

Oil Tax

issue raised. To begin with, I should point out that oil and gas resources underlying nearly all Indian reserves in the four western provinces have been set aside for the individual bands for which the reserves were set aside. There are a few exemptions, but not many.

From time to time most of the reserves in Alberta have received revenues from their oil and gas rights in one form or another. Likewise, quite a number of the British Columbia, Saskatchewan and Manitoba reserves situated in the sedimentary basin have received revenues. In Ontario a number of reserves have received substantial revenues, notwithstanding the complications arising out of the land agreement of 1924.

At present in Alberta there are some 18 bands receiving revenues from production, and 15 other bands that have active oil and gas leases. In Saskatchewan they have two producing bands and a number of other bands with active leases. In Manitoba and British Columbia there are a number of leases, but to date to the best of my knowledge there is no active production.

A few weeks ago at a sale of Indian oil and gas permits and leases, Indian bands in Alberta received over \$8 million in bonuses and rents. As I said earlier, the Indian people are very much involved in the oil and gas industry and, in fact, in a number of aspects of that industry.

Immediately after the oil export tax was initiated the Indian people began to ask a number of key questions. They were questions such as these. Should oil produced, both lessee and lessor shares, from under Indian reserves be exempt from the tax under the provisions of the Indian Act? If either or both of the shares should be exempt, would it be possible to have the oil exported to share in the higher price of exported oil? Could Her Majesty—that is the Department of Indian Affairs and Northern Development—form a marketing board to export either the royalty share of oil taken in kind or both the lessee and lessor shares, thereby avoiding the tax and obtaining higher prices? Could the Department of Indian Affairs and Northern Development obtain a rebate for the producing bands on an appropriate share of production which might be deemed to have been exported? What could be done to get higher prices for domestic oil? These are all questions that have been brought forward by members in this House, and directly to the department.

In the normal course of events, once oil is placed in a pipeline and it leaves the reserve boundary it loses its identity. In most cases it is impossible to say whether a specific barrel of oil goes to a Canadian consumer or finds its way into the export market. Even if there were some way of identifying the oil that was produced on the reserves and put into the system, we would be left with the problem of why the oil from one reserve should all go to the export market while oil from another reserve should go entirely to the domestic market.

I think it is pretty generally agreed that if Her Majesty, as represented by the Minister of Indian Affairs and Northern Development, attempted to export the oil then Her Majesty, as represented by the Minister of Finance, would try to find a way of making the oil subject to the tax. A somewhat similar

situation existed when the Department of Finance made royalties payable to the Department of Indian Affairs and Northern Development and the Department of Energy, Mines and Resources subject to a tax ruling related to corporate income tax.

Incidentally, as a result of a submission made by the Department of Indian Affairs and Northern Development on behalf of the Indian people, the lessees of Indian mineral rights were allowed to deduct from income before tax the total royalties paid to Indians. In the case of the provinces and other federal agencies there is a specified maximum limit to the royalty that may be deducted. This has allowed the Indian people to charge higher rates of royalties.

The Indian people supported the provincial point of view that frozen domestic prices for oil were unrealistically low. As in the case of producing provinces, this reduced the revenues to the producing bands. This line of reasoning seemed to have been accepted by the federal government and the consuming provinces when it was agreed that half of the tax revenues collected during the first six months should be returned to the producing provinces.

It seems to have been further confirmed that the tax rebate was based on production and not on the amount of export. If one agrees that the general result of the price freeze and the tax was a loss to the producing province, then the rebate should be based on production. If, on the other hand, it is based on a philosophy related to export of oil, then the rebate should be based on the amount of export rather than on production. Since we have assumed the same percentage of export from all the Indian reserves except the Saskatchewan reserve, it would not matter whether we used production or export figures.

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Unfortunately, neither the Indian people nor officials of my department were involved in the federal-provincial negotiations leading to the splitting of tax revenues or the setting of future oil prices. Prior to the promulgation of the Oil Export Tax Act, representatives of some of the producing bands had attended meetings in Ottawa with officials of my department and the Department of Energy, Mines and Resources. Letters were written at that time to request that the Indian interest should be considered. Realistically, one should not be surprised that the Indian point of view might not have been properly considered. Although the Indian oil production is important to them, it represents only about 3 per cent of the production for the province of Alberta.

The Indian people and my departmental officers were involved in a number of meetings respecting the oil export tax. There were two more significant meetings. On January 8, 1974 a large delegation met with the assistant deputy minister of Indian and Eskimo affairs in Ottawa. In addition to departmental staff and legal advisers, others attending the meeting included a band lawyer, an independent consultant, advisers of the Department of Energy, Mines and Resources and advisers of the Department of Justice.