construction. We haven't got one new mine that really has done any expansion in the last couple of years. I continue:

3. Ministerial Discretion — The Mineral Land Tax Act and The Mineral Royalties Act, are both riddled with ministerial discretion, with the result that the industry is left with 'trust me' legislation.

How true that is in Saskatchewan eh! The Cabinet can get together and change so many things, so many regulations, so many rates, so many royalties and do all those kind of things and, of course, now the industry has to depend also on the 'trust me' attitude. Who would trust the NDP? Particularly the industry, after what they did to the oil industry and the forest industry and now the uranium industry is next under the gun.

**MR. BOWERMAN:** — You read that page once already.

**MR. MacDONALD:** — Did I? Oh, no, no, no. This is very interesting.

Many of these provisions contained in the former Act have already been discussed. Similar provisions exist in The Mineral Royalties Act which allow the Cabinet to determine

basic value, net value, designated minerals, whether to grant or default deferment of royalties as well as what constitutes milling, smelting or refining. These are the important provisions of the Act and they provide the Government with enough power to regulate the province of the British Columbia mining companies.

4. Compliance — Section 6 of The Mineral Royalties Act requires producers to file royalty forms and make royalty payments on the 15th day of each month. These forms are eight pages and require details of each sale made in the preceding month, adjustment relating to prior month's sales, etc. The filing deadline is extremely tight considering the detail required. Also the forms are designated for copper sale, where a producer only makes about 15 sales a year, which is in sharp contrast to our experience with other metals, (such as that one word that I cannot pronounce. What is it again Gary?)

**MR. LANE:** — Molybdenum!

**MR. MacDONALD:** — Molybdenum — ah! That's it.

where there are about 500 sales annually. The royalty form filing requirements have not yet been prescribed for mining companies who were taxed under The Mineral Lands Tax Act. The royalty payments need only to be made by July 2 of the following year, which is certainly advantageous in light of currently high interest rates. It is of interest that S5 of The Mineral Royalties Act contains the disclosure requirements and that every producer must file with the administrator a certified copy of every subsisting agreement with respect to producing, selling, milling, smelting, transporting or marketing of the designated mineral.

This is the real important one.

Conclusions — 1974 has been a very busy year for those who have tried to keep up with the mining legislation introduced provincially and proposed federally. The central problem today has to be to resolve the conflict between the federal and provincial government so that the British Columbia mining industry will not be burdened with extremely high effective tax rates in the future and so that it can continue to grow and contribute to the economic welfare of the country. It appears that the most the mining industry can hope for is that the combined tax load of both governments is similar to that of most other public companies and does not exceed 50 per cent of income.

Well I think in some cases it can go beyond that, as long as it is based on profit. The profit can fluctuate, but I don't think there is anything wrong with establishing a higher rate and I think the Minister of Mineral Resources, and the Minister in charge of the Potash Corporation could sit down and determine what they consider to be a fair return. Base it on profit, base it on income, and I think it would be acceptable to the people of Saskatchewan and acceptable to the mining industry and would not require the risk and the overall capital requirements to get into the potash industry and purchase them or expropriate.

Now that's the first point. The second:

The royalty legislation has been clarified so that its effect on British Columbia mining companies is not as onerous as indicated in Bill 31, before it was amended. Since royalties will not be applied to December 31, 1973 inventories, since the basic royalty for 1974 is 2 1/2 per cent as opposed to five per cent for subsequent years, the financial burden on the industry will not be too severe in 1974, but certainly dramatic in 1975. However, the super royalty will make it much more difficult for mines to have good years to make up for bad years when it is important to mining as world metal prices are so fluctuating. Even if the Federal Government allows the deduction of royalties when the basic and super royalties are applied gross revenues will be taxed at 55 per cent, the remaining 45 per cent after expenses will be subject to income and mining expenses.

Once again, this goes right back to the concept and the fact of the reserve tax being a lump-sum payment, not based on profits. It makes no consideration for bad years. We have seen them in the potash industry, we may see them again. There is no way which the potash companies can put aside a reserve from which they can look after future development and growth.

There is sufficient ministerial discretion present in both royalty Acts to give both the Cabinet the power to regulate, through profits, the British Columbia's second largest industry. It is no wonder that mining exploration and development necessary to find new mines has declined dramatically. It is unfortunate that the provincial government did not just increase the British Columbia mining tax to obtain an equivalent amount of revenue from British Columbia mining companies. Not only would it have overcome future compliance problems, but it would have been a more equitable method of taxation.

Now, Mr. Speaker, that's what has happened in British Columbia and you and I are now aware of what has just occurred in British Columbia. A few weeks ago the NDP were defeated. There are a lot of political observers very astute people who have had a great deal of experience in the Province of British Columbia, who are convinced that more than any other single factor the NDP attitude in the province of British Columbia towards the resource industry and the complete almost dissipation of the idea of British Columbia being the land of opportunity in Canada. The slow down brought about in its growth, development and expansion was responsible for the NDP defeat in the Province of British Columbia. I would hope, Mr. Premier and Members of the Government, Members in the back benches, would look carefully at what happened in British Columbia. I have to go out to British Columbia in two or three weeks, whenever we manage to get this Bill passed in the House and I'm looking forward very, very much to talking to some of my British Columbia friends.

**AN HON. MEMBER:** — What party?

**MR. MacDONALD:** — Well I'll tell you what party — the free enterprise party. That's what party, we're not Social Crediters, don't ever kid yourself. They didn't vote for them because of their

philosophical slant, as I said before, Mr. Premier, you were out, they didn't vote for Major Douglas' Social Credit theories, what they voted for was against state regimentation and state control and state ownership and unfair taxation. That's what they voted against. That's why when I go out there I'll be talking to my free enterprise friends. I'll probably be talking to some of all political faiths and they'd be telling me — go back and tell the people of Saskatchewan, all those free enterprisers, get behind the Liberal Party of Saskatchewan. You are the alternative. Get behind you. You will defeat the NDP and I believe that the people of Saskatchewan and the people of Canada will have learned that lesson. I think that's the message that I'm going to get when I go out there to the Province of British Columbia from my friends and they are going to make it very, very clear without any question.

I have another thing that I wanted to talk about, originally. When I started off I spent a few minute today talking about equality and taxation, talking about ability to pay, talking about fairness, talking about responsibility in taxation. I want to take some time this evening and point out some of those clauses of The British North America Act, and some of the confrontation that's developing over provincial and federal decisions on resource taxation. But I want to talk about some of the basic principles of good taxation policy, principles which normally are followed by all governments in Canada and around the world, and not only that, I am going to tell you something. One of the greatest ways to judge a government is by the principle by which it taxes its citizens. No question about it. It is one of the ways by which people will judge a government, by the way it taxes its citizens. And I'm not talking about private citizens only. I'm talking about corporation citizens, private and corporate citizens, and I think because of the way in which you are taxing the corporations, I think that that's what is going to happen in the province.

**AN HON. MEMBER:** — . . . (unintelligible) . . .

**MR. MacDONALD:** — . . . and I think that's what is gong to happen in the province. Do you want me to get into this, shall we talk about health again? It may well be that we can turn around and do . . . the Minister of Health is back, you might even be able to do it and he might be able to help you out a little bit and tell you how many people are waiting in line and when the Minister of Health is back he might be able to help you out a little bit. He might tell you how many people are waiting to get into elective surgery and why the sick and the lame and the poor and the blind can't get into the base hospital because you haven't got enough money to open it. Why you can't hire nurses because you haven't got enough money to pay them. Maybe if you will sit down and move over one seat, the Minister of Health will tell you those things. He will tell you for example why you have only got about 130 to 150 beds in a hospital that's been sitting there wide-open ready to be open for something like three or four years, because you don't have any money, because you turned around and for political purposes to try and win an election, you cancelled the premiums. Go sit down beside the Minister of Health and he will tell you all about those things.

But anyway, I want to repeat that one of the things that governments are judged on is the way in which they tax their citizens. There are two real basic principles in taxation which

everybody recognizes. One is equality and that equality, of course, is based primarily on the principle of taxing according to the ability to pay. The NDP says it espouses this principle. I have heard the Premier and every Member of the Government stand up in this House time and time again, and you have completely repudiated that principle. You have completely destroyed the whole concept of good taxation policy that you espouse, because it is not related to profit at all, the reserve tax, and, of course, you turn around then and chastise the industry because they take the only recourse they have left and that, of course, is the courts.

But I want to talk about equity and taxation and I want to read to you the pattern of taxation in Canada, because if there is a quarrel between the NDP and the potash industry it is because of the taxation policy of the NDP. And, therefore, it's vital that the people of Saskatchewan and all of us have a clear understanding of just what is the taxation policy of the NDP. I want to talk to you a little bit about equity.

In its Eighth Annual Review (and once again this doesn't come from the Liberals or from a chartered accountant, or the potash industry, this comes from the Economic Council of Canada) the Economic Council of Canada emphasized the importance of equity consideration in planning and evaluating the economic programs of governments.

Do you treat the potash industry the same as you treat the forest industry? Do you treat the potash industry the same as uranium? Do you treat the potash industry the same as the hard rock mining industry? No! There's no equity in your resource policy at all.

Determining who pays for, and who benefits from, a particular government program is recognized to be equally important as considering the effect on economic stabilization and resource allocation. For this reason the income distributional consequences of government actions have become a matter of concern in intelligent policy formation. For example, when the broad goals of equity, stabilization and allocation conflict, as they very often do, a policy maker must be aware of how much of one objective he is trading off to attain more of another.

By examining taxes levied by all three levels of government in Canada, this study addresses one side of the equity question. Who pays for the various government activities? In the competitive market is it possible to assert that buyers of commodities bear the costs of producing them? The equity problem inherent in government actions is that only a very small portion of the goods and services provided by government is allocated to consumers through markets. By far the greatest part is distributed to the population in general, e.g. public goods, or to the persons according to criteria that are not simultaneously established as part of the market transaction e.g. age, sex, race, geographical location, wealth, etc. Consequently, the question arises as to which individual and group pays the costs of the goods and services distributed outside the market mechanisms. To answer this question at least approximately it is necessary to first examine the incidence of taxes in Canada.

Determining the incidence of a tax could loosely be defined as deciding who in the final analysis actually paid, or bears the burden of the tax. Virtually all taxes have the potential to affect the relative economic position of an individual (family) in two ways — by affecting the income received (income source side) or by altering the relative prices of the goods bought (the income-use side). The net effect of these two adjustments is to change the real income position of the individual as compared to his pretax position and relative to other members of the community. Analyzing the relative change is the essence of the study of tax incidence. It is important to note at this point that consistent with the above definition of incidence, the objective here is to examine actual taxes borne by each income class, which may be quite different from the taxes initially levied on the group. Indeed it is precisely this difference that is the heart of tax shifting and tax shifting is in turn the heart of tax incidence. Furthermore, shifting may be of two types — backward shifting occurs when a tax is passed on to other factors of production and forward shifting occurs when a tax is passed on to consumers via relatively higher prices. Depending on the extent of relative price change shifting may range anywhere from zero per cent to over 100 per cent.

Of course, we don't have this shift in potash because we don't use potash.

A substantial amount of theoretical work on tax incidence has already been done using both partial and general equilibrium approaches and it is not the intent of this study to add to that body of theory. Rather, the intent is to employ some of the results of theoretical investigations to estimate the actual pattern of tax incidence in Canada, the tax revenues of all three levels of government are included in the analysis.

To be more specific, this study analyzes the incidence of taxes in Canada by provinces and within provinces by income groups. It thus goes a step further than earlier studies of tax incidence in Canada, which concentrated on the overall pattern and did not deal with interprovincial variations. Included will be an examination of:

- (i) the level and progressiveness of individual taxes and total taxes paid by the residents of each province;
- (ii) the overall levels and progressiveness of tax systems across provinces; and
- (iii) the tax situations of families in comparable economic positions across the country.

In a quantitative study such as this two basic approaches can be followed. The first deals with families on an individual basis using very detailed data; the effect of taxes on the relative economic position of each family are determined. And assuming that these families are represented by the general population in various ways, conclusions about the general pattern of tax incidence are drawn. This approach, while it promises a great deal of detail and accuracy has only recently become feasible with the development of the techniques of microsimulation

and the extensive data basis upon which it depends.

The second approach has been more extensively explored and is one used in this study. The population is grouped into meaningful socioeconomic classes and a picture of tax incidence is drawn using information from each of the separate classes (e.g. mean income).

**AN HON. MEMBER:** — Got it.

**MR. MacDONALD:** — Have you got it? I don't need to explain.

The criterion employed to classify the population is annual income. This seems the logical choice, given that the purpose is to provide information useful in the evaluation of the equity aspects of government revenue policy. The results of this approach, while they may not describe the economic position of any actual family are reliable when interpreted as 'class averages'.

It is important to note that this study examines only one side of government fiscal activity — tax revenues or cost to the taxpayers. In order to draw a complete picture of the relative positions of individuals or groups as affected by government policies it is necessary to use data about the incidence of the benefits of government expenditures as well.

A further caveat is in order here. This study is empirical but not in the econometric sense of the word. It is instead a quantification of theoretical assumptions and conclusions about tax incidence.

Now I give you a good English lesson here anyway.

Consequently it is not possible to apply a statistical test of significance to the results or to employ conventional statistical measures of confidence in their interpretation.

**AN HON. MEMBER:** — Repeat that.

**MR. MacDONALD:** — I should repeat that?

Consequently it is not possible to apply a statistical test of significance to the results or to employ conventional statistical measures of confidence in their interpretation.

Got that?

**AN HON. MEMBER:** — . . . didn't get . . .

**MR. MacDONALD:** — Oh, you didn't get that.

In what follows chapter 2 will construct the income classes in each province, and that, of course, is not important. I want to get down to the

basis . . . when it comes to what it is, the provincial allocation of taxes.

**MR. BOWERMAN:** — The last page has the funnies, read those.

**MR. MacDONALD:** — All right. Would you be able to understand those? If I got to the funnies could you understand that? I don't think you could, you know that. You know something, but if you can understand those funnies, I'll tell you what I'll do. I'll bring those in after supper because it will be the first thing you have understood since you came here.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. MacDONALD:** — No, I really will. I will bring in the funnies and I'll bring them in and I'll read them and not only that I'll send you any additions. I'll try and get some.

**AN HON. MEMBER:** — . . . (unintelligible) . . .

**MR. MacDONALD:** — If you have trouble, I'll really . . .

Now I want to turn around here, the next most important part of this is, of course, when we get into the provincial allocation of taxes and I want to talk about this because this talks about the provincial allocation of taxes and I think this is important. Particularly for Ted.

**MR. MALONE:** — Bowerman.

**MR. MacDONALD:** — No, no, I wouldn't say that about you.

#### Chapter 4 — The Provincial Allocation of Taxes;

The objective of this study is to determine who pays taxes rather than which jurisdiction levies or receives them.

This is important when we talk about the potash industry.

The next step towards this objective is to determine the share of each particular revenue source formed by the residents of each province. (This once again is equity.) Thus the provincial distribution of taxes is determined by the incidence of taxes and not by the provincial collection of revenues. For example, part of the corporate profits tax levied by Ontario may be shifted to consumers in British Columbia and would be allocated to British Columbia in the provincial distribution.

Approximately \$24 billion of federal-provincial and municipal tax revenues have been allocated for the year 1969. This sum accounts for over 95 per cent of the total revenues that are classified here as taxation revenues. The other five per cent would be mainly taxes that are assumed to be paid by foreigners and excluded from these totals and a few minor taxes that were not allocated.

I want to talk to you and then I want to read to you about what it says about estates and succession duties.

Though federal-provincial arrangements varied considerably, each province receives 75 per cent of the revenue from estates within its jurisdiction. Available data are compiled according to the province in which the estate or part of it is located. Ideally, however, one would like data on the province of residence of the beneficiary and the donor. This raises problems because there is no way to make adjustments for an individual living in one province whose estate includes assets in another. Because of this limitation which is not likely to appreciably affect the overall provincial distribution, the distribution of federal estate taxes, table 4 (1) is by province of assessment as taken from the Department of National Revenue data.

The federal collections \$100.4 million are then split between federal share and the provincial shares.

And I want to bring this up to show you how once again the Federal Government did away with these terrible onerous taxes, estate taxes and here the Province of Saskatchewan turned around and put them on.

