

resulting from an increase in the price of crude. In the absence of additional exploration expenditures by industry, the federal government would collect 27 per cent of the additional production profits generated. With an increase in exploration costs of 50 cents per barrel, the federal share will fall to 3 per cent; the provincial share will fall as well, but industry's share will rise from about 25 per cent to 53 per cent. If exploration expenditures increase by 50 cents per barrel, when oil prices rise by \$1 per barrel, the federal share of the additional production profits generated could fall to zero.

I thank Senator Grosart for his review of the bill and his comments. If I have not done justice to his questions, perhaps he will be able to receive a more complete explanation in committee, because, if this bill receives second reading, it is my intention to move that it be referred to the Standing Senate Committee on Banking, Trade and Commerce. Perhaps representatives of the petroleum and gas producing industries could be available in committee, as well as officials of the department, to answer any further questions.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Senator Barrow moved that the bill be referred to the Standing Senate Committee on Banking, Trade and Commerce.

Motion agreed to.

CUSTOMS TARIFF

BILL TO AMEND (No. 2)—SECOND READING

Hon. Royce Frith moved the second reading of Bill C-55, to amend the Customs Tariff (No. 2).

He said: Honourable senators, the object of this bill is to amend the Customs Tariff. Like Gaul, the bill is divided into three parts and deals with three subjects. The first is products of interest to developing countries; the second is temporary tariff reductions due to the expected expiry on June 30, 1977; and the third is a package of miscellaneous amendments of the kind normally proposed in an annual budget.

Dealing with the first subject or first group, products of interest to developing countries, the tariff reductions on products of special interest to developing countries are provided for in clauses 1, 2 and 4 and in schedules I and III of the bill. They are designed to meet certain requests made by the developing countries in the tropical products group, as it is called, of the Trade Negotiations Conference. They are indicative of the government's desire to do what it can to improve the export earnings and the balance of trade of the developing countries even while the negotiations in Geneva are still in progress.

One of these concessions takes the form of amendments to the general preferential tariff, which applies only to imports from developing countries. Apart from that, the most-

favoured-nation tariff is being reduced or removed on a number of other tropical products. They are produced mainly in developing countries. Imports worth about \$100 million from developing countries are affected by these two measures.

The second group is comprised of temporary tariff reductions due to expire on June 30, 1977. The intention of the bill is to extend those temporary tariff reductions for another year until June 30, 1978, and clause 3 and schedule II provide for the extension until that date. They deal with reductions on consumer goods which were originally introduced in the budget of February 19, 1973. These tariff cuts apply to about \$400 million of imports in the food sector, on the basis of 1976 statistics, and about \$1 billion of non-food items such as drugs and pharmaceuticals, kitchen and dinnerware, hand tools, photographic equipment and sporting goods.

I should say there are some changes, but only a limited number of them, being made in these extensions, which can be found in the coverage of temporary reductions which were in force prior to the budget.

There are three of the limited number of changes under group 2 that I should mention specifically. First, the reduced rates on duty on lighting fixtures are being allowed to expire on June 30 in order to help domestic manufacturers in competing against imports. Those will not be extended. Second, the duty on refined sugar is being increased by one fifth of a cent per pound to provide refiners with the minimum amount of protection that the Tariff Board recommended when it reviewed the tariffs on sugar some time ago. However, honourable senators, as you may be aware, the new rates on refined sugar are still below those which were in effect prior to that 1973 budget. They are simply being restored to the levels which were in effect between February 1973 and November 1974.

● (1520)

The third of the class that are to be extended—but which, in this case, are not going to be extended—are tropical products. They are being removed from the temporary measure so that the reduced rates can be continued in force on a permanent basis pursuant to the provisions in the bill relating to concessions for developing countries. That is really a reference back to the first part.

The third subject, as I said, is a package of miscellaneous amendments of a kind that are normally provided in a budget. They are covered by clauses 5 and 6 and schedules IV and V of the bill, and include a provision to make certain machinery and related equipment from Britain and Ireland subject to the 15 per cent most-favoured-nation rate rather than the British preferential tariff of 2½ per cent. I am instructed that this is an amendment decided upon as a result of the study of the tariffs on machinery from Britain and Ireland that was announced in the 1976 budget. As we all know, these two countries withdrew their preferences on Canadian goods when they joined the EEC, and thus we were no longer required to accord preferential tariff treatment to their exports to Canada.