rate will largely depend on the blended oil price, which in turn varies according to the international price of oil. The following technical changes have been made in the sales tax system. First of all, the excise tax rate has been lowered on wines of all kinds containing not more than 1.2 per cent absolute ethyl alcohol by volume. Small manufacturers can apply for refunds of sales tax paid on machines and equipment purchased for use in their manufacturing operations.

Finally, the penalty on default of payment of federal sales and excise tax will be raised from 1 per cent to 1.5 per cent per month. Hon. members will recall that in his last budget, the Minister of Finance announced a major change in the sales tax system, namely, that the tax would be applied at the wholesale instead of at the manufacturer's level. This change in the Canadian sales tax system will be considered by hon. members at a later date. In fact, last week, the Minister of Finance said that when the bill was tabled we would have an opportunity to discuss in greater detail all the aspects of this major change in the application of the federal tax. Part III of the bill amends the Petroleum and Gas Revenue Tax Act. The tax on oil and gas production revenue which was introduced in the National Energy Program on October 28, 1980, will, or rather has been raised from 8 per cent to 16 per cent as of January 1, 1982. However, taxpayers will be able to take advantage of a new resource deduction on all oil and gas production revenue subject to this tax.

The bill also contains a provision allowing for reduction of tax on synthetic oil production projects during the initial years of production. The bill also provides for a tax on incremental oil revenue, which will be applied to production of oil found before 1981. As of January, 1982, this tax will be 50 per cent of incremental revenue, after deduction of related Crown royalties. Incremental revenue occurs because prices for old oil are higher than the prices established in the National Energy Program announced in 1980. Revenue thus taxed will be exempt from income tax. In addition the same tax will be reduced with respect to wells producing less than 20 barrels per month. This reduction, also known as the adjustment for low productivity wells, will be of substantial benefit to producers in Saskatchewan, where many such wells exist.

Mr. Speaker, the bill also includes several minor technical changes designed to lessen the impact of the tax on oil and natural gas revenue. Although removal of the export tax on natural gas will reduce revenue drawn from this resource, all changes included in the energy agreements concluded with the producing provinces will increase revenue received under the Petroleum and Gas Revenue Tax Act. Thus, the net effect of all these changes will be to reduce the government's financial requirements in the future. The bill will also help bring about a more equitable distribution of the revenue generated by oil and gas production and will provide the industry with sufficient liquid assets while removing the uncertainty that existed before the energy agreements with the provinces were finalized.

In the final instance, Mr. Speaker, the bill constitutes a major component of the government's long-term financial plan, and one of its major aspects as it relates to the energy agreements signed with the producing provinces. I believe that this bill, which implements a number of fiscal changes that have been approved by the provinces and whose purpose is also to seek borrowing authority for the next fiscal year, is fully deserving of the support of this House.

• (1540)

[*English*]

Hon. Michael Wilson (Etobicoke Centre): Mr. Speaker, today I have carefully listened to the minister discuss the direction that this borrowing authority should take, and some of its other, more technical, aspects. Before the minister breaks his arm while patting himself on the back, I just want to ask him to reflect on a few things which are related to this bill and the budget out of which the bill arises.

The budget has put thousands of people out of work. The interest rate policy has been caused over the years by runaway spending and massive deficits. It has forced thousands of people to be laid off and has forced bankruptcies of farmers, fishermen and small-business men. It has caused individual home owners to suffer huge increases in the interest rates on their mortgages. It has caused disruption of their personal budgets as they try to find $200, $300 or $400 to meet their payments. The anger, frustration and anxiety this has caused in the country should be enough to show the minister that he has no grounds whatsoever to