Now I want to talk about natural resources taxes which is really the part of this particular reading I wanted you all to hear.

Natural resource charges are mainly of two kinds. Rents on mineral producing properties, and, of course, that's lease charges and so forth, and royalties. Federal revenues can for the most part be classified as royalties.

As discussed above, these are assumed to be ultimately borne by consumers and consequently are distributed provincially by the series on retail trade. From the financial management data for FY1968 (and you should mark that down) it was determined that approximately 61 per cent of provincial revenues could be classified as royalties, and 39 per cent as rents. Revenues from royalty payments are distributed to the provinces according to the consumption shares i.e. by using the retail sales series.

Note that, consistent with the objective of this study this distribution attempts to estimate the province from which the payment ultimately comes; the revenues are not distributed according to which province collects them. Royalty payments amount to 369.8 million to the total provincial resource revenues of 522.3.

The remainder 152 million is accounted for by rent payments, which as discussed are assumed to be borne by the owners of the resource companies. Again assuming 35 per cent foreign ownership — this may be an under-estimate given the relatively heavier foreign investment in Canadian resource industries — the foreign share of these charges is subtracted in arriving at the above total. This amount deemed to be paid by Canadian owners

is provincially distributed according to the distribution dividends.

The provincial allocations in table 4 (1) are the sums of the royalties and rents allocated to each province.

I just wanted to read you that to give you an idea of what the tax situation was in Canada prior to the imposition of the B.C. taxation story and what happened, of course, when they not only put it in in B.C., but they also then in the Province of Saskatchewan in the potash industry and in the oil industry.

Now I've got one other thing here that I think is important because it relates, it is another comparison which I think I would like to see read into the record, it's the difference in the attitude of another NDP government. This NDP government exists in the Province of Manitoba. Of course, we are talking about Premier Ed Schreyer's NDP government in that province. Once again like the Province of Saskatchewan and the Province of British Columbia, particularly in northern Manitoba there are a lot of resources. We can think of Flin Flon and Lynn Lake and many of the mining properties in northern Manitoba which provide a very, very large portion of the resource industry in the Province of Manitoba and, of course, it will be interesting to see the attitude of that government compared to the attitude of the British Columbia government, compared to the attitude of the Government of Saskatchewan.

You know, this is one of the reasons why I think it would be wise to accept, if the Government would accept the amendment as proposed by my colleagues, in which they said we should set up a public hearing, tour around the Province of Saskatchewan and find people who would be willing to come in as witnesses. We could then call in, for example, the Deputy Minister of Mineral Resources in the Province of British Columbia and get from him first hand what the tax situation and the tax business in the Province of British Columbia did to the mining industry, what it did to overall revenues and so forth. We could turn around and call in the mining experts from the Province of Manitoba, where they could make a comparison of their tax policies in the Province of Manitoba with the Province of Saskatchewan. We are neighbors, we have many of the same opportunities. We are both members, or we both have large portions of the Pre-Cambrian Shield in our province. Much of the potential of the Province of Saskatchewan is similar to the potential in northern Manitoba because of the Pre-Cambrian Shield and yet for some strange reason Manitoba doesn't seem to have had the same impact of the NDP as we have had here in Saskatchewan and therefore, I do think it would be important to hear the taxation policy on resources for the Province of Manitoba and then we would have a real analysis. We would hear what happened in British Columbia with those two taxes, The Mineral Lands Act tax, the mineral royalties tax, which based it not on income, not on relation to profits. We saw what happened to the price of copper and to the copper industry.

You know, one of the most interesting ads I saw in the whole British Columbia election was a big ad by the mining industry, saying that they represented 6,000 people who were no longer working. That they used to be in the mining business, but because of the mining taxation principles of the B.C. government they now were out of a job. It said every one of those 6,000 people and their families were voting free enterprise. I think

this is the kind of a comparison we need. Therefore this particular essay and this one is written by another very, very influential and very talented and capable person. It's B.I. Watson, another chartered accountant, Treasurer, Sheritt Gordon Mines Ltd., Toronto, another one of the majority mining corporations in Canada. He's another chartered accountant, a man who has a great deal of knowledge and experience particularly in the taxation field of the mining industry. That is why I want to read it to you if I can. I hope to finish it because at 7:00 o'clock I want to get into a little variety here and I thought I would talk about kind of the meat of it. I thought I'd give you a little dissertation on the attempts of your Government to brainwash the citizens of Saskatchewan and what I have found as I've been touring the province in the last two weeks, about brainwashing. But I didn't want to get into that until after supper, because I thought you might want to digest your meal. But that was quite an exercise and the funny part of it is, everybody in Saskatchewan was able to identify it exactly for what it was, an attempt to brainwash.

Every time they have heard that over the radio and they have heard that IMC ad, they laughed and then every time they heard that one about the head office and about Sask Minerals and all the rest of it. They thought it was . . . every time they opened the newspaper, they recognized it for exactly what it is.

But I better save that for after supper because I want to do a comparison.

**MR. ROMANOW:** — What do they say about the potash ads?

**MR. MacDONALD:** — They expected there should be two sides of the story. But there is a basic difference, Roy. You see what happens with the potash ads, they pay for that themselves. That's the difference.

**AN HON. MEMBER:** — . . . comes out . . .

**MR. MacDONALD:** — Oh you mean it comes out of that reserve tax because it's over a 100 per cent. Is that what you are saying? But what happens with your brainwashing, you see what happens, when the potash ad puts on an ad that's their privilege. It's the same if I want to put on an ad, pay for it myself, that's my privilege.

**MR. ROMANOW:** — What did they say about the Conservative ad?

**MR. MacDONALD:** — You know what I think the Conservative ad was. I'll tell you what happened with the Tory ad. You know it's really funny. Every Tory I talked to was giving Dick so much of the dickens and he got so much H E L L from the Conservatives around the Province of Saskatchewan that everywhere he moved and everywhere he went he got so much trouble from his own party that he decided that he would try to convince the people of Saskatchewan that really they did oppose the potash legislation. So he turned around . . .

**MR. COWLEY:** — Who paid for that ad?

**MR. MacDONALD:** — I think that he did. Not the people of Saskatchewan. I don't care whether it got paid for as long as the taxpayers don't pay for it, unlike what you do. You know, you fellows shouldn't use the taxpayers' money. He's using his own money. You know, it's really quite interesting anyway. That's why I think the Conservatives put the ad on, because everyone began to give them so much 'hail Columbia'. They said what are you doing, you are sitting there, you are doing nothing. The most important issue that's ever been in Saskatchewan for years and years, free enterprise at stake and here you remain silent and say, oh we want it on the books and make them accountable. So all of a sudden Dick had to turn around and say, we are opposed and he had to announce the reversal. That's what I think. But you see I don't mind that ad. I think that's the right and the privilege of any political party or any individual to show their stance or position. But I don't think it's the right of the NDP to use the taxpayers' money to put their political posture to the province.

But I'm going to talk about that after supper because it will give a little variety.

**AN HON. MEMBER:** — . . . (unintelligible) . . .

**MR. MacDONALD:** — Well that's what you hope. You don't mind squandering thousands and thousands of dollars of the taxpayers' money. That's what I told the Leader of the Conservatives a couple of weeks ago. "You let this Bill through, you think they will remember. They will spend hundreds and hundreds and hundreds of thousands of dollars of the taxpayers' money in the next four years to tell you what a great job they do."

Taxation of mining in Manitoba, recent developments. This is kind of interesting because Ed Schreyer's just not quite as dumb as the NDP in Saskatchewan. He's not as dumb as the NDP in British Columbia and that's why he's going to be the third NDP government to get kicked out, not the second, as you are going to be.

Changes in the basis of taxation of the mining industry in Manitoba and Canada have been . . .

**AN HON. MEMBER:** — . . . what . . .

**MR. MacDONALD:** — You know something, it's nice to hear the Minister in charge . . . you know that we did hear a rumor of and I'm not sure if the Press has heard this or not, but we heard a rumor that the Minister in charge of the Potash Corporation was actually going to get into the debate, that the NDP said we can't take any more of this static. They said that they had a little hurried cabinet meeting and the Premier decided that he was going to get into the debate and who else? I heard three of them. I think it was the Minister of Finance. So we can anticipate the Minister of Finance . . .

**AN HON. MEMBER:** — . . . maybe . . .

**MR. MacDONALD:** — Oh, he wouldn't get into it. The Premier and the Minister in charge of the Potash Corporation are actually going to get in. Now that's the rumor circulating, that they are getting tired, they feel they are getting too much static. If that's true, Mr. Minister in charge of the Saskatchewan Potash Corporation, I welcome it. Because the only debates you have done since you came here in the last two months is from the seat of your trousers and that's not the way you do it here. That's the rumor that's circulating. I heard that from a very reliable source. Right out of the Premier's office as a matter of fact. I wouldn't like to tell you where but I heard it from a very reliable source.

**AN HON. MEMBER:** — When is that going to be?

**MR. MacDONALD:** — Oh, as soon as they get in, in fact they were going to put one up this afternoon, at least one NDP speaker. I was hoping it might have been one of them, the Premier or the Minister of Finance or somebody. We'll let him go tomorrow.

**AN HON. MEMBER:** — Wednesday.

**MR. MacDONALD:** — On Wednesday. I want to read this in. Now the Attorney General has just made a promise to the House, to the people of Saskatchewan that he is going to call Bill 2 on Wednesday and on Bill 2 we are finally going to hear from the NDP Cabinet Ministers who have attempted to ram this Bill down the throats of the people without providing any information, anything else. The 31st day of the debate we are going to hear from the Premier, the Minister in charge of the Saskatchewan Potash Corporation and I think we should all give them a hand.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. MacDONALD:** — Not only that, if you call Bill 2 we will all sit quiet here and give you full opportunity to go. We want to hear what the Premier has to say. This may change the course of the debate on Bill 2, because if he comes out and tells us, it would be kind of interesting to see if he is going to tell us how much he's going to pay, what interest rates he's going to have to pay, where he's going to get the money, how many mines is he going to buy, what's the time schedule that he's going by. I tell you something, all of Saskatchewan will be waiting with great anticipation for Wednesday, to have the opportunity for the Premier to stand up here and tell the people of Saskatchewan on January 7, just how important this is.

I want to read this to the Minister.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. MacDONALD:** — No, no, you gave us a commitment now.

Some substantial changes have already been made and additional changes with very serious implications for the mining industry have been announced.

I am saving my political speech from 9:00 to 9:30. Don't go to sleep yet, because I am saving my political speech for the last half hour.

The proposed legislation by both Canada and Manitoba have not yet been implemented and will in all probability be revised before becoming law.

Before dealing with the most recent proposals affecting the Manitoba mining industry, let me briefly review the history of taxation as it affects companies in the industry. Ten years ago the industry was subject to Federal and Manitoba corporate taxes and to a Manitoba mining royalty tax which in total gave the companies a preferential position in comparison to manufacturing and other corporations as an encouragement to the development of Canada's natural resources. The Royal Commission on Taxation under the chairmanship of the late Mr. Kenneth Carter had been studying the taxation system in Canada since 1962. Its report published early in 1967 recommended that the preferential position of the mining industry be eliminated and the mining companies be treated in the same manner as all other corporate taxpayers. Following long and heated discussions of the Carter Commission proposals the Federal Government published its Proposals for Tax Reform in November 1969. The Government concluded that some special rules were still needed for the mineral industry and that provisions should be made so that really profitable operations would bear a fair share of taxes.

The Government proposed that:

- (1) The three year tax exemption of profits from new mines be eliminated after December 31, 1973.
- (2) That a separate asset class be set up for new mining machinery and buildings which would permit the taxpayer to write off the cost for tax purposes as far as income from the new mine would absorb it.
- (3) The depletion allowance as a percentage of profit be eliminated after 1975, and
- (4) So-called earned depletion allowance be introduced effective after 1975 which had no relation to depletion in its historical sense as an allowance for using up of a wasting asset, but merely permitted the deduction from income of an additional one-third of exploration and new mining expenditures.

I think this is a good thing, this earned depletion and the doing away with the depletion allowances. Some of you may be aware of the depletion allowance and its principle. It explains it here for those of you who have never had an opportunity to really study those taxes. It explains the depletion allowance and the new earned depletion principle which the Federal Government is getting into.

Long and heated discussions of the government proposals took place. In 1974 amendments were made to the Income Tax Act which enacted the proposals in essentially the same form as they had been introduced but with one delay in

the implementation of the depletion changes until after 1976. An additional change made in legislation was elimination of the deductibility of provincial mining and royalty taxes after 1976 and a provision for the abatement of 15 percentage points of federal income tax on mining profits.

While changes were being discussed and implemented in the federal field which resulted in substantially higher taxes of the mining industry, the winds of change were increasing in the provincial field as well. In June '69, the Progressive Conservative Government of Manitoba was defeated and replaced by an NDP Government under Premier Schreyer. The new government was of the opinion that the mining industry did not pay to the province a proper share of the profits derived from the exportation of the mineral resources which had originally belonged to the people. Changes were made to the Manitoba Mining and Royalty Tax Act which, (1) eliminated after December 31, 1971, reduction of half rates on the income from new mines in the first three years of production, and (2) increased the rate of tax from a graduated rate of six per cent to 11 per cent to a rate of 15 per cent on all income effective January 1, 1971.

Notice that. One thing that the Manitoba Government did that was entirely different, when they brought about changes to the mineral resource taxation, they brought it in in relation to income, raised it substantially which is acceptable I am sure by most people.

The latter rate change had the effect of increasing tax by 150 per cent on the first one million of income; by 67 per cent on the next four million; and by 36 per cent on all income over five million. The Government changed the departmental administration responsible for enforcing the Act and new and narrow interpretations have resulted in much higher assessments most of which are presently under appeal. The changes instituted have only been of an interim nature to cover the situation until a new policy can be devised and instituted which would cover the taxation of the mining industry in its relations with the government. In 1972 Professor Eric Kierans was invited to submit his views to the Government of Manitoba on the resource policies of the province then in effect and in terms of reference needed 'to assist in the development of a technically sound policy respecting the natural resources of Manitoba.'

You know that Eric used to be a Liberal, one of the very few we ever lose, who strays down the path of the NDP.

His Report on Natural Resources Policy in Manitoba was released in February 1973 in which he stated, that he would recommend to the Government of Manitoba a new resource policy that would place the responsibility for all future development of Manitoba's resources firmly in the hands of the public sector as being the only effective manner in which the people of Manitoba can be sure that the value of the depleted resources remains in Manitoba. A fundamental aim of such policy shall be the repatriation by the Crown of all existing resources leased to the private sector and that a period not exceeding ten years

is sufficient to accomplish the transfer in an orderly fashion.

Imagine. Thank God that Ed Schreyer had more brains than to listen to Eric Kierans.

For the long term the policy was to be implemented by the Crown exploration company pursuing an active and aggressive exploration program and by the government taking over the mineral rights from the private sector by eliminating the practice of assigning mineral rights to the private sector, by forbidding the transfer of existing rights and by reversion to the Crown of such rights upon termination. In the transition period he recommended a property tax on reserves held under existing leases at a rate that would force the pace of repatriation to the Crown, i.e. by expropriation through taxation. His other major recommendation was to abolish the 15 per cent mining royalty tax on net income and replace it with a 15 per cent tax on the value of annual output. The Government of Manitoba chose not to act on the radical recommendations of Mr. Kierans but in turn set up an internal government committee to study the Kieran report, to make policy recommendations to the government. A year ago when the Canadian Tax Foundation held its annual conference this committee had not yet presented its findings.

Mr. Speaker, I think everybody has had a very interesting afternoon and I should like to call it 5:30.

The Assembly recessed from 5:30 o'clock p.m. until 7:00 o'clock p.m.

**MR. MacDONALD:** — Mr. Speaker, in starting off this evening I thought I might divert a little bit and talk about what I consider, apart from all the frivolity, a very serious subject. The subject is the abuse of taxpayers' funds in relation to the potash takeover. I am going to speak particularly to the new Members on the other side of the House. I am not sure what their political consciences would say about what has happened in relation to Service Printers, and The Commonwealth, at this new attempt to brainwash the public of Saskatchewan.

