

*Natural Resources—Development*

being secured from wells has been exhausted, and, as a matter of fact, will enter into use commercially starting about 1960. In other words, much has been accomplished so far as oil and gas development is concerned.

However, this development is being held up by the tax laws under which the oil and gas industry operate. Even more important, I think, is the fact that Canadian companies are at a disadvantage as compared with United States companies, with the result that Canadians have been unable to play as large a part as they should, or as they would, under more equitable tax laws. The Gordon commission report dealt with this matter, and I should like to refer to it. I am reading from a summary put out by the Department of External Affairs, page 7, taxation of the oil and gas industry. This summary states what the criticisms are so far as the oil and gas people are concerned.

There are three important criticisms of our tax system in so far as the oil and gas industry is concerned, viz:

(a) Canadians are at a disadvantage vis-a-vis United States operators in the Canadian oil and gas fields.

(b) Certain acquisition and property costs are not allowed as deductions in computing taxable income.

(c) The method of computing depletion allowances is not as favourable as in the United States.

For some years these have been the complaints of the people in the oil and gas industry. They were voiced in the house every year when the budget was under consideration and the Minister of Finance and the government generally have been asked to do something to make the situation better. The Gordon report makes these suggestions. They are more or less of a compromise between what we have at the present time and what the oil and gas industry has asked for. They are:

1. Acquisition costs should be allowed as deductions in computing taxable income subject to provisions against pyramiding.

2. Present methods of computing depletion allowances should be changed. Either a lower rate of tax should be charged on profits earned from exploration and production activities or the depletion allowance should take the form of a deduction from the gross profits earned from production.

I would hope—and I ask—that the Minister of Finance would at the very least adopt these suggestions contained in the Gordon report and incorporate them in this year's budget.

Any reasonable national development policy, of course, would contain taxation features which would make possible the reasonable development of our natural resources not only as far as oil and gas are concerned, but as far as other natural resources go. That should all be included in a national development policy worthy of the name. In order to make a start on the thing,

[Mr. Harkness.]

once again I reiterate that the Minister of Finance should at least incorporate these Gordon commission recommendations in his budget of this year.

Now, although in recent years attention has been focused chiefly on Alberta oil and gas resources, they do not constitute our greatest resources for the long pull. That lies in the large area of arable land in our province, which is the greatest of any province in Canada. Except for a small corner in the north-east covered by the Canadian shield, rock formation, and the mountainous area of the south-west where we border on British Columbia, all the rest of the province could be used for agriculture. It is true that there is a good deal of muskeg in the area west of of Edmonton and in the northern part of the province; but much of this, with drainage, could be made into the richest of land. As an example of that, I point to the Holland marsh in Ontario which, once it was drained, has proved to be the best vegetable-growing piece of land in the province. There are very large areas in Alberta which consist of swamps or muskeg or marshes, or whatever you like to call them, which similarly could be turned into extremely valuable agricultural lands by drainage, and much of that drainage could be put in at a very small cost.

The opening up of new areas for agriculture has been very slow in recent years. It has been slow because the policies which this government has followed have depressed agriculture and, of course, with a depressed agriculture there is no incentive for any individual or any province to go ahead with the opening up of new lands for agricultural purposes.

The building of railways in order to open up any of these areas in the northern part of Alberta has not been considered because the surpluses of agricultural products which we already have, have depressed the markets and the distance that these areas would be from a market would make their development for agricultural purposes uneconomic at the present time. I should like to point out, however, that this will not always be so. Plans to open up these possible and potential growing areas should be under active consideration and plans should be under way for the building of railways into them.

Railways into those areas would not alone serve to open them up for agricultural purposes. They would also serve to open them up for the purpose of making use of some of the minerals in the northern areas. We advocated a railway, which I mentioned just briefly previously up to the Great Slave lake in order to make possible the use and exploitation of the very large mineral