

**Mr. Gillies:** Typical Macdonald dishonesty.

**Mr. Macdonald (Rosedale):** I have noted that some of the provincial spokesmen, like the Ontario friends of the hon. member for Don Valley, who have been most vehement in condemning this sales tax as a regressive tax represent provincial governments which for many years have charged retail sales tax on gasoline of up to 21 cents a gallon.

**Some hon. Members:** Shame!

**Mr. Macdonald (Rosedale):** Indeed, the Leader of the Opposition (Mr. Stanfield), who was so vehement a few moments ago against a sales tax on gasoline being used as a means of raising revenue, was himself, as provincial premier, responsible for a sales tax in Nova Scotia of 19 cents a gallon at a time when the general price was much lower.

**Some hon. Members:** Shame!

**Mr. Macdonald (Rosedale):** In a very real sense, gasoline consumption is related to income. The second-car family—like that of the hon. member for Don Valley—the snowmobile or the 75-horsepower outboard motor, reflect in a general way a taxpayer's income. Should taxpayers generally be subsidizing this kind of use? We do not think so, Mr. Speaker. When coupled with our concern that Canadians are using up at too great a rate our non-renewable resource, petroleum, and while the price of gasoline is restrained at a level lower than most other industrial countries, there is real motivation for us all to make less prodigal use of this valuable resource.

**Mr. Gillies:** You don't have any idea what the elasticity of it is; none whatsoever. You should have done some homework before you made your statements.

**Mr. Macdonald (Rosedale):** I think I would have to say that the Leader of the Opposition was rather disingenuous—because of the restraints imposed on parliamentary language that is perhaps the strongest term in which I can describe him—in saying several minutes ago that he was of course in favour of the subsidy program but he was objecting to the manner in which it was proposed that it be paid. He said that, as a Nova Scotian, he objected to the notion that when people in other parts of the country went to pay for gasoline, they would feel they were having to subsidize the use of gasoline by himself and others in the Atlantic provinces. He does not mind, of course, just sneaking it in by way of an increase in general income tax. Oh, no, that is all right. What he objects to is the honesty of putting it to people that there is indeed a subvention involved. He, in particular, would have this small-minded attitude of resentment, presumably, if he was living in other parts of the country. But I think Canadians are bigger than the Leader of the Opposition in this regard. I think Canadians in other parts of the country are prepared to pay this kind of tax so that Canadians generally can enjoy the one-price policy. I do not think the kind of small-minded attitude that the Leader of the Opposition demonstrates is one which will be demonstrated by most Canadians.

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● (1640)

All of these considerations are important in coming to a decision on the timing of price increases. But there is one further consideration which is even more fundamental. I stated earlier that the policy of the government is to phase the necessary price adjustments so that the distortions suffered by less fortunate countries that have had to adjust immediately could be minimized for Canadians. We have the ability to manage the transition in a measured way because we have substantial domestic energy resources to cushion the shock.

But this ability is depleting as our resources are depleting. Failure to take appropriate steps at this time would lead to greater uncertainty with respect to where we must go, and would delay necessary adjustments by both producers and consumers—greater exploration activity by producers and more prudent use of existing resources by consumers. Failure to act now would, as well, bring with it the possibility that a sharp and massive price increase might be required at a later date. It is just this prospect, with the painful adjustments that would be required long after other countries had adjusted, that it is our purpose and to our advantage to avoid.

[Translation]

Mr. Speaker, I earlier mentioned the compensation program for oil importers; before proceeding with the discussions on the budget, I would like to take the opportunity to announce changes in the administration of that program. Within the past year, we came to realize, mainly because of the falling off of the oil markets in recent months, that the creation and application of the compensation program have institutionalized some disparities and a kind of rigidity, and that the situation should be corrected. The program, as it is applied now, allows the importer to receive an allowance based on the increase in some costs, from a reference date which has been fixed as November 1973, and weighed according to the changes in prices of Canadian oil at the wellhead. Two kinds of difficulties arise from it.

The reference period which has been chosen, that is November 1973, was one of the most troubled time, as far as world markets are concerned, because of the perturbations following the Middle East war and the embargo that resulted. The prices of crude oil had doubled and those of the oil from Venezuela had increased much more rapidly than the other supply sources.

Freezing the situation at that time made final the temporary distortions of the world markets and resulted in a higher allowance for crude oil from the Middle East, as its costs increased, and contributed to the reestablishment of a more traditional relation with the crude oil from Venezuela. These changes resulted in an artificial advantage for Middle East crude on the Canadian market. Consequently, the proportion of Middle East oil increased faster than anticipated and the average cost of the allowance per barrel increased a little. That was the first difficulty.

The second one arises from the fact that the softening oil world market resulted in a reduction of the transport rate, which favoured the long distance supply sources. After compensation payments this reduction resulted in