I should like to mention to them that I have been a Member of this House now since 1964 and I don't think I have ever seen a more flagrant, more deliberate, more thought out abuse of public funds, than the potash advertising program, which was a deliberate attempt of the NDP to brainwash the public of Saskatchewan.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. MacDONALD:** — A deliberate attempt. Mr. Speaker, I am going to talk about that for a moment but I think we have to look back in history a little bit. We realize that this is not the first time that the NDP have used public taxpayers' funds for their own political purposes and their own political party. That is exactly what has happened. They have been doing it by abusing public funds and politically being morally wrong and against every ethics of the political structure of this country for so

long that now they have come to take it for granted. I suggest to you that if the Federal Liberal Government or the Federal Conservative Government took taxpayers' money and created in the Federal Liberal or Federal Conservative office, whichever was government, a printing press, and then directed, without tender, public money for printing for the Federal Government of Canada, that the national press would run them right out of office. They wouldn't dare to do it. Yet in the Province of Saskatchewan for years the NDP has taken and has created its own printing company, entirely owned by the NDP political party and have channelled for example, the 'Blues', year after year are printed by Service Printing without tender. They say there is a schedule of events, a schedule of costs. I would suggest to you that they are using their printing press at slack time, I have no idea what kind of profits they are making. But a government using public money, directing it to their own printing press, using the profits for their own political use, and for the promotion of their own political party as no other government in the Dominion of Canada has dared to attempt.

Year after year it is brought to the public's attention and now after 20 years, 25 years whatever it is of NDP reign in the Province of Saskatchewan, the NDP has convinced the public of Saskatchewan to ignore this blatant, immoral practice.

For example, I should like to cite an example of what did happen in Service Printing last year . . .

**MR. SPEAKER:** — I have been patient with the Member earlier today. I fail to follow the connection between what you are speaking about and Bill No. 1 which is before us. At this point I don't grasp the significance of what you are talking about in relation to Bill 1. I wonder if the Member plans to relate that to Bill 1.

**MR. MacDONALD:** — Mr. Speaker, I would agree. I will try and relate it very directly. What I am talking about is the Government's misuse of public funds to advertise the takeover of the potash industry and the practices that they have followed in Service Printing by publishing these kinds of things. I will relate it very directly, Mr. Speaker,. I won't spend much time on Service Printing. This is an old hat game.

For example in 1973-74, they allocated \$51,915 or almost \$52,000 to Service Printing. Which I presume, Mr. Speaker, might make \$25,000 or \$20,000 profit. Then in turn they pass an Election Expenses Act which prohibits the Conservative Party . . . I don't know how that ad of the Conservative Party in the newspaper is paid for. I have read that Election Expenses Act and I am not so sure that isn't going to come off his election expenses in '79. I hope it isn't because it is about a specific issue. But that is the kind of control they placed on the Opposition. And yet they take \$51,000 and apply it to Service Printing. They bring in an advertising firm like Dunsky — straight political advertising established in office, \$399,545, then they took another good old NDP from Saskatchewan, Struthers — \$626,611. That is just one misuse of public funds that I want to remind the new Members, the backbenchers about. This is just astronomical and beyond the imagination. To me it is immoral. I don't think you could get away with that in any province in Canada.

If the Federal Government attempted to do that they would be run right out of office, and rightly so. Don't ever kid yourself that the national press would let them get away with that. But because they have been doing it here for 25 years and it's still immoral.

The second thing, they come to potash advertising. They have a newspaper they call The Commonwealth. They call it political, economic and religious freedom. Real freedom, religious, I don't know how they get religion in here. They use this and how do they pay for this paper? They put government ads, questions or problems regarding provincial government services. Provincial inquiry, free of charge. I wonder if the Commonwealth is given this free of charge. Not according to my figures. They are charging very dramatically . . .

**MR. SNYDER:** — On a Point of Order, Mr. Speaker. I am sure that your patience and the patience of this House has been strained to the utmost. I think without question the subject matter that the Member wishes to debate is a fit subject for debate at some other time and some other place. But surely, Mr. Speaker, the rules of the House do not provide for the Member to be dragging extraneous material by the tail at his whim without any reference to the material that should be discussed at this particular point in time. I think, Mr. Speaker, this needs some adjudication by yourself.

**MR. SPEAKER:** — I think it is quite clear that Bill No. 1 deals with the acquisition of part or all of the potash industry. The Member in speaking to the Bill should deal with the principle of acquiring the potash industry or not acquiring it as he sees fit. The Member puts me in the awkward position of allowing other people to speak back to the comments that he raises when they are not pertinent to the issue. I would be the first one to admit and I think he would be too, that some of his comments earlier today dealing with health in the Province of Saskatchewan have nothing to do whatsoever with the Bill. I still have not grasped the significance of the comments the Member is making in relation to the Bill.

**MR. MacDONALD:** — Mr. Speaker, I'm going to relate it directly now and go to the potash advertising program which was intended to brainwash the people of Saskatchewan as to the potash takeover and I want to talk about public information programs. There is a better choice, I could go, Mr. Speaker, on the potash bill, I have ad after ad after ad. This is directly related to potash and what I was using is two other examples to indicate how that political party will use public funds and abuse them for their own political interests.

When we come to the potash advertising program, I should like to point out and I hope this is related, Mr. Speaker, because I don't wish to digress from the subject. I'm talking about potash advertising. The principle of public advertising by the Government of Saskatchewan or by any government in Canada is based on the premise that the citizens or the voters or the constituents have the right to public information. You and I know the kind of public information that we are talking about. Your medical care premiums are due on such and such a date. Safety advertising by the Saskatchewan Power Corporation.

Anti-inflation by the Federal Government . . . absolutely.

**AN HON. MEMBER:** — Now, come on, Cy.

**MR. MacDONALD:** — Absolutely. Now we have here, well, when you talk but anti-inflation that's a government program. That's a government program but when you talk about the potash . . .

**MR. COWLEY:** — It's a government program.

**MR. MacDONALD:** — Is it? The Bill isn't even passed. Here we have been trying to justify again the misuse of public funds where they take thousands and thousands and thousands of dollars of the taxpayers' money to deliberately attempt to brainwash and the funny thing, the people of Saskatchewan, as I indicated before supper, recognize it for what it is, recognize it without any question. They recognized it as an attempt to brainwash and it had a backlash. I know that program was originally scheduled for December 15th. They didn't take it off because of anything else but because the Christmas spirit it is a very bad time for public advertising. I would be most interested in finding out when they intend to resume it. I heard the Attorney General talk about the Conservative Party advertising. All the more power to them if an individual or person who wants, or a political party or company who wants to use their own money to advertise that is their privilege. But the NDP took something that is not passed in this Legislature, is not a government program, is only a policy or an indication or a direction and they turn around and use this money to try and deliberately brainwash the people of Saskatchewan. And I say, Mr. Speaker, it is a terrible abuse of public funds and is an indication of why the bureaucracy or government should never establish or get into the business of running something that can be better run by private industry. But if the Government becomes involved in it, it becomes a political thing. Then to justify their own existence they have to worry about the political votes, they have to worry about political indoctrination and I would like to suggest to all of you, to some of you backbenchers, I don't know what you think about the moral part of the Commonwealth, the Service Printing, or this government advertising, but I am going to tell you a lot of people in the Province of Saskatchewan are concerned. And it has nothing to do with government programs, it was a complete violation of the principle of providing information about existing programs in the Government and yet they sit there and not one of them, none of them with these great high motives that they suggest the NDP have are supporting it. I think it is about time that somebody brought this to the attention of the public and to the House and to the backbenchers and I will be looking forward with a great deal of interest in the coming weeks and months as to whether or not the Government is once again going to try and justify their takeover.

And this is why this debate is important. Because the only opportunity to respond to that kind of money being spent, the only opportunity to counteract the abuse of public funds is for Members of the Opposition to try and bring this to the attention of the public through the Legislature. And you know, for example, I heard tonight that a couple of my Conservative friends are intending to join in the debate and I thank God that they have come to their senses. Really, I thank God they have come to

their senses. We welcome their participation and their joint effort in this particular regard and I hope they do a good job and I am convinced they will. But it is about time after six weeks or two months of sitting and permitting free enterprise and the whole economic system that built this great country possibly to go down the drain because of an example set by the Province of Saskatchewan and I am very pleased now that they are going to participate in this debate and I welcome the opportunity of listening to them and I am going to tell them that I am going to be the first to give them a hand and thump my desk when they stand on their feet. Because it isn't good enough for an MLA to be an observer in this House he has got to actively participate. I know that our good friends the Conservatives after their Christmas break have had some kind of an indication of the reaction of the public of Saskatchewan in hostility to this Bill and I want to tell them I welcome them. But I do ask once again that you Members and the backbenchers of the Government side consider very carefully the moral implications for your political party as to what is going on in the Commonwealth, Service Printing and in the public advertising program deliberately designed to do one thing, promote the NDP, deliberately designed for NDP propaganda and nothing more.

Now, somebody asked me when I came in tonight how long I was going to speak tonight. I picked up a little clipping and it said: "Longest Sermon on Record" and I thought I might read it to you because I am not sure if I can equal this or not:

Rev. Robert Marshall is the most talked of minister on record. Marshall, 55, completed a 60 hour, 31 minute sermon at 12:33 p.m. Saturday, topping the record for the longest sermon in the Guinness Book of World Records. The previous record set almost 20 years ago by Clinton Losee of West Richland, Washington, was 48 hours, 18 minutes. 'I can tell you that after 50 hours it got a lot tougher,' the minister said Sunday. Marshall spoke to a standing-room only crowd of more than 300 during the last hours of his sermon, Saturday, at the Birmingham Unitarian Church in the suburb north of Detroit. The congregation gave him a standing ovation when he finished.

I expect the people of Saskatchewan will flood in here and pound and pound when I finish because they know that I am on the right track and it is about time that somebody did something about you people.

**SOME HON. MEMBERS:** — Hear, hear!

**AN HON. MEMBER:** — I hope they're here before long.

**MR. MacDONALD:** — And it is kind of interesting when you start talking about this that the minister speaking for 60 hours and yet in this debate their Ministers have been completely silent. How can you explain that particular contradiction. I would hope, I wouldn't expect them to stand up and talk for 60 hours or even 60 minutes but I would even be glad if one of them would talk for 60 seconds. If they do and the Attorney General has promised that on Bill 2, Wednesday, that the Premier, and the Minister in charge of the Potash Corporation are going to get up and respond to this debate and provide us with some concrete information, provide the people of Saskatchewan fulfil his responsibilities, carry out his duties as Premier, carry out his duties

as Minister in regard to the potash takeover and the potash expropriation and stand up and give us some information about this particular Bill, about the cost and so forth. And I know that all Members and all citizens of Saskatchewan are looking forward to this with a great deal of anticipation.

Now before supper I was on a very important subject and I should like to return to it. During the afternoon as you will recall we pointed out that the reserve tax and the NDP attitude toward taxation of the resource industry in Saskatchewan was really behind what is going on in the potash expropriation in Bill 1 and Bill 2.

**MR. MOSTOWAY:** — Telephone call for you, Cy.

**MR. MacDONALD:** — Will you take it and tell him I will call him in about ten minutes. I was trying to point out that the reserve tax in particular was very onerous, was without question the worst form of taxation, it had generated complete hostility within the industry and prevented any hope of expansion. It discouraged private industry, it was not related to profit or anything else. At the same time I had made an effort to compare mineral resource taxation in the province of British Columbia where, as you know, the NDP generated this conflict of tax that was not based on income, not based on profit, which could destroy an industry but was based on greed. That's right, one of my colleagues said it was based on greed and there is no question that it is based on greed. And what it really is, fellows, and let's not kid ourselves, what this whole business is about is that the Wafflers came in 1970 and 1971 and demanded to take over the potash industry, take over the resource industries and the left wing element of your party is a very dominant and a very strong element. Up until 1971 with Bill 42 you had hoped to satisfy them and then along of course, the election of 1971 was over, and all of a sudden the left wing element of your party got very very vociferous again, very voluble, very articulate and now the NDP realize that if they are going to do anything to justify that left wing support and to try and retain it for the next election that they are going to do something dramatic. They also realize that if they are going to do it dramatically they had to do it in 1975, as far away from a provincial election as possible, so they turned around and introduced Bill 1 and Bill 2. Really what it is is a stereotype doctrinaire political philosophy which believes that the government can manage industry better and manage the affairs of yours and my life better than we can.

**AN HON. MEMBER:** — Socialist harakiri.

**MR. MacDONALD:** — Socialist harakiri, the Member for Regina South says and that's a good way of describing it. The funny part about a doctrinaire person is that a doctrinaire individual never learns. He never learns by experience, he never learns by education and in all probability he never learns because he won't listen. But we have had some very, very real examples and illustrations of doctrinaire socialism and the impact on the economy of the world. I think of England, I don't think there is a country today that is in more serious trouble and they are now talking about finding oil and gas out in the North Sea and it may be the salvation of that great country with that great tradition, but I am going to tell you something that they

are in real trouble. And why? Because when the bureaucracy takes over and all of a sudden the voter starts running the corporation, determines the productivity of the individual corporation or industry because of the political impact. When the labor unions have such strong control over the political movement, then of course, the productivity goes down and other things become much more important and of course we see the destruction of the company, we see the destruction of the industry, it no longer becomes competitive, it's priced out of the world market.

I should like some of you to go back just prior to World War II. It was sure that Britain was seeking the demise of the British Empire because of a change in its philosophy of colonialism and imperialism but it was still a strong economic community. And all of sudden today the British people have lost all interest in work, all incentive to produce, all competitiveness as far as the rest of the world is concerned and we find that that country has gone from bad to worse and they are in really, really grave trouble.

We could go on and point to illustration after illustration, country after country, nation after nation and find exactly the same thing that has occurred. We have had a lot of good examples in Saskatchewan. The Member for Morse (Mr. Wiebe) is going to get up and talk about the great Crown corporation debate between the former Premier Thatcher and the former Premier Douglas that occurred in Mossbank. We so clearly pointed out the folly of government becoming involved in industry, in the management when they don't have the expertise, they don't have the knowledge, they don't have the world markets, they don't have the organization to set it up and structure it, and all of a sudden we find that here now this Government is going ahead with the great risk and the great undertaking but without any realization of what it might do to the future. I mentioned this afternoon about the difficulty of foreign investments and the requirement and the need in the next ten or 15 years in Canada and yet here we find that this also is being ignored by this Government. So this afternoon I did try to point out some of the problems that are related to the reserve tax, the prorationing tax and I did a comparison and an analogy between Saskatchewan and British Columbia and now I want to talk about what is happening in the Province of Manitoba.

All of a sudden in the Province of Manitoba they have got an Eric Kierans. He used to be a Liberal and all I can say is thank God he left our ranks, because not even the NDP Government in Manitoba would accept his recommendations. They said he was a coo-coo. They said the poor guy he doesn't know where he is going and rejected him completely. And do you know what he said? Do you know what Eric Kierans said, he recommended to the Government of Manitoba and they rejected it, exactly what the NDP is doing in Saskatchewan. That's the funny part of it. He recommended that the public sector should manage all resources. He also recommended that the public sector should buy existing resources. This is something that nobody has talked about in this potash debate.

You know when we start talking about \$1 billion investment by the public sector and not the creation of one new job, gentlemen, we have only got some 900,000 people in the Province of Saskatchewan. Do you realize that you will invest \$1 billion, put this province in debt for 20 years and you won't create one

single new job in this province. It's like Intercontinental, you turn around and you squander \$10 million of the taxpayers' money and there are less people working for Intercontinental today than when you purchased it. If the private sector had that company and Mr. Mendel was still managing it, it would continue to grow and expand and there would be more people working for it than there were when you took it over. The Government has a very strong representation on the board with veto powers, I know what the agreement is, Mr. Minister of Health as well as you do. But all I am trying to tell you is that you are going to take out \$1 billion of the potash industry, invest it in, or whatever it is, maybe its \$1500 million, maybe it is only \$800 million, I don't know what it is, but you are not going to create one new job. You are taking a province that requires people, in a world that is bursting with population and we have an opportunity here. Just think of what you could do with a \$1 billion investment in the creation of new jobs and new employment and new investment. What kind of a climate you could create. Instead of that you are investing \$1 billion in an industry that will never create a new job and the crazy part of it is, you are investing it in an industry where you are getting all the money anyway. So how you can justify it, how you can rationalize it, is completely beyond me and I hope that some of you, some of you look at the whole concept of job creation. We are pretty fortunate in Saskatchewan. We have got an agricultural economy that is bursting, thanks to a fellow in Ottawa by the name of Otto Lang who is able to get out and around the world and sell wheat and do all those jobs that were needed for the farmers of Saskatchewan.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. MacDONALD:** — We have got an agricultural economy that is bursting. It is being transferred, for example, to the service station operator, the garage man, the grocery store, the clothing merchant, the hardware merchant, the furniture salesman, everybody is benefiting from the farmers' prosperity. And all of a sudden Saskatchewan doesn't have a job problem, not really, compared to the rest of Canada. Go to Quebec or New Brunswick and Ontario and some of the other parts of Canada where there is a real need for investment, a real need to create jobs and maybe if you properly used this billion dollars you would stop the exodus of every young person between 20 and 25 years of age who is now being forced to go to Calgary or Vancouver or wherever it may be, to Ontario to find a job.

