The minister states that representations have been made to the Department of the Interior that failure to fix the royalty which may be charged on the products of petroleum locations has the effect of retarding development, as persons contemplating investment in this industry hesitate to incur the large initial expenditure necessary to ensure success without knowing what tax may be placed upon the oil which may be discovered.

The minister therefore recommends that for a period of five years after the date upon which the minister of the interior may decide that oil in c mmercial quantity has been discovered on lands acquired under the provisions of the regulations aforesaid the royalty to be collected by the crown shall not exceed 5 per cent of the output of the well or the sales of the products of the location as may be decided by the minister, nor shall it be less than two and one-half per cent or such sales during that period. That for a further period thereafter of five years the royalty to be collected shall not exceed 10 per cent of the sales of the products of the location, nor shall it be less than 5 per cent of the sales during that period; and that thereafter—

Without any limitation.

—the royalty shall be 10 per cent of the sales of the products or locations acquired under the provisions of the said regulations.

That order in council was passed for one purpose and one purpose only, as it says in the recital, namely, to give stability and certainty to the oil industry and those people who might be induced or encouraged to invest their money in drilling for oil. Be it said to the credit of each succeeding federal government from 1920 until 1930, that royalty regulation was never changed. It was during that period that the development of those oil resources did, in fact, get an impetus and stimulus which has carried on to the present time.

In 1930 the resources, as hon. members are all aware, were transferred to the province of Alberta, subject to the provision of section 3 of the Alberta Natural Resources Act. Be it said to the credit of the then government of Alberta and the present government of Alberta that for the next succeeding ten years, or from 1930 until 1940, or a total in all of twenty years, the federal government and the provincial government recognized the full force and effect of that which I have just read. The oil industry in Alberta has relied on the order in council.

It is quite true that the Department of Justice, to which these leases were referred, looked at the lease itself with microscopic eye to find out what it contained, whether there was any legal impediment.

I direct the attention of hon. members to clause 39 of the regulations which were attached to all petroleum leases from and after 1920 when the order in council was passed. Bear in mind that that order in council was passed to give certainty to the oil industry as to the royalties they had to pay for the next five years, for the succeeding five years, and thereafter. The draftsman of the regulations said, after his first sentence:

. . . for a period of five years after the date upon which the minister of the interior may decide. . . .

He repeats exactly the words that were in that order in council. But they still leave in the resolution the opening sentence, the old clause, and accordingly section 39 reads as follows:

A royalty at such rate as may from time to time be specified by order in council may be levied and collected on the natural gas products of the leasehold.

The first sentence provides that the royalty shall be at such rate as the governor in council may determine. Then in the same paragraph the regulation goes on to state what the royalty is. I asked the Department of Justice what was the legal position of a holder of federal royalties the day after the order in council of 1920 was passed, and the department said he was in no different position from that in which he was the day before the order in council was passed. In other words, this government had in fact given nothing, had given no security to the oil leases, which were just as insecure as before; and there was just as much uncertainty with regard to the rates after the order in council was passed as there was before. But what about the investing public; what about the people who invested millions of dollars in the development of our oil resources? They relied on the order in council, which specifically told them what the royalties were going to be.

Surely we cannot blow hot and cold at the same time. At least up until the end of 1940 this government and the government of Alberta never attempted to change that royalty regulation. If the Department of Justice is right in its interpretation of the strict legal position, which I am by no means prepared to admit, there is laid on this government a much heavier burden of responsibility, to exercise a greater degree of care to see to it that there shall be no breach on our part, or so far as this government may prevent it, of the understanding on which the oil industry has acted ever since 1920. Strangely enough, an agreement similar to this was negotiated by the provincial minister of mines of Alberta with the present Minister of Mines and Resources of Canada a year and a half ago, unknown at the time to any of the members of this house or to the people of Alberta. It did not become public, so far as I know, until the bill was introduced into the Alberta legislature.