

*The Budget—Mr. Trudeau*

stake. Does he believe the share of resource revenue claimed by the federal government is excessive? He offers silence. What level of sharing does he consider to be fair and reasonable? More silence. Does he support the provincial argument that the federal government should share with the companies whatever is left over after the producing provinces take as much as they want, no matter how much they want? Deafening silence, Mr. Speaker. He has refused to come down on the side of either the federal or provincial governments in this revenue sharing debate. He has refused to offer any alternative position.

He opted for the appearance of strong disagreement with the federal position, without indicating any actual substantial disagreement. He opted for the appearance of agreement with the provincial government of Alberta, without giving any hint of any actual substantial agreement. In the finest Tory tradition, he skirted the real issues by choosing bombast over substance, rhetoric over commitment. Such a performance does not deserve to be commended, even by the political pragmatists within his own party. He deserves to be exposed, and that is what I propose to do.

The foundation of the attack launched by the Leader of the Opposition was the statement that the resource producing provinces would never have agreed to the March oil pricing agreement if they had known that we would disallow provincial royalties as deductible expenses. He therefore implied that resource industry revenue sharing was an essential ingredient of the March agreement. He further implied that the federal government had made a secret pre-agreement decision to disallow royalties, and that alleged decision vitiated any claim we might make to have been bargaining in good faith with the provinces during our discussions early this year.

Let me deal first with the implication that the provincial governments had no indication, no warning prior to the March conference that the federal government would take strong action to protect its interests in the event that the provinces altered their royalty structures in such a way as to freeze us out of the field of resource taxation or, alternatively, reduce our access. Let me deal at the same time with the allegation that the federal government somehow violated the March agreement by subsequently modifying the level of federal taxation of the resource industries. I would emphasize, first of all, Mr. Speaker, that matters relating to federal and provincial levels of taxation formed no part of the March agreement. It was an agreement on price, not an agreement on the sharing of production profits.

Let me remind the House, for the record, of the earlier approach that we adopted at the end of January of this year at an open conference televised for everyone to see, an approach which precisely was one of trying to get an agreement on the sharing of production profits. We had proposed a sharing. We had proposed shares which no doubt were debatable but which were not debated. It was the approach of sharing which was rejected, and this is why in March, when we had only a few days left to make sure that some order was brought into the petroleum industry, we had to act. That is why we did not use this sharing of profits approach; we looked for an agreement on price and on a few other things which I reported to the

[Mr. Trudeau.]

House and which I will be talking about. Once again we must keep in context the January approach, which was one of sharing. We did not want the industries to be driven out of business. We did not want the provinces to have too little. We did not want to take too much. We wanted to discuss fair shares, but there was no discussion.

So we come to the March agreement. It is true that prior to the agreement, some time early in March, Premiers Lougheed and Blakeney both gave me an indication of their intentions, the former proposing to move to a royalty rate of about 65 per cent on oil prices above the old price levels then prevailing and the latter proposing to take close to 100 per cent. Premier Lougheed, for instance, told me privately on March 4 of his intentions to move to 65 per cent and I expressed my concern over this. I indicated to him by phone on March 8 that this would be going too far, from our point of view, eating into what we considered a reasonable federal level of corporation tax receipts.

● (1620)

So levels of taxation and royalties were, indeed, discussed with Premiers Blakeney and Lougheed a number of times during the period leading up to March 27, but no agreement was reached. I emphasized that the new and much increased royalty schedules contemplated by the two provinces were a serious concern to the federal government. I indicated that we had to reserve the right to take whatever tax action we felt appropriate and necessary to protect the federal revenue position. To underline still further the fact that the provinces were advised of our concern in relation to royalty levels, and were advised of our determination to protect the federal interest, I would refer to correspondence, copies of which I placed on the table on Monday, between myself and the premiers of Alberta and Saskatchewan on this matter.

Particularly relevant are substantially similar letters I sent to each of the premiers on March 12 of this year, 15 days before the oil price agreement was achieved, not an agreement on taxes. In my letter to Premier Lougheed I said in part:

Finally, with respect to oil policy as such, I should like to comment upon the potential impact of provincial royalty policy upon the corporation income tax. The taxation of corporate income has long been regarded as one of the most important tools of federal fiscal and economic development policy. Further, I think that the needs of the federal government to be able to share, to a reasonably appropriate degree, in the various streams of income across the country are self-evident. Historically, it has not been difficult to reconcile the interests of federal and provincial governments in this regard, but the taxation of the added income arising from higher oil prices is presenting us with a new set of problems.

I continue to quote from the letter, Mr. Speaker:

As I indicated to you, we feel we must preserve the effectiveness of the federal taxing power to raise needed federal revenues.

As I indicated, this was the phone call I made to Premier Lougheed. I continued:

We understand that the provinces appreciate this fully, but believe that any federal action should be confined to the corporation tax field. Under the existing tax structure, a very high level of provincial royalties obviously erodes the corporate tax base and narrows substantially the scope for whatever incentives the federal government feels necessary to maintain exploration.

I would repeat those words, "a very high level of provincial royalties". I continue to quote from the letter, Mr.