This is one of the great tragedies of potash takeover because you people since you have been the Government. First of all you bought a great number of shares in IPSCO and right now IPSCO is laying off people. Second, you bought Intercon. Intercon is laying off people. You know it is very unfortunate, Mr. Speaker, that you can't maintain order over there because, particularly that Member for Moose Jaw North. I wish he would go back to his seat and ask a couple of questions. But it is a tragedy that every investment that the Government of Saskatchewan has made since the NDP has taken over in '71 has not created any jobs. Now they have bought oil companies, for example, and what did they buy? They didn't buy something that would turn in new production and new jobs. What they did, they bought existing wells and existing production. For example, in Intercon as I say, this fall Intercon did lay off 50 or 60 people. Since they originally bought the company I would suggest

that there are probably 200 people less working for Intercon in the Province of Saskatchewan than there were before they bought it. Not only is there Intercon, but there is IPSCO which all of a sudden has laid off a number of people this fall. I am not concerned about IPSCO because it is a very dynamic company, it has great management, they are very aggressive. I think they will come back. But it does point out the foolishness of government investing in private industry which is non-job creating, does nothing to generate new jobs, new productivity, new enterprise, new secondary industries. What you are really saying in taking over the potash industry is boys we have a philosophy, doctrinaire socialism and we want to own those industries and we don't care what happens as a result.

So now I should get back to my comparison between Manitoba and Saskatchewan and British Columbia. I was talking about Eric Kierans who recommended, as you know, the takeover and Premier Schreyer rejected it. He is a socialist, he is an NDPer, he even thought it was kooky.

The Government of Manitoba chose not to act on the radical (notice what he says) the radical recommendations of Mr. Kierans. (When they talk about radical, all they are doing is exactly the same thing as the NDP in Saskatchewan) . . . instead set up an internal government committee to study the Kierans report and make policy recommendation to the government.

Of course as you know that report came in and nothing has ever been done.

A year ago when the Canadian tax foundation held its annual conference this committee had not yet presented its findings.

So one year ago the situation reached the stage where the Government of Manitoba was studying a recommendation to gradually take over the mining industry in the province through high taxation and through reversion of mineral rights to the Crown by removal of transfer extension rights or by taxation.

Most metals were in short supply with the result that prices had risen to record heights. Now most mining companies were enjoying record profits. Provincial governments, including Manitoba, had felt for some time that they were not receiving adequate mining taxes or royalties on their mineral production and with the increasing profits of the industry they felt the urgent necessity to make changes in their taxation statutes in order to capture a larger share of the increased metal values. At this time too the Arab oil producers had discovered how easy it was to increase their return on oil production with doubling and re-doubling of prices. The provinces did not have the same ability to set metal prices but they were encouraged to enact legislation that would extract a far larger share of the expanded production value.

You know, it is kind of interesting, because we might take that philosophy of the NDP in Manitoba that they would take control of the industry by high taxation, by regulation and contrast it with the expropriation proceedings in Bill 1 in this

Act. It is interesting to make an analogy. I wonder how many of you have made a comparison of the oil policy of Premier Lougheed and that of Premier Blakeney? Of course, Premier Lougheed said exactly the same thing, you could read his speeches and they would be identical to the NDP speeches, identical, that the resources belong to the province, the oil belongs to Alberta, the people of Alberta deserve a higher share of the benefits of this resource. You could almost paraphrase the words of Premier Lougheed and Premier Blakeney, or Premier Davis, or Premier Reagan. Then you turn around and do an assessment of the policies by which they tried to accomplish this.

In Alberta for example, in oil they said, yes, the province deserves its share and a very large share. They are getting something in the neighborhood, what is it, \$1 billion or \$1.5 billion a year? They are talking about putting it aside, investing it wisely, it is a non-renewable resource return, but at the same time they ensured that the oil industry was given enough to expand, to invest and to develop. It has been very rarely, only in the last few years, that the oil industry actually took out of the Province of Alberta more than they put in. All of a sudden now, we find that this is the situation in Alberta, we find the same situation with Premier Reagan and the off-shore drilling of oil in Nova Scotia. Here is how they handle their resource.

With the whole concept that the people deserve the benefits, but not that they are going to turn around and expropriate and take it over, because that wasn't necessary.

The Province of Manitoba has a balance between the two and they are reaching danger. I want you to listen to what they have to say.

This was the situation prior to 1974. This year has seen many developments which could have serious consequences for the viability of a strong mining industry in Manitoba and in other provinces as well. Early in the year the internal governmental committee studying a mineral resource policy for Manitoba recommended to the Government that it commit itself to a long-run mineral exploitation plan. That it require full disclosure of all information; that any new or revised mineral undertaking require a production licence on government approval; that a flexible volumetric tax be instituted to replace the existing tax system, but in the interim the existing royalty rate be increased to realize \$30 million in revenue based on 1970-72 industry profits; and that the government establish a mechanism for future development of Manitoba's mineral resources by a policy of close regulation of operations of existing mining operations by a government agency which would also be responsible for all new mineral exploration, development and production either alone or in partnership with the private sector. On March 21, 1974, the Hon. Sidney Green, Minister of Mines, Resources and Environmental Management presented to the Manitoba Legislature, the government's long awaited statement re mineral policy.

I don't know if any of you know Sidney Green. Sidney Green is the left winger of all left wingers in Manitoba. In fact he would be considered a left winger of all left wingers in Canada. Here is what he said.

1. The people of Manitoba must receive revenue from existing mineral development consistent with a fair return as the owners of the resource (mother love).

**MR. ROMANOW:** — I offered . . . at the beginning.

**MR. MacDONALD:** — You know Roy, there is one thing I want to tell you, you were sort of considered the left wing member of the party. Now in the last couple of months, people in Saskatchewan are beginning to ask if you are the radical. You are the real radical left winger in this party. I say, yes. This is the man who brought in Bill 42. This is the man that brought in potash expropriation and government control. All of a sudden your stature is going badly. In fact, you are out of it. Now, for example, it is the backbenchers who will have a chance when Premier Blakeney goes to his happy hunting ground, you're out of it Roy. Because all of a sudden you have become the radical left wing member of the party. It is understandable how the people of Saskatchewan would judge you in that way. Because all of a sudden you take the resources of the province and you personally, not even the Minister, you bring in the Bills, put them through, handle the debate, justify their existence, justify the takeover and everything else. People are asking a lot of strange questions about the Attorney General. The grey eminence, the man behind the plot. That's what they are saying about you, Mr. Attorney General. If I were you, I would be a little careful. Roy the Waffler.

Some of them had the audacity to suggest that now that Richards was no longer representing the Wafflers from Saskatoon, two people have asked me if you are now becoming the Waffle representative from that city. I said I really don't know.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. MacDONALD:** — I really don't know. But certainly with what he is doing in the House and in the province and what he is doing to private investment, and private industry, that is a pretty fair assumption I told them.

**MR. ROMANOW:** — I don't discuss things with friends like that . . .

**MR. MacDONALD:** — I would never have suggested that, they brought that to my attention.

Actions speak louder than words, Roy. They just judge you on the deeds, they don't judge you on what you say, they judge you on what you do. You are the man who is doing these things. This is the reason, you are in real trouble Roy, I want to tell you among the constituencies.

The second thing that this report recommended.

2. The existing private sector operators must be able and permitted to receive a fair return on their invested capital commensurate with the nature of their undertaking.

This is the difference between the NDP in Saskatchewan and the

NDP in Manitoba. Very simply. If you people had treated the potash industry in this province in the way that Sidney Green and Ed Schreyer recommended to do it in Manitoba, we wouldn't be sitting here now debating Bill 1 and 2 taking over the potash industry. You would have a potash industry that was growing, expanding, providing more jobs, more revenue for the people of Saskatchewan.

3. The people of Manitoba are entitled to receive a fair share of any added value or economic rent occurring to their mineral resources because of scarcity or the increased value of the minerals which are unrelated to the immediate costs of production.

I think that is a very sound principle. I think it is one that is probably taken by every government, even if they oppose the NDP in the Dominion of Canada, because that is good resource policy.

4. In the future the people of Manitoba will take a more active role in the exploration, development and secondary processing of their mineral wealth in order to capture their fair share of the wealth which accrues from the development of such resources.

They just have to get that socialist justification in there so that the people of their own party will be able to have something to stand up and shout about. It is unfortunate that they take that attitude that they do.

5. The people of Manitoba must jealously guard their resources which have not to date been turned over to private corporations and individuals and take advantage of their ownership to obtain real opportunity to participate in their development.

Another unfortunate thing. I don't know when we'll ever learn that a bureaucrat who comes from nine to five has no incentive, no commission basis of payment or where that, workers can't participate in the ownership through shared profits or shared return, there is just no way that a bureaucratic management can ever compete.

I should like to suggest to some of you Members just to make a comparison and to see if that statement that I made is true or not. I would like to ask you to go and ask the Minister of Health or Northern Saskatchewan, what is the ratio of secretaries per man in his department in central office. I would like you to ask him what is the relationship per senior executive to support staff.

**MR. BOWERMAN:** — What has that got to do with the department?

**MR. MacDONALD:** — Very much! What is it going to cost you to operate it? How much money you are going to lose, that is what it has to do, Mr. Minister of Natural Resources.

Then you go to somebody in the private industry, go to an insurance company, or stock broker, a printing company, find how many people are with support staff or senior management in that particular corporation, then turn around and make a

comparison with government cost of the operation. Is it any wonder, that nobody in Regina can get a foot of space to rent? Somebody told me the Conservatives wanted to open an office here, they have been looking for three months and can't find even one square foot. That's how bad it is. They only need three! I am being serious, it is fine to be facetious, but I am not being facetious when I talk about that.

I urge some of you backbenchers to read the Department of Public Works Annual Report. I am serious read it, and see what has happened to the footage of government space that has been rented, the cost of government space that is rented, what they have done to the private sector. Then you turn and suggest to me that the public sector can run a private business, or run a mining operation as well as can the private sector. That is very unfortunate.

The last one in this particular long awaited statement on mineral policy that was presented to the Manitoba Legislature was this.

6. The private sector now engaged in the mineral industry must conduct its activities more consistent with overall social and economic objectives of the Province of Manitoba and disclosure of information relative to support of such objectives must be made readily available to government.

I am not sure what he means by that. What it would appear to be that they are very, very conscious of disclosure and this Government is doing the same thing. One of the reasons that the NDP have said they are expropriating and the reason that they have introduced this potash Bill is because the potash mines refused to give them their financial statements.

Do you know, Mr. Speaker, that we have been here two months and we haven't received one iota of financial information about the establishment of the potash corporation. Not one! Do you realize for example, we asked for a feasibility study that would take two minutes to put on that desk and here this Government is spending taxpayers' money, involving the taxpayers' of Saskatchewan in a fantastic risk and yet they are completely silent, refuse to provide one single item of information by which the people of Saskatchewan can evaluate whether it is a good deal or a bad deal. Yet they say the reason they are taking over the potash industry is because the potash industries refuse to disclose some information. Can you tell me how that is justified? It is going to be rather interesting because I know when we come to third reading of this Bill if it ever gets there, if those feasibility and cost evaluations are not there for the Bredenbury mine, it is going to be a long, long time before that clause is passed in this House. If you can suggest that a private corporation owned by private individuals with no public investment has the responsibility to provide to the public full disclosure of information concerning their private business, but yet a public company and a government which is financed completely on public money with public investment has no responsibility to provide public information or public disclosure, that I can't justify and that is one of the great mysteries that I can't understand.

I can remember when the Prince Albert Pulp Mill was being debated in this House. Premier Blakeney, who was then the Leader of the Opposition said I have got reams of information several feet in height. There were about 30 agreements,

everything was disclosed in relation to the Prince Albert Pulp Mill. Here we have ten times the investment, maybe 20 times the investment and this Government completely remains silent. Yet they expect the private sector to disclose all their information.

It is inconsistent, it is unfair, it is irrational and it is not carrying out the responsibility of government as far as the taxpayers' of this province are concerned.

Now I want to carry on, Mr. Speaker. Those six points that I read was the statement of mineral policy for the Province of Manitoba. They key one, of course, being that the private sector was to receive a fair return for the dollar invested.

To implement the policy, Mr. Green proposed:

Exploration and Development; that the province be committed to maintaining mineral development activity at a level equal to or greater than its present level. Any further intended exploration and development of mineral resources in the private sector would be reviewed by a public agency which would have an option to participate up to a maximum of 50 per cent on such a program. If the private sector reduces its exploration and development activity in the province, the public agency would make up the reduction.

That's not bad, not good!

Resource Management; new regulations would be enacted requiring full disclosure of mineral ore reserves, diamond drilling results, production objectives and such other information as may be deemed advisable in order to expediate effective planning by the Government.

Greater In-province Processing; in-province processing would be a major factor in the province's long range resource development plan. Wherever practical processing operations would be established in Manitoba through negotiations with the Federal Government and mining corporations.

This one thing I should like to suggest. Why doesn't the NDP go to the potash industry as Premier Lougheed has to the petro-chemical industry? Sit down and say, look we've got millions and millions of dollars, we're willing to invest it. But let us invest it in the processing of potash, let's negotiate exchange for the resources that are needed for the fertilizer other than potash with the United States on an exchange basis. Most of it comes from Florida. Bring it up here, exchange it, get into the processing business, sit down and negotiate with the potash mines, let them make a contribution on a shared basis and you might turn around and find something realistic. And this, of course, is the direction that the NDP should be going in the potash industry if they want to invest money. It would be investment in new jobs, new industries, growth and expansion and development for Saskatchewan. Finally:

Taxation; (i) The existing levels of royalties and taxes would remain relatively unchanged as they are reasonably competitive with those in existence in other parts of Canada. The government would provide itself with the right to honor rates similar to the practice with regard

to oil royalties so that it could realize additional revenues if there is any delay in implementing new forms of taxation.

(ii) A new tax would be imposed which would be related to price increases in the basic products of the mining resource industry. The new tax would be designed to do the following: (a) obtain a percentage of any price increase beyond basic levels for the people of Manitoba, taking into account rising costs of production in calculating the basic levels: (b) protect a reasonable return on an original capital investment for the mining industry in establishing the basic levels.

I wonder why the NDP of Saskatchewan can't follow the example of their counterparts in the Province of Manitoba? Demand full share for the people of Saskatchewan and the taxation, and yet understand and accept the principle of a fair return on the investment and a fair return in order to expand.

(c) modify or eliminate the tax so as not to apply to the mining of lower grade ores which might not be economically mined if such a tax remained.

Mr. Green stated that the policy of the government 'attempts to preserve the reasonable expectations of those private sector industries who are carrying on business in the Province of Manitoba' and 'this new thrust will result in both equity and opportunity for the people as a whole to realize a greater legitimate return for their natural resources.'

I (Mr. Watson) cannot speak for the mining industry in Manitoba, but in general terms the overall policy is not unreasonable dependent, of course, on a fair level of taxes being established.

Now this is the private sector. I'm talking about Manitoba. Saying it's not unreasonable, not unreasonable.

One can hardly object to a heavy government involvement in exploration and development in new ventures if the government enters at a grassroots level and pays its share throughout. However, the mechanics of giving information or the government an option to enter certainly presents difficulties. Full disclosure of information for resource management will provide little additional information which is not already available to the government unless 'full' is so widely interpreted that it will swamp the government with detail. The possibilities of the government setting up a parallel bureaucracy to monitor the operations of the mining companies is hardly in the interest of either the companies or the people of Manitoba. In-province processing has always been carried out when the economics of such operations favor it. If the new taxes were based on prices rather than income it would be frightening.

Now listen to this:

If the new taxes were based on prices rather than income it would be frightening.

And yet this is exactly what has happened in the Province of Saskatchewan. Well, no taxpayer is ever happy to be required to pay more, the taxation policy outlined could be reasonable because it would appear to be related to the ability to pay. And this is why I wanted to read this about Manitoba. Their tax structure is related to income — not to price. It's related to ability to pay — not to reserves in the ground. It, therefore, guarantees for the private sector the ability to carry on their operation, give the shareholders a reasonable return and have enough to expand and grow and yet provide the kind of taxation the Province of Manitoba wants. Continuing:

What has been done to legislate the taxation policy put forth by the government? At the time the policy was presented by Mr. Green, the Minister of Finance, the Hon. Mr. Saul Cherniak in his budget speech stated that legislation would be introduced to permit the implementation of a variable system of volumetric taxation related to basic price and price fluctuations with Cabinet authority to set rates. Amendments would be made to the Mining Royalty and Tax Act to provide similar rate setting authority for the Cabinet.

Since no one knew what was meant by 'volumetric taxation' one could hardly wait to see and, of course, taxation by Order in Council rates would produce a horrifying state of uncertainty.

That's one thing I want to comment on. I think the mining industry has got to get used to Order in Council, even though I don't agree with it. Because what has happened to the oil industry is a good example, or at least we are going to have to call the Legislature more often.

On May 27, 1974 the Minister of Finance tabled Bill 77 — The Statute Law Amendment (Taxation) Act, 1974, to amend the various taxing statutes of the province, including the Mining Royalty Tax Act, with which we are concerned here. Apart from a number of technical changes the significant changes in the latter Act with the increase in the annual royalty rate from 15 per cent to 23 per cent of income derived from the operation of the mine . . .

. . . notice "of income".

. . . and the provision that the Lieutenant-Governor-in-Council may fix a smaller percentage. The 23 per cent rate was effective from April 1, 1974 with income in the company's fiscal year to be prorated. Bill 77 was passed by the Legislature in June and came into effect July 1, with a higher rate of tax effective retroactive to April 1. Although the government had indicated that existing levels of royalties would remain relatively unchanged, it enacted the higher rate in the Royalties Act in order to provide it with additional revenues which it expected to obtain from the new tax, which was not likely to be legislated without significant delays because of its complexity.

Bill 82 — The Principal Minerals Royalty Act, was tabled in the Legislature, Thursday, May 30, and received first reading. On Friday, May 31, the Minister moved second reading of the Bill. On that same day the industry which

had previously indicated little opposition of the government mineral policy reacted promptly and vociferously against the Bill; and on Monday, June 3, Mr. Green met with members of the Mining Association of Manitoba to hear their views and on Wednesday, June 5, he advised the Legislature that we would not proceed further with the Bill at that session.

Now isn't that amazing! Here in the Province of Manitoba, Bill 82, The Principal Minerals Royalty Act was introduced and it had some violent reactions by the industry, it had a really bad effect on them and the industry turned around and met with the Minister five or six days later, explained their position, and the Minister came in the next day and withdrew the Bill in order to provide for the concerns of the industry to ensure that he would not jeopardize future investment in the Province of Manitoba.

Wouldn't it be interesting if the Government only had enough common sense to come into this Legislature and say, "Yes." And you know something, you wouldn't be backing down. In fact, I think you would get some kudos from all the people of Saskatchewan. You would really get some kudos, because they would say here is a government that is reasonable. Here is a government that is interested in resource development, growth and expansion and new jobs. Here is a government that is interested in people and what the resource industry can do for people. Instead of that you put the earplugs in, you stare blindly ahead, you are completely negative to any recommendations and suggestions for anybody in the industry, and I think that's a tragedy.

Bill 82 was a complex piece of legislation obviously, hurriedly drafted with the result that it was difficult, if not impossible, to interpret in parts, omitted a significant part of the proposed policy and in general did not correctly implement the other parts as was intended. It is to the credit of the government that it acted so promptly when the major deficiencies were pointed out.

That's what I said. It would be to your credit, just as it was to the credit of the people of Manitoba, the Government of Manitoba, that they withdrew that Bill.

I know, I can't understand why the Member, for example, for Weyburn (Mr. Pepper), I guess he is the only one from the oil industry left, or the Minister of Agriculture (Mr. Kaeding) from the potash seat. I just would like to know, I would really like to have the Minister of Agriculture stand up and make a five minute speech on this particular Bill outlining what his thoughts are on this particular piece of legislation and indicate to us and to the members of his own constituency whether or not he agrees with the potash takeover, and particularly when the NDP are zeroing in on his home town. They are zeroing in on Esterhazy. What's that song, 'Now You Know Where you are Going'. Well they are going right out south of the border, and right off. The old NDP are driving them right out. I don't think I have ever heard a song that has come back to haunt anybody and I am sure that the president in New York, or wherever the IMC president is going to have that song, he is going to be playing it every night before he goes to bed and he is going to have one theme in this mind, never trust the NDP. Hallelujah! Never trust the NDP.

But I hope the Minister of Agriculture stands up and makes a speech in this House. Will you do that Mr. Minister of Agriculture, and tell us what you think and what your constituents think? Because I think it is pretty important.

**AN HON. MEMBER:** — . . . give him . . .

**MR. MacDONALD:** — Oh no! I'm going to be, I'll give him lots of opportunity. I'll give him lots of opportunity.

**MR. MESSER:** — He is busy with other federal concerns.

**MR. MacDONALD:** — Oh well! But he has been here all day. I'll tell you what, we will make special allowance for the Minister of Agriculture to get ten minutes before he carries on with his negotiations with Ottawa, on Wednesday or Thursday or whatever he likes. We'll give him a schedule, we'll schedule him so he can tell us what his constituents in Esterhazy feel about this Bill and how dangerous they think it is.

**MR. MESSER:** — Maybe in February.

**MR. MacDONALD:** — In February. Well, maybe March. At least if you are too busy now we might give him an opportunity in March. Or Good Friday, just the day before the House gets out for Easter. Fine.

Since that time the Minister has set up a government study group which is working to produce a workable taxation system which will implement stated government policy and industry is being provided with the opportunity to comment critically on the proposed system.

What a difference in attitude by the NDP in Manitoba. And that's why I say I don't know about this Premier Schreyer, but I tell you he has got a little common sense when it comes to resources. A little common sense which you people haven't got.

Although Bill 82 has been withdrawn, every statement by the government indicates that its general scheme will continue in the new legislation. Accordingly a brief review of Bill 82 is in order.

I want to give you this brief review of what Bill 82 stated, what kind of an impact.

**AN HON. MEMBER:** — That's nice!

**MR. MacDONALD:** — Yes it is nice, so that you can make that kind of comparison. It's unfortunate that you people didn't have a chance to do this yourself. You should have done this before you made the tragic mistake that you are subjecting private investment in this country to. You would think that at least you could have studied the implications of other taxation policy on resource development, particularly in the NDP provinces. You looked at one little bill in B.C. and you completely ignored what happened in Manitoba. You know, the worst possible example. Here's what it is:

1. Basic Royalty. This was roughly arrived at by applying a rate not in excess of 33 1/3 per cent, to the average mining company for the year 1969 to 1973, but the royalty would not be more than that calculated under the Mining Royalty Tax Act applying a 15 per cent rate to the current year's income as determined under that Act.
2. Incremental Royalty. This was a royalty arrived at by applying a rate not in excess of 50 per cent to all income over the basic income. The intent of this royalty was to provide the government with a share of the economic rent earned as a result of high prices that were not offset by higher costs. Because of the tie-in under the basic royalty between Bill 82 and the Mining and Royalty Tax Act, the incremental income could effectively be taxed at 65 per cent, being 50 per cent under Bill 82 and 15 per cent under the Mining and Royalty Tax Act.
3. Husbandry Surcharge. This was an additional tax ranging from 50 per cent to 100 per cent, which was to be applied to all income arising from production in excess of authorized operating levels and was intended to prevent anybody from high-grading a mine. The government intended to allow a husbandry credit to encourage mining low-grade ores but this was omitted from the original draft bill. On the second reading the Minister again indicated that they intended to add this feature.
4. Mining Royalty Tax Credit. The Mining Royalty Tax Act was to remain in effect and it was intended that the rate would revert back to 15 per cent when Bill 82 was enacted and the tax paid under the Mining Royalty Act would be allowed as a credit against Bill 82 tax.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. MacDONALD:** — It's nice to have an appreciative audience of people who are willing to learn about the complexities of the taxation of mineral resources in the other provinces of Canada. I'm going to repeat that last statement so that I will make sure that all my friends on this side of the House clearly understand. Here's what it said:

When Bill 82 was enacted and the tax paid under the Mining Royalty Act would be allowed as a credit against Bill 82 tax.

5. Disclosure. There were quite detailed requirements for disclosure of information, most of which is already provided under the Mining Royalty Tax Act. Additional information to be provided under this Act included effectively all additional information on proven, probable and possible ore reserves and all contracts and arrangements for the sale or the disposition of all mine production.

And I think this question of disclosure is going to become an interesting governmental process in the next few years. The NDP have attempted to tackle the potash industry and I think probably the potash mines made a mistake. They should have sat down and negotiated what information and made possible and made sure that the competitive status of the potash industry was not

destroyed. But I think we are going to find more and more disclosure required, but I think it should be only basic material, enough to satisfy the government about conservation, about taxation principles, but it shouldn't delve into the private affairs of an industry or a corporation.

6. Discretionary Powers. This Act provided wide discretionary powers to the Lieutenant-Governor-in-Council; to fix the basic royalty rate, royalty surcharge rate, and husbandry surcharge rate at or below the maximum provided in the Act; to establish annual operating levels in the principle mining production range for each mine; to prescribe depreciation rates, the rates for the amortization of pre-production development costs not in excess of ten per cent per year; to set the base rate net value for mines not in production prior to 1974; and to appoint the tribunal for hearing appeals and then to the final body to accept or otherwise the findings of the tribunal.

This discretionary power is one of the problems, of course, the potash industry in Saskatchewan has taken very strong exception to.

7. Appeal Procedures. An operator could appeal an assessment to the Minister who could dismiss it if he considered it frivolous or vexatious. Where the Minister did not consider the appeal frivolous or vexatious and he did not amend the assessment he would refer the appeal to the Minerals Board. All appeals referred to the Board would be open to the public and the Board would make its recommendations to the Minister, who would report the recommendations to the Lieutenant-Governor-in-Council, who would determine the final disposition of the matter with no further appeal. As you can see, such an appeal procedure leaves the final decision solely in the hands of the parties to the dispute.

And I don't like that. That's one thing again about the NDP. Once again they feel that the government knows all. They have everything under their own particular thing and nobody else knows anything about it and as a result they are the good Lord himself, they make the decisions, and they have great reluctance to go to the courts.

Let us leave Bill 82 for the moment and take a look at the current level of tax on mining income in Manitoba. The Manitoba Mining Royalty Tax has been established at 23 per cent effective April 1. Let's assume that the federal proposal of May, 1974 for the mining industry are reintroduced in the forthcoming federal budget, and made effective on January 1. The comparison of the tax applicable to \$100 of mining income in Manitoba would be as follows:

In 1974, Manitoba royalties \$15, income tax \$7.37, total \$22.37 tax; federal income tax \$21.53 for a total tax of \$43.90, which is 44 per cent. Proposed 1975 total rates would be \$51.50 or \$61.50 with no earned depletion.

I would suggest to you and compare that, of course, to the NDP reserve tax.

You can see from the foregoing that the mining company

with the full earned depletion would pay in 1975 slightly more than a general corporate taxpayer in Manitoba, but its tax rate would be 8.5 above the tax rate of a manufacturing company. With no earned depletion the mining company rate would be 11 per cent above the general corporate tax rate and 18 per cent above the rate for a manufacturer. The mining industry cannot afford to pay taxes higher than the general corporation level and the industry, the provinces and Canada will all suffer if such rates prevail. We expect to see substantial changes in Bill 82 when it is re-introduced in the Manitoba Legislature, probably early in 1975. If Manitoba's revised Bill 82 increases taxes which are already too high, then Manitoba and Canada will be taking a giant step backward.

Now what we have done up until now, Mr. Speaker, we have done a kind of evaluation of three provinces. British Columbia, Saskatchewan and Manitoba. The interesting part of this dissertation is, of course, that these three provinces are all NDP provinces. They have a philosophy of government which is different than a free enterpriser, and yet there was kind of a basic difference between that of Manitoba and that of Saskatchewan, that Manitoba recognized two very basic principles that Saskatchewan does not nor did B.C.

The two basic principles that Manitoba recognized is that any tax should be based on income and profit and that that tax level should recognize the right of the individual corporation to have a fair return. Those two principles are recognized by the Province of Manitoba, entirely different than the Province of Saskatchewan and the Province of British Columbia. That's unfortunate.

Now I should like to turn to mineral taxation in one more province, I won't take very long. This is the Province of Ontario. But I think now when we talk about mining there are three or four other provinces besides Saskatchewan that have a lot of mining. We are talking about northern Quebec, Ontario particularly, Manitoba, Saskatchewan and a small amount if the NDP don't completely destroy it like MOTTCA up at Cluff Lake. It will be interesting when mineral resources estimates come along to find out what is happening to MOTTCA, Wollaston Lake, both established by the Liberal Government, and they should be coming on-stream pretty quickly, those two mines.

But Ontario is the real mining giant of Canada and it should be interesting now to make a comparison between the three socialist provinces and what they have done in mineral taxation and that one which has a free enterprise government and see if that is worthwhile.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. MacDONALD:** — This speaker is E.K. O'Brien, another chartered accountant, he is senior tax representative for the International Nickel Company of Canada Limited in Toronto, INCO another major giant. I want to point out that what these people are doing and representatives of the mining industry are being very critical of the direction of mining taxation in the Dominion of Canada, yet I think, as most of you will appreciate, very objectively. Not by asking favor of the company, looking at the overall Canadian

scene, doing a fair and honest assessment of each individual province's tax arrangements.

Let's see what they say about free enterprise Ontario, what is happening in the Province of Ontario because they too, as you recall, just as Premier Lougheed did in oil, even the free enterprise people in government are insisting that they too get a much larger return for resource industry particularly with escalating prices in the world market because of the shortage of minerals and the world demand that is increasing every day. Let's find out what Ontario says.

#### Ontario Mining Companies Recent Tax Developments.

I have been asked to deal with recent Ontario tax legislation related to mining and the effects on mining and processing in Ontario of the combined provincial measures and the provisions related to mining in the federal budget on May 6. It was hoped that by the time this conference had started there would be a revised federal budget more favorable, of course, and that regulations which the Ontario government is working on so hard would be available. Unfortunately I have no new exciting changes for you, just the old less exciting but fairly recent proposals of both Ontario and the Federal Government.

The Ontario legislation reflecting the April 9 budgetary proposals was brought before the House for first reading on June 20, 1974. The passing of this legislation is expected later this fall. Before examining in detail some of those fairly radical changes in the taxation of mining companies in Ontario, it would be useful to highlight the tax treatment of mining companies in Ontario prior to that Ontario budget. Before April 9, provisions affecting mining companies could be broken down in two areas, namely, Ontario Mining Taxes and Ontario Corporate Taxes.

Now he gets into a rather detailed explanation.

**MR. LANE:** — Let's hear it.

**MR. MacDONALD:** — Sure.

The Ontario Mining Tax. Prior to April 9, 1974 Ontario imposed a 15 per cent mining tax rate on taxable mining income. In computing the taxable mining income, the following expenditures were permitted as deductions.

- Exploration and Development Expenditures in Ontario.

I want you to notice that there are some things in these Ontario tax provisions which are much different than they are in either Saskatchewan, Manitoba or British Columbia. The basic difference is this. They are still trying to get a very fair return but they have provided some incentive to encourage expansion. I think the reserve tax is one of the great weaknesses in the Saskatchewan policy and that it gives no encouragement or little encouragement for re-investment and for the opportunity to encourage the growth and development of the potash industry.

- Depreciation on mining and processing assets on a straight line basis at a rate of at least five per cent

but not more than 15 per cent of the original cost of the asset.

- Processing allowances which are the most generous in Canada are permitted as an annual deduction in determining the taxable mining income. Based on original asset cost, eight per cent is permitted in respect of concentrated assets, 16 per cent cumulative in respect of smelting and concentrating assets and 20 per cent cumulative in respect of refining, smelting and concentrating assets.

This was the last government in Canada to recognize with the price of metals going up there needs to be some changes in the mining regulations and taxation policies in order to ensure that the Government and the people of Ontario would get a greater share. They had the right principles when they did it.

In each of the above cases the beneficiating process must be conducted in Canada. A minimum 15 per cent processing allowance of mining income is permitted and processing allowances may be deducted to a maximum of 65 per cent of the mining and processing income completed after all deductions. Processing allowances are normally reduced if custom ore or out of province ores are processed in company owned facilities. The concept of permitting processing allowances to determine the pithead value of the ore mined in order to arrive at a pure mining profit on which mining tax is applicable. To my knowledge there has been no recorded court case testing this method of arriving at pithead value for provincial mining tax purposes.

The following deductions were not permitted in computing taxable mining income; interest expense; losses carried forward or back; mining royalties paid, either to governments or third parties.

Ontario Corporate Tax prior to April 9, 1974.

Generally speaking, although Ontario imposes and collects its own corporate taxes, the Ontario provisions follow very closely to the federal corporate tax provisions. A 12 per cent corporate tax rate was imposed on approximately the same taxable income amount computed under federal rules. One small exception is that the foreign exploration provisions enacted by the Federal Government effective 1972 were not duplicated by Ontario. These provisions were described by John Turner in his May 8, 1972 budget as difficult to utilize. No federal changes however have been forthcoming.

Ontario Budget Proposals of April 9, 1974 Mining Tax Changes.

A 15 per cent flat rate on mining income was replaced with a graduated rate scale which is shown in the table.

This is rather interesting because here they have a graduated rate scale.

Mining profits after deduction of processing allowance. Up to \$100,000, zero tax; up to \$1 million, 15 per cent; up to \$10 million, 20 percent; \$10 million to \$20 million,

25 per cent; \$20 million to \$30 million, 30 per cent; \$30 million to \$40 million, 35 per cent and over \$40 million, 40 per cent.

The Government's intention was to double the yield for mining tax and to secure a larger share of windfall gains. It is obvious that this tax is a tax on bigness in Ontario and represents an unveiled attempt to severely tax large profits without regard to investment required to produce those profits.

The budget specifically stated that provisions would be introduced to deal effectively with associated companies that existed for the purpose of taking advantage of the graduated scale.

The Corporate Tax Changes. Three year exemption for new mine income was abolished. Mining taxes and mining royalties could no longer be deducted in computing corporate taxable income. In computing capital tax, mining companies were no longer permitted the mine and mill allowance that were previously available.

Positive changes in the budget included the following:

The depletion allowance would apply automatically to all operators and non-operators; the fast write-off provisions under the Federal Income Tax Act will be paralleled by Ontario for new mines, major expansion of existing mines and associated processing facilities.

That is kind of interesting, the fact that Ontario adopted the fast write-off provisions of the federal income tax and its latest changes are one of the real methods of trying to encourage expansion and growth of existing mines. It would be rather interesting if Saskatchewan had some kind of an approach which would give some kind of incentive to the potash industry instead of crying about their lack of expansion and their refusal to do so.

Non-principal business corporations will be permitted the full deduction of exploration and development expenditures incurred in Ontario.

What was the industry's reaction?

Following the introduction of the budget a state of shock and disbelief had beset mining companies who had thought up until this time that radicalism was the NDP domain.

Now listen to this.

Mining companies who had grown accustomed to hearing Kierans, the NDP Premiers, the Lewises, father and son, demanding much higher taxes be paid by mining companies did not really expect the reasonable and rational men of Ontario to be listening to them.

Marginal rates in Ontario suddenly soared from 43 to 63 per cent in 1974 and 69 per cent in 1977 without any federal action. Mining taxes were projected by government to \$88 million, up from \$45 million. Industry felt that instead of a \$43 million increase Ontario's

additional mining taxes would be closer to \$100 million. The Federal Government by continuing to permit deductibility of mining taxes would be paying 25 per cent of the additional bill. Obviously some federal action had to be taken.

This is kind of interesting, even Ontario as I indicated, the same as Lougheed, all provinces in Canada, recognized that windfall for the province in the increased value of the product, the increased prices in the world market, that all governments had the right to demand more sharing of the resources with the province. But Ontario and Alberta are doing it by taxation. They didn't have any sympathy for the industry, the industry was in a state of shock in Ontario, but it was based on a return, based on profit, based on income and is entirely different than the NDP philosophy in the Province of Saskatchewan.

The Federal Budget on May 6 followed the provincial lead of severely taxing the mining industry and administering the coup de grace to the industry by superimposing its own overreaction provisions on those already imposed by the province. Denying deductibility for mining taxes paid to the provincial governments was understandable, but unilaterally speeding up tax reforms from 1977 now back to May 6, 1974, denial of exploration and development expenditures as normal operating deductions and singling out resource industries by applying a special rate of tax, 50 per cent instead of 48 per cent back in 1974 and 46 per cent in 1976 which are the rates applicable for other companies, all contributed to severely shake the world mining industry's confidence in Canada. If Ontario actions caused the industry to break stride federal action caused them halt.

The federal goal as I see it is to make all oil companies pay tax and whatever ends they had to do to achieve that goal automatically applied to mining companies. Denial of exploration and development of ordinary operating expenditures and speeding tax reform are especially indicative of that irrational thinking. The mining industry and the oil industry had very few similarities.

All of these changes came on the heels of tax reform which had just begun to take effect. The three year new mine income exemption had gone in December 31, 1973, automatic depletion would be gone in 1977. With these two major incentives eliminated there were virtually no tax advantages left for mining companies.

I say they don't deserve any in this period, in this time of high prices, increasing world demand and the fact that there is a scarcity of resources and that Canada has a right and the Canadian people have a right to derive all tax revenue as long as it is based on profit, income, ability to pay and that business has a right to a reasonable return on their investment. Very reasonable.

Briefly the federal proposals were as follows:

- Exploration and development expenditures starting May 6, 1974 were to be placed in a special asset class, capitalized and written off at 30 per cent annually on a declining balance basis. The cost of unsuccessful

drilling programs which are the norm, is considered for some obscure reason to be an asset.

- Automatic depletion would no longer be permitted. The earned depletion provisions instead of being effective in 1977 would be in effect immediately and subject to 25 per cent limitation mining income instead of the contemplated  $33 \frac{1}{3}$  per cent.

- Tax rates which were declining from 50 per cent to 46 per cent in 1976 would be immediately increased to 50 per cent, would not decline any further.

- Mining taxes would no longer be deductible but an additional 15 per cent abatement of resource profits would be effective immediately.

- As a result of these and the Ontario provisions, effective rates of tax applying to mining companies moved from approximately 40 per cent, the rate applying to manufacturing companies, to more than 50 per cent, which seems high, bearing in mind the large degree of risk inherent in the industry and the fact that it competes in a world-wide market place without the protection of tariff barriers enjoyed by the manufacturing industry.

A comparison between the pre-Ontario Federal Budget and the post-Ontario Federal Budget is shown in Tables I and II.

I would like to read them for you.

Tables assume minimum processing allowances. It is noted that the effective rates jump from 42 to 62 per cent. The marginal rate jumps from 42 to 71 per cent. If, however, a company has used all available processing allowance i.e. between the 15 and 65 per cent minimum then the marginal rate is 73 per cent. This means that for every dollar saved through increasing the efficiency of operations 27 cents is retained. There is a danger that the Canadian Mining Companies which are among the most productive and efficient in the world are clearly being discouraged from maintaining that position.

It is kind of interesting to hear the comments of the people in Ontario and other parts of Canada when they talk about the impact of some of the tax policies in those provinces and what it will do to the mining industry in their particular provinces and yet when compared to the Province of Saskatchewan they are a minute, very, very small percentage of the impact here. There is very little or no indication as to the kind of discouragement to the industry that is in existence in Saskatchewan, where they turn around and take as high as 85 per cent of the profit before taxes.

#### Table I

"Ontario Mining Companies Combined Mining and Corporate Tax Rates." Pre-Ontario and Federal 1974 Budgets - The federal corporate tax is as follows, on \$100 mining income. Federal corporate tax deduction 12.8 leaving 87.2; automatic depletion 29.1; taxable income 58.1, tax rate 38 per cent, tax payable 22. Effective tax rate 22 per cent. Now, the pre-Ontario 1974 Budget mining taxes,

this is rather interesting. Ontario mining 100, 15 per cent after the budget, leaving 85 per cent, mining tax 15 per cent, 12.8, tax payable 13 and the effective tax rate combined 13 per cent and this is compared to 22 per cent in the federal tax.

When presenting the Bill reflecting the budgetary changes on June 20, 1974, the following modifications were announced. The Government of Ontario at least had the common sense to make some modifications.

- The new mine income would be disaggregated for the purpose of calculating mining tax. This was to encourage Ontario operators to develop new mines. Under the budgetary provisions non-Ontario operators could operate a new mine at a much lower tax cost than an Ontario operator who would have to add the new mine income to his original marginal rate.
- Depreciation allowances in respect to new assets relating to mining increased from 15 per cent to 30 per cent on a straight line basis would apply to those assets acquired after April 9, 1974.
- The processing allowances were improved in respect to refining assets operated in northern Ontario which is defined as north of the latitude of the mouth of the French River. A further processing provision was added to existing processing allowances in order to encourage further manufacturing in northern Ontario. Table III shows a comparison between the pre-April 9 processing allowances and the new proposed processing allowance.

#### Observations of the Proposed New Ontario System.

Now here are some of the comments of this tax expert and he is looking at the changes in Ontario, their impact on the mining industry, what he thinks they will do and what impact they will have. Then I would ask the Members opposite to compare this impact in Ontario as suggested by this tax expert as compared to the far more drastic tax changes in Saskatchewan and what they have done. First of all this 'disaggregation' of new mines, what is a new mine?

For 37 years the Federal Government exempted from taxation income from new mines for a period of three years. Not once did they attempt to define a new mine and relied on governmental policy and legal jurisprudence in granting exempt new mines status to certain holes in the ground. Only recently when the Bethlehem Copper case was handed down were the industry and the Department of National Revenue able to give greater clarification as to what constitutes a new mine. Interestingly enough this clarification comes after the new mine provisions have expired. It is believed that the Province of Ontario wishes to be more generous than the Federal Government in granting new mine status when all additional mining income is being taxed at the marginal rate of 71 per cent or 73 per cent it is important not to discourage the expansion of existing mines by taxing income flowing from such an investment with these ridiculous rates. It is hoped that the Ontario Government will permit the disaggregation of this type of investment.

Disaggregation of New Mines.

An operator in Ontario with one or more mines when he is developing a new mine faces several questions.

(1) Is he obliged to allocate the existing processing allowances related to existing facilities to the new mine income which is being subjected to the graduating rates of tax? If he is, the operator is merely transferring the deduction of the processing allowance to the top of existing operations from a much reduced rate on the new mining graduated rate structure. This is an undesirable transfer. It substantially modifies the new mine incentive.

(2) How would depreciation allowances apply? In developing the new mine is he obligated to take a minimum depreciation allowance thereby creating reductions in income which otherwise would be subjected to the graduated rate structure. The result in losses could neither be carried forward or backward and additionally if processing allowances are added on top of these losses the incentive to develop a new mine is disappearing.

**MISS CLIFFORD:** — No incentive.

**MR. MacDONALD:** — That's right, they never even tried to give any incentive. In other words, as I said this afternoon, I think the whole concept of the reserve tax was to deliberately drive the potash industry out of Saskatchewan, to deliberately prevent them from expansion. I don't think there is any question about it. When you say there is no encouragement and incentive you are absolutely correct. Not only that, the Government knows it, the Premier knows it, the Minister of Labour knows it, you all know it.

**MISS CLIFFORD:** — Markets . . .

**MR. MacDONALD:** — That's right, you are absolutely right, that's another question about markets. You are absolutely right, the Member for Wilkie. There is no question about it, there is no use taking potash out of the ground if you can't sell it.

**MR. SNYDER:** — How long . . .

**MR. MacDONALD:** — I think I'll make it Gordon. I should like to have you make a few more comments Gordon because it makes it more enjoyable for me, Mr. Minister of Labour. Of all the people in this House who has a very vital interest in the potash industry of Saskatchewan, its expansion, its growth, the opportunity to provide new jobs, surely to heavens the Minister of Labour should. Therefore, you should be very interested in my comments, particularly those about investing \$1 billion and not creating one new job. That's the tragedy of what you are doing here, Mr. Minister and I would hope that you . . .

**AN HON. MEMBER:** — A member of . . .

**MR. MacDONALD:** — No, I am not sure if I will ever get to be a member of

the potash board. But that's some advice that we could perhaps give to the Premier at this time if you do succeed in passing this Bill. We would hope that when selecting the board, the Member for Saskatoon is very concerned about seeing that a mother is on there.

**AN HON. MEMBER:** — . . . travel agent.

**MR. MacDONALD:** — No, no, you don't need to put a travel agent on there but I think it is important to have a mother and have good representation and not to have them all political appointees, get some good commonsense businessmen. If I remember in '71 when you became the Government you took the Saskatchewan Power Corporation and you removed practically every businessman who had any common sense from the board, and of course, three years later you got in real trouble, mismanaged the contract that cost the province some millions of dollars and ended up firing the general manager and other senior officials. So it is important to get a good board and I agree with the Member for Saskatoon that a lady on that board is very essential and as I say to the Minister of Labour I hope that in his deliberations he'll get a chance to sit on that board and talk to them so that if they do buy one mine that he can discourage them from buying any more. He could maybe get him involved in processing or something that would create new jobs and so that he won't just waste his time and waste the taxpayers' money in Saskatchewan.

**AN HON. MEMBER:** — . . . Service Printing.

**MR. MacDONALD:** — Should I go back to Service Printers? Roy doesn't want to hear that one again. I wonder, do you think that the new Saskatchewan Potash Corporation will provide equal opportunity for females in the management area?

**AN HON. MEMBER:** — Not likely.

**MR. MacDONALD:** — I wonder. For example, I hear that the Saskatchewan Power Corporation is looking for a new manager and they are now advertising, I think they started at \$50,000 and they are up to about \$60,000. I suggest that you are going to have to pay around \$75,000 before you get anybody after the way you treated the last one. I would hope that if you are getting into the management hiring business and you've got a consulting firm out looking for senior employees, and I understand that you have, you are not having too much success. I know some who have rejected you cold, that you consider some women and bring them into the management level. The Member for Saskatoon says that they may not have the training but you might at least give them some training so that they would have equal opportunity on this day when all women are created equal. What's that, Mr. Minister of Labour?

**MR. SNYDER:** — It will take you to the end of January to correct that speech.

**MR. MacDONALD:** — You know that is the first sensible thing you have said today. It will probably likely take me a long time. In fact, I'll tell you what I'll do, I'll send a few pages over to

you, Mr. Minister of Labour and let you do it because you fellows haven't done anything else for the last couple months so you might as well take part in that.

Now I want to go on here and talk about the disaggregation of new mines. Some of you might not understand that term and I want to make sure you do.

**AN HON. MEMBER:** — What does disaggregation mean?

**MR. MacDONALD:** — Disaggregation of new mines? Well, I'll have to explain it to you. I don't really understand it myself.

An operator in Ontario with one or more mines who is developing a new mine faces several questions.

**AN HON. MEMBER:** — You read that.

**MR. MacDONALD:** — Oh, I read the first two and I'm down to the third one. Pardon me.

(3) How does the operator allocate exploration and development expenditures to existing mining operations and to a new mine? A loss incurred by the new mine merely increases.

(4) How does one allocate existing overheads to new mines? The cost of operating process facilities? Allocations are complicated by the fact that the new mine may be (1) an open pit mine; (2) have a richer grade of ore than existing mines; (3) be of a different metal than those being mined, e.g. a copper producer who decides to develop an iron mine. Picture the difficulties trying to write regulations to cover all aspects that could arise in respect to a particular situation.

Treatment of Joint Ventures.

This is kind of interesting because the NDP has indicated that they have got a very broad perspective, a very broad perspective as far as resource development is concerned. They say, oh, we don't mind free enterprise, all we are going to do is strangle them with taxation, all we are going to do is expropriate them as soon as they start making any money. We really don't mind if private industry comes into Saskatchewan and the second thing we are willing to go along on public development and on joint ventures. Listen to what he says about the possibility of joint ventures in Ontario.

When an existing Ontario operator decides to develop a mine with another company, either Ontario or non-Ontario, the tax implications of a joint venture are of particular interest. From the operator's point of view he would probably wish to claim depreciation from his existing operation and have a share of the joint venture processing assets attain the level of processing allowance enjoyed by his overall operation, even though the income from the joint venture could be taxed at its top marginal rate. On the other hand a non-Ontario mining company would find that his share of the profits from the joint venture is

taxed at a much lower rate of tax. An anomaly is created in that each mining company on the same dollar of income would be taxed at different rates. This would be preferable to having a joint venture stand on its own, especially if one of the parties has an exploration program operating outside the joint venture. He would have no way of deducting these expenses.

#### Further Processing.

A processing allowance of 35 per cent cumulative is proposed on those assets in northern Ontario related to further processing, i.e. past prime metal. The government appears to be encouraging the development of manufacturing plants in northern Ontario by utilizing the existing mineral operations as a spring-board. Apparently if a producer has an equity interest in the plant then he would be entitled to deduct a processing allowance from mining and processing income equal to 35 per cent of his share of the assets which are held in the manufacturing facility. In addition he would upgrade his processing assets which relate to the input to that manufacturing facility that it bears to the total related output of existing plants. For example, if a producer from his northern Ontario facility produces ten million pounds of refined copper per year and has an equity interest in a plant which utilizes one million pounds of that copper production, one-tenth of the capital cost of all his processing facilities related to the output of the copper would attract an additional processing allowance of five per cent, i.e. in addition to the 30 per cent already permitted in a share of the assets utilized in further manufacturing would generate a 35 per cent processing allowance. The catch, however, is that the profit from the manufacturing facility must be subject to mining tax. The normal corporate rates for federal purposes and Ontario purposes would apply on the manufacturing profits, i.e. 50 per cent, if the de minimis rule applies, 42 per cent if it does not. In addition the Ontario mining tax rate at the margin of 40 per cent would apply, making a total marginal rate in a manufacturing operation of some 80 to 90 per cent. The effective rate would be tempered by the increased processing allowances.

#### Summation.

Now I want to sum up this Ontario tax business for you fellows over there.

Summing up, the Ontario tax system is not a tax on windfall profits but a tax on bigness in Ontario.

That is one of the similarities it has with the reserve tax in Saskatchewan.

- The graduated rate structure adds a further complication and a degree of uncertainty to planning and forecasting that does not exist for the flat rate of tax.
- The generous processing allowances are negated in metal down-cycles because 65 per cent limitation renders a large amount of the allowance ineffective. Retention of the 65 per cent limitation, but permitting a carryover

of unused processing allowance would permit the evening out of the cycles.

- The marginal rate of 73 per cent does not encourage efficiency, it could undermine Canada's competitiveness in the world scene.
- The further manufacturing incentives in northern Ontario when linked to the processing allowance and mining taxes for Ontario purposes, manufacturing rates for federal and Ontario corporate purposes become disincentives when the processing allowances cannot be utilized or when the manufacturing unit increases profits.
- The graduated rate scale in addition to making the producer's life more complicated does not fulfil the purpose that the government has intended, i.e. tax windfall profits.

Now, Mr. Speaker, I think what we have tried to do here today is take those four provinces in Canada and try and demonstrate that here in the Province of Saskatchewan, the Province of British Columbia, the Province of Ontario and the Province of Manitoba, all the people of those four provinces have recognized one basic principle. That the price of mining products has risen dramatically on the world market. There is an increased demand for them, the value of the commodity has gone up by leaps and bounds. That has created what are known as windfall profits. All the provinces in Canada have accepted the proposition that they deserve a much larger share of those mining profits and particularly what is classed as windfall profits. Or if you want another word for windfall profits, those profits that are over and above increased operating costs, therefore, the governments have all searched out a different method of getting a greater return for the people of their provinces. But there is a basic difference between Manitoba, Alberta and Ontario from that of Saskatchewan and British Columbia. Those three provinces recognize, number one, that their taxation system should be related to income, it should be related to profit. Second, that also the investor or the original investor who has spent his money and taken the risk originally in that province deserves a fair return. On the other hand in the Province of Saskatchewan the NDP have developed a tax system of reserve taxes on the potash industry which is almost outright confiscation. It is a lump sum payment, it is not based on profit, very little relation to income and, of course, it discriminates against the large producer. For that reason I think it is important that we talk about that.

I want to talk a few minutes if I might on the amendment. Then I have another little political science lesson for you, but I wanted to talk about the amendment . . .

**MRS. EDWARDS:** — . . . the story of the Fox and the Grapes.

**MR. MacDONALD:** — The Member for Saskatoon-Sutherland suggests that I tell you the story about the Fox and the Grapes and now I do remember that. It goes back to — Aesop's Fables — you remember how greedy the fox was, if I remember the story, is that not true, the Member for Saskatoon-Sutherland? And in his outright greed, he looked at those beautiful grapes, really the grapes

are the grapes of Saskatchewan potash. And the greedy fox is the NDP Government. All of a sudden we have the fox and the grape story all over, 2,000 years later. The only thing now the fox is the NDP and the grapes are the potash. Exactly the same story . . . I am not sure what the ending is because I lost my book here.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. MacDONALD:** — If I remember the story correctly the fox kept running, wouldn't let anybody get all of the grapes instead of trying to get them one at a time. Instead of getting them one at a time or a small portion and take his own share, his realistic share, he tried to get them all, and it ended up that he got nothing. That is exactly what is going to happen to the NDP in the Province of Saskatchewan.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. MacDONALD:** — That's a good story. But there really is quite a bit of comparison there. Because what really the reserve tax is and the NDP attitude towards potash is really nothing more than an attitude of greed. I think it should be recognized as such. Here it is, no mandate from the people just a greedy opportunity to seize the potash companies, to take them over themselves.

I want to talk about another little problem. I want to ask the Government just exactly how the Government is going to finance its programs, when you lose the \$130 million profit . . .

**MR. ROBBINS:** — We never had it.

**MR. MacDONALD:** — Well, I think you are going to get that in '76. All the taxes put together, you're talking about the royalties, the prorationing, the corporate income taxes, the whole bit . . . You're going to get your provincial share, sure you do, Wes. Don't give us that. If you say you don't get them then that is the kind of thing you should stand on your feet in this House and tell the people of Saskatchewan, tell the Members of the Legislature so somebody will have an opportunity to evaluate, but whether it is \$100 million or \$130 million. That is exactly what you should do, Wes. You're a former Minister of Finance, you should know those facts. Stand up and tell the people of Saskatchewan so they can make a decent kind of an appraisal.

I want to know just exactly how you are going to pay for the Government programs, when you lose that \$100 million or \$130 million potash revenue. I just wonder. Because you are going to have to take that money and start paying it back in debt retirement and interest payments. Sure, you are going to build up the equity, nobody is debating that. But that is the real question, is it a good deal or a bad deal. Because all of a sudden the people of Saskatchewan, because of the way you birds are going, why by 1979 and 1980, the budget of the Province of Saskatchewan, the debt and expenditures of you fellows is going to be \$2 billion . . . "birds" is a good expression, because it is going to be \$2 billion.

You fellows just turn around and say, what is it from about \$450 million to nearly \$1,200 million this year. If you look at the facts that for the past three or four years, every year you underestimated and overexpended in various government departments up to \$50 million to \$75 million. I would suggest that in the past fiscal year you have spent \$1,200 million. Four years ago the budget of the Province of Saskatchewan was \$450 million. If you have that kind of escalation, you are going to have not \$2 billion by 1980 but \$2.5 billion by 1980. Where are you going to get the money to pay those bills? For example medicare? Are you going to do the same to all the programs as you do to health, you are starving them and strangling them? Where are you going to get this?

The important of potash to the consolidated fund in this province and the tax revenues is very important, because you people are spending money like drunken sailors. Where are you going to get it? There is an old saying that a bird in the hand is worth two in the bush, that is right. You have got the bird in the hand. You fellows are looking down about 30 years.

**AN HON. MEMBER:** — The goose in the hand.

**MR. MacDONALD:** — The goose in the hand is worth two eggs in the bush, that is a better way of putting it.

I wanted to talk — seeing this debate is concurrent and I have given you a good dissertation on the taxation policies of various governments in western Canada. I hope all of you will take that, I know it was a little complicated, and it may not sink through all of your skulls. But I hope you will take it when it comes out in Hansard and read it over very carefully, and I am sure that you will probably get a little bit more understanding and insight into the complexities, particularly those new Members who have never really become involved in taxation provisions before. But now as you know that this debate now on Bill 1, particularly for me, who has not participated before, is concurrent. I want to talk a little bit about the amendment for a very few minutes. Then I have one more political science course I want to give you. This is very simple, this one and very short, I will save it for the end.

I should like to read the amendment for you just in case some of you may not — you have been away for a couple of weeks.

That all the words after 'that' be deleted and the following substituted therefore:

Bill No. 1 be not now read a second time but that the subject matter of this Bill be referred to a Special Committee on the Nationalization of the Potash Industry being composed of Messrs: Kowalchuk, Thibault, Lange, Pepper, Feschuk, Mostoway, Larson, Dyck, Lane, Nelson (Assiniboia-Gravelbourg) and Wiebe.

I know the first ones. I know that it would be a very interesting Committee because Thibault, Lange, Pepper and Feschuk and Mostoway like to win all the money. That is one thing I can assure you, Mike will win all the money. I don't know about Larson, Dyck, Lane and Nelson where they would come in.

That such Committee be directed to investigate the effects of the purchase and ownership of potash mines by non-

resident, foreign and corporate persons, and governments;

That such Committee will have the power to sit during the intersessional period and during any Legislative Session, except when the Assembly is sitting, and that notwithstanding Section 58 of the Legislative Assembly Act, (Chapter 3 R.S.S. 1965 as amended) allowance and expenses shall be paid to Members of the Committee when sitting during a period of adjournment of any Session, at the same rate as prescribed in the said section of the Act.

That such Committee will have power to send for persons, papers and records, and to examine witnesses under oath; to receive representations from interested parties and from members of the general public, and for this purpose to hold meetings away from the seat of Government in order that the fullest representation may be received without unduly inconveniencing those desiring to be heard;

And that this Special Committee be further instructed to submit its final report to the Assembly with all convenient speed.

You know I should like to tell the Members of the Government I don't know how they feel about this particular amendment because we haven't heard from them.

**MR. ROMANOW:** — Oh yes you have.

**MR. MacDONALD:** — Well, it is so long and so seldom . . . oh, yes, that ten minutes, the Minister of Municipal Affairs, that is right, we did hear from him. He didn't say much, but he didn't speak very long.

I am going to tell you this, I think . . .

**MR. MESSER:** — It's nine o'clock.

**MR. MacDONALD:** — I'm getting a little tired, I am not sure I can wind it up, Jack. I wanted to tell you that this particular wording came directly from the Minister of Agriculture. I think you people are aware of that. It goes right back to that Foreign Ownership Land Act. Remember how you really got into serious trouble? The farmers were challenging you, it looked as if the farmers were going to bring in their tractors and drive them right up on the lawn of the Legislature. It looked like a minor revolution, an agrarian revolution number two in the world. Jack Messer immediately grasped onto the concept, you remember referring it to a Special Committee, so we got the A.G. to stand up and refer it to a special committee to get them out of the problems and everything else. It came forth with some pretty productive measures. It was a good exercise.

Now I am going to suggest to you in all seriousness that this particular amendment is a good amendment. I wouldn't even mind seeing you put an expiry date, when the committee should report. Put that expiry date on so that you would know, I don't think you are going to be able to pass the potash bill. In fact if you people would have accepted this amendment and started this committee in operation prior to the Christmas break, and not

only that they would be liable to be back and finished by the middle of January, have the report in, you could take those recommendations, come forward, bring it into the House, and you might have even had a potash bill passed by the end of the month. That would really be something and it would show the kind of good government and the kind of good management that you people are capable of. I am serious about the prospect.

One of the things I think that even Members opposite will agree with, whenever you are asking for example, a husband to risk the family budget or the family savings, the most important thing he does is consult with his wife.

**MR. ROMANOW:** — In my household it is the other way around.

**MR. MacDONALD:** — In my house it reached that too, but it should be a family decision. In fact now it is getting to the stage where my children spend so much of my income that it becomes not only my wife and myself but my children become involved and it becomes a family decision. There is a reason for that. Because your wife shares the burden and the responsibility of the family and according to our laws and so forth she has equal opportunity.

When you look at potash and the expenditure of \$1 billion, and for 37 of you people to take on that responsibility for one million people without asking them, without going back to the mandate, without presenting it to them as an election issue. Some of you people like to go around saying that you have got 49 per cent of the vote. You have got 32 per cent of the people voted for you. Not even a third. Do you realize that, 32 per cent. Not even one out of three people voted for you people. I want you to know that one out of three, 32 per cent of the people of Saskatchewan voted for you. That is your mandate.

This particular amendment gives you an opportunity to go back to the people. Wouldn't you really feel much more comfortable if you went out — wouldn't, for example, the Member for Weyburn (Mr. Pepper) whose people have experienced the exodus of oil industry from his constituency.

**MR. COWLEY:** — He was re-elected.

**MR. MacDONALD:** — I know he was. But he is the only one.

**MR. COWLEY:** — The Member for Cutknife did.

**MR. MacDONALD:** — Do you mean to say that the Member for Cutknife (Mr. Kwasnica) got elected? Where is he? I never thought of that, the Member for Cutknife did get elected. I haven't seen him since we came back to this House. Where does he sit? You did see him once? I don't know if he still has his beard.

What I am really saying in all seriousness, that here is an opportunity for you to go back to the people. It is not a question of saving face. You will get credit for it. People will say that is good government. Just think of what you can do. Just think of whom you could call to this particular committee. For example you could probably put on a travelling road show as the Member for Saskatoon Centre did with the Welfare Committee. You could stop in various rural communities.

You could invite the rural municipalities and the town councils and any other interested citizens who are willing to come and make representation. You could probably schedule 20 or 30 meetings which I think would be agreeable and acceptable by the Opposition. You could even divide the committee into sections, two sections. If you advertise it, that is one thing we wouldn't complain about. Because that would be honest public advertising. It wouldn't really be an abuse of the public money even though it is related to the potash industry. Then you could give an opportunity for municipal councillors, rural people, businessmen from all over Saskatchewan and even some urban people, then you could come to Saskatoon and Regina. You could have the Chamber of Commerce, the Board of Trade. We wouldn't even invite the Saskatoon Chamber of Commerce, if the Attorney General objected to it. I think their views are very well known. I am kind of proud of them. What really bothered me was that he said, why those terrible people they are running comic strip advertising. They are paying for it by themselves. Yet his Government advertising, the taxpayers' money, that was fine and dandy. I saw, for example, compared to the Government advertising on the potash industry what the Saskatoon Chamber of Commerce did was a difference between night and day. The Saskatoon Chamber of Commerce should be proud of themselves.

It was certainly unfortunate that the Attorney General got up and attacked them for standing up and expressing their own opinion about freedom and the opportunity to speak on one of the basic issues that has ever arrived in the Province of Saskatchewan.

I really want to say again about this amendment. You could present to the people of Saskatchewan three or four basic fundamental principles that they want to know. You could bring in mining experts from outside the Province of Saskatchewan that are not related to the potash industry. You could discuss with them exactly what the cost of the mining operation, of sinking a shaft through the Blairmore, would be; the replacement cost of the existing mine; what the cost of machinery is at the present time. They could project it, they could project it ahead. They could do all those things.

You could bring in a tax consultant. That consultant could assess the reserve tax, what it has done for the mining industry in Saskatchewan. What kind of incentive it does, what kind of encouragement to expand. And also what kind of return it brings to the people of Saskatchewan. By doing that, I think that the people of Saskatchewan would get a clear understanding of exactly what the reserve tax is and what a fair rate of taxation is.

The third thing that you could do is get the cost of a new mine, replacement cost is the first thing; the second thing you could get an evaluation of the benefits to the people of Saskatchewan, so you could demonstrate whether or not the people of Saskatchewan are getting a fair return for their potash mines or from the potash companies.

I think that is important. I think you could even bring in some constitutional experts who could give you an expert opinion in fact, you could go to the Appeal Court of Saskatchewan and ask them for an opinion or some legal experts as to the constitutionality of the reserve tax. If the reserve tax has some threat about it being unconstitutional, you could then

re-write a new tax act, a new provision and find a tax system that would be acceptable to the potash industry and still bring that return that you people want for the people of Saskatchewan.

I have another book, I am not going to read it today, that is for tomorrow. It is Nationalization in British Industry. I took this home and read it and I was so excited and so interested by what this expert had to say about what happened in the nationalization of British Industries in Britain. I honestly believe that every one of you people should take it, and I am going to recommend it for reading. I intend to read a good portion of it tomorrow. This is one book that I think everybody should read. I will give you the name of the author in case you want it. His name is Leonard Tivey. He is an excellent author and well reputed in economic circles. I am sure that if you go you could get a book review that would give you a summation of this. What is really does is tell what kind of a mess the Government of England has done when it put its nose into the private sector, which didn't have a monopoly. It tells exactly what kind of a mess it is. That is unfortunate.

I should like to urge the Government to reconsider the fact of whether or not they will have a committee and have public hearings around the Province of Saskatchewan, have the opportunity to call expert witnesses. I am sure for example, I personally would like to see Otto Lang or somebody from the Justice Department in Ottawa put on the stand so that you and I as legislators in the Province of Saskatchewan would have their legal interpretation of what the effects of Bill 1 and Bill 2 will have on federal-provincial relations in Canada.

I am like the Member for Regina South (Mr. Cameron). I abhor the federal-provincial confrontation in tax provisions or tax proposals in Canada in the last two or three years, but I abhor more the fact that the private sector is caught in the middle, in this constitutional battle in Canada. I think it is terrible. I think the Federal Government and the provincial governments should not in any way institute taxing provisions without consultation and ensure that they are not jeopardizing — I can sympathize with the federal position. As you people may not realize it is the same as in the oil industry. In the mining industry exploration and development has really been financed by the people of Canada, not the Province of Saskatchewan.

In other words depletion allowances and all the tax write-offs of the Federal Government come from the people of Canada. They are taxes that they didn't get. And that the mining industry just like the oil industry has been financed in western Canada and in the Province of Saskatchewan by the Federal Government and by the people of Canada. All of a sudden now that they are in a position where they can make a profit and make a level of return to the Federal Government in the form of tax. If I was the Federal Government I don't think I would sit idly by and permit the Province of Saskatchewan and the Province of Manitoba or any other province in Canada enact provisions which would completely destroy the possibility of the federal fair share of the corporate tax dollar. When I say that I mean that. It is the Federal Government and the people of Canada who have financed the mining industry in western Canada. They are the ones. The depletion allowance and everything else is federal tax revenue not received for distribution in federal programs in the Dominion of Canada. I think all of you are aware of that. And now all of a sudden when they start to make a profit the

provinces in Canada are looking at ways and means of strangling the opportunity of the Federal Government to get a share of the corporate tax dollar.

I think they are going to take steps to protect it. I am not going to suggest for example that Bill 1 and Bill 2 are unconstitutional because I don't think that is true. I think the Province of Saskatchewan according to the British North America Act has the right to nationalize the potash industry to set up a Crown corporation. But I also know that when you talk about potash it is exported and our markets are exterior to Canada except for about five per cent. Therefore, when you start talking about trade and commerce, particularly trade and commerce outside the borders of Canada, it means without question that the Federal Government then has the right to put on an indirect tax just as they did in the oil industry. Of course the confrontation in the oil industry has had disastrous results.

I should like very much at this public hearing to have members and officials of the Federal Government, the Department of Justice and get their opinion as to what the particular impact this will have on the federal sources of revenue from the Province of Saskatchewan. I don't have to suggest to you people that if the asbestos industry did this in Quebec, the mining industry in Ontario, the oil industry in Alberta, the mining and lumber industry in British Columbia and other industries, it would destroy Canada and the whole principle of tax sharing in this Dominion of Canada which is a great country. This is the thing that makes us a great country. We have got a very unusual and distinctive way of sharing the tax revenues and the wealth of this country. By the rich sharing with the poor, and it is done through the federal system. Therefore, if we say that Saskatchewan can do this, if the Federal Government permits the Province of Saskatchewan to do this, and they let the Province of Ontario and the Province of Quebec and the Province of British Columbia and the Province of Alberta, it will destroy Canada as we know it and will seriously restrict any opportunity for the poorer provinces in Canada. I am thinking particularly of the Maritime provinces, Prince Edward Island, Nova Scotia, New Brunswick, Newfoundland. It would almost completely destroy any opportunity they had of equality in the standard of living in the future of Canada.

I had the opportunity of spending a year in the Maritimes going to school. I know that the economic base in the Maritimes is very limited. In fact, the Maritimes are very similar to Saskatchewan. For 20 years when the NDP were the Government of Saskatchewan they were known for two things; exporting wheat and people. For example they say the city of Boston and the state of Maine and all the parts of the eastern coast of the United States are almost substantially populated by people who came from the Maritimes because of lack of job opportunities. I just point that out that there are very serious implications for the Dominion of Canada in the whole relationship of tax sharing and federal-provincial relations in this regard. I think that if we passed this amendment we would have an opportunity to get some tax experts, it would give us an opportunity to assess the constitutionality, not only the constitutionality but the impact upon the whole federal revenue basis and in that way you and I would know before passing this particular Act. I notice I think that the Premier and the Attorney General and the Government Members are concerned about this too, because I have heard that they are now willing to start paying taxes, the federal

share. They have indicated that they would look at it. This is going to be a very strange piece of action. I don't know how it can be done under the British North America Act now because Crown corporations are exempt. What are they going to do, ask the Federal Government to create a new tax or are they going to make a gift to the Federal Government or are they going to withdraw from federal tax sharing? I suggest that Saskatchewan is going to be right out of it very shortly anyway, if the wheat producer continues to make this kind of money. So, in reality, I think it is a serious question that this kind of a thing could be brought before this committee.

As far as time is concerned, I think that as long as the Premier and the Minister in charge of the Saskatchewan Potash Corporation is negotiating, I understand there was another potash company down negotiating with the Government either today or they are coming tomorrow. They are continuing the negotiations, they are meeting regularly. The threat of the Act is still there, which is unfortunate in any negotiations, it certainly limits the sincerity of negotiations, but they are negotiating with the potash industry. There is no urgency to pass this legislation. The Premier knows and I think the Minister in charge of the Potash Corporation knows that there is no way that the Government of Saskatchewan is going to buy all ten mines. It is going to be done in stages. They are going to buy one or two mines. They can go ahead and negotiate with those one or two mines right now. And by negotiating with those one or two mines they must take some time for any kind of a major change of ownership for that kind of a capital investment takes a long period of time. I know from experience with the Prince Albert Pulp Mill, the Athabasca Mill. I know that in my brief tenure as Minister of Industry when we were looking at Choiceland iron mines, it's a long way down the road. These kinds of negotiations are not consummated overnight. In fact, I would suggest that even if he found one of the mining companies that was willing to sell tomorrow and they could tentatively agree on an approximate price, it would take six to eight months before that contract could be completed anyway. Before all the legal entanglements, before all the orders, the value of the production, the mining equipment, the depreciated value, etc., etc. could ever be assessed. So there is no real hurry in passing this particular piece of legislation.

In fact, I think that the Minister of the Saskatchewan Potash Corporation, I am sure would agree with me. That negotiations of this kind are long and protracted and that they could go on for months and months even though there was willingness from both parties. There is no reason to rush this particular legislation through. If we pass this amendment, set up this committee, ask them to proceed with all possible speed, by the time the spring session is in, you know when the budget comes down and the estimates before the House, I am sure the Government has other legislation, and by that time I would think that the committee could come back and report with at least an interim report, which would give some guidance to the Government and the people of Saskatchewan as to what their feeling is.

I think it is important also for another reason that you pass this amendment. It think it is important to test public opinion. I don't know if the Government accepts this. I am not sure if they are not like the ostrich which buries its head in the sand. I am not sure if they are or not because I

want to tell you something. Most people in Saskatchewan, thanks to the Opposition, are now aware that the potash industry is being taken over by the Government. I think, if nothing else, the debate prior to Christmas accomplished that particular objective. I think that is important, because any time the people of Saskatchewan invest a billion dollars, it is important that all of them know what is going on and what is taking place. Had we followed the advice of my Conservative friend there wouldn't be five per cent of the people of Saskatchewan even, know that potash existed or that the Government was expropriating it.

I think that was an accomplishment of the six weeks prior to Christmas and a very important one. Now that they are aware of this, let's test the political winds. Let's find out just exactly how they feel. Let's go out and have some public hearings.

How well do I remember in 1971 when the Premier walked in here and said we are going to be an open government. We are going to listen to the people. My God, we had enquiries on everything you can possibly imagine since I have been in this House. Things that in relation to a billion dollar potash takeover were nothing. People went to Vancouver, Seattle, Denver, New York, all over.

**MR. LANE:** — Buffalo Narrows.

**MR. MacDONALD:** — Buffalo Narrows, no that was Uranium City. We have had people go all over for things of rather minor importance. And yet here we have the most important issue and we can't even get a feasibility study or a cost study, we can't get any information. If you are an open government, why, why all of a sudden have you decided to close the doors on public opinion? Why have you decided to close the doors on public reaction? Why all of a sudden have you decided to close the doors on public information? Why all of a sudden when you demand that the potash mines disclose all their information do you refuse to disclose any to the public of Saskatchewan? You demand so much out of the industry. You challenge them for challenging you in the court. You demand disclosures and complete financial statements and yet in no way do you want to delay this Bill, you want to get it passed, you want to take over the potash industry, you want to get operational. Then can you imagine us for the next couple of years trying to get any information out of the Saskatchewan Potash Corporation? The Minister is fairly reasonable, he actually does give us pretty good information. But I am not sure that will reflect anything in the next couple years. I am sure before the next election campaign there is going to be a very, very strong reaction, nobody in the Province of Saskatchewan will ever really know what went on in the potash takeover, except the Government until the government changes.

Then you are going to find some very dramatic information. That is why I think you people would be wise to have a public information program, not a propaganda program, set up by a committee of this House. Let the committee put out the information. Show the confidence in the Members of the House, your side of the House, like the Member for Melville he was a Cabinet Minister, it is recommended that he be on this committee, the Member for Kinistino, he was the Chairman of one of your

Legislative Committees, he did a good job. Have a little confidence in them. Don't you think he has common sense, don't you think he can assess the reports and the implications of the potash industry?

I should like to suggest, Mr. Minister, to the Government and Mr. Premier that the wisest thing that this Government could do would be to pause and reflect, take their time.

**MR. ROMANOW:** — That is what you told us before Christmas.

**MR. MacDONALD:** — That is right. You haven't learned the lesson, Roy. It still applies. That is the point I am trying to make. That you haven't bothered since Christmas to listen to anybody. And there is a reason. Because you haven't given your own Members the opportunity to speak. In this House, of course, I have had ample opportunity, I have been going since 2:30. I have had ample opportunity. But you haven't given anybody else the opportunity to speak.

**MR. ROMANOW:** — I have had five letters in support and two against.

**MR. MacDONALD:** — I heard the Premier get up in the House and give that argument and give the statistics to the Member for Elrose when he asked him how many letters and telephone calls he got, he had them all numerically listed. We did the same thing if you remember in the Hog Marketing Commission. All of a sudden we decided we would ask the people to send us an opinion. We maybe only had ten letters, but months later we had sacks full that would have covered the floor of this entire Assembly.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. MacDONALD:** — You saw them, thousands of them. We put a little coupon . . . you remember that how we came into this House with baskets and bags and gunny sacks and we presented them here. But this is really what you are doing. You are saying because somebody . . . for example, there are very few people who are going to sit down and write the Premier a letter and say look, I disagree with this. But you give them a coupon, and give them a vote, and give them an address to send it to, and you will be amazed and astonished at the reaction. But all I am suggesting that here is an opportunity to let the people speak and you have refused to listen to them. We adjourned at Christmas time, we hoped that you would go out through Christmas and give an opportunity for public hearings and public presentations.

It was rather interesting, the Member for Regina South (Mr. Cameron) asked the Government if they were willing to consider withdrawing the Bill or having public hearings after the Christmas break. I don't think that any of you Ministers left your house or your office. Because you certainly didn't seem to get any kind of reaction. I should like to see you go out and talk to the union boys.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. MacDONALD:** — No, no, you are talking to the shop steward, the organizer. Oh no, don't get us wrong Roy, that's whom you deal with. You don't deal with the working man at all. The only people whom you deal with are the people who provide the funds, the organizer, the top guy. But when you come to the little guy who does the work underground who provides the funds, he's the guy. For example at Kalium every one of them but one was against the potash.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. MacDONALD:** — Perhaps you could get up, are you prepared . . . Well, you know there's a little bit there, there is a basement to keep the fire going. But the workers at Kalium certainly, honestly to a man. The workers at Kalium almost to a man. At Esterhazy, we all read the reports in the newspaper about the kind of time the Premier got at Esterhazy and from talking to people the Press was very kind to him. Why don't you go out there and give that opportunity to those, to the working men to express themselves.

I wonder if the Attorney General can get up and stand up when closing debate and give a firm commitment to this House that the unions, the working people, that work in the potash mines are in favor of this takeover. I'd like to know that. I hope the Attorney General will stand up and give us an indication that they are. Tell us where he gets the facts.

Now there is one thing about the Member for Saskatoon Centre. He was in a potash seat and he isn't there any more, so I don't know how he would ever know. I don't know how you would ever know, Paul, you live in the middle of Saskatoon. You used to be a potash constituency, but you are not there anymore. You wouldn't know anything. I just have a very few minutes to go here.

One thing I do want to thank all of you across for the courtesy of the way you have paid attention today and you have listened and I honestly hope that you have learned something and that you go home tonight and take all these thoughts that I have cast out and really seriously sit down and consider them.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. MacDONALD:** — I hope you will. Did he say he was going to ask a question? No, well, Mr. Speaker, I should like to summarize the day and I want to say that it's been enjoyable. I have another story for you tomorrow that I think is equally important, oh no, that's private members tomorrow, I get a little rest. But I do say this in all sincerity and I'm going to sum up and I'm going to call 9:30. As you can see we have almost reached that stage of the period and I want to thank you for listening attentively, I want to thank you very much for I hope you will take what I have said to heart and aside from the readings which I am sure were a little complicated and it may not have stuck in your minds too much. But I wanted to ask you really and sincerely in summing up to say this, that the real issue in this debate is not whether or not the potash industry will expand, is not whether or not the potash industry is taking you to court, is not whether or not the people of

Saskatchewan are getting a fair return for the resources, that is not the issue at all.

The real issue is whether or not the potash industry is being treated justly by the Government of Saskatchewan. That's the real issue.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. MacDONALD:** — Whether or not the level of taxation that you imposed on the potash industry is equitable taxation, in other words the very basic principle of good taxation policy by our Government should be equality, whether you are treating the potash industry the same as you are every other industry and particularly every other resource industry in this province. Why have you picked and selected them as the ogres, as the bad guys? Why have you turned around and selected them for more harsh treatment even than the oil industry? Why have you decided that you are going to destroy them and drive them right out of this province, right out of this country? This is the real issue.

The other issue is whether or not the potash companies have the right and the privilege as any citizen in this country, individual or corporate to go to the courts if they are being dealt with unfairly. That's the issue.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. MacDONALD:** — That is the real issue, that's the real issue in this particular battle and don't try and suggest that you ever had any intention of the potash industry staying in Saskatchewan because you certainly didn't provide them with the kind of tax return and incentive in the tax system to stay and expand and grow. In fact the very tax that you designed was designed in such a way it would discourage them from growth and expansion. I don't think there is any doubt about that. I think any tax expert in Canada will tell you that your tax system, that you imposed on the potash industry was designed to do one thing, to discourage expansion and growth. That's the real issue.

If you will sit down and put your minds to that thrust and put your minds to that direction, and sit down and examine your consciences and present the facts to the people of Saskatchewan which so far you have refused to do, then I think there may well be a very, very different outlook on this Bill 1 and Bill 2.

Mr. Speaker, seeing it's 9:30 I beg leave to adjourn the debate.

January 5, 1976

**SOME HON. MEMBERS:** — Hear, hear!

Debate adjourned.

The Assembly adjourned at 9:30 o'clock p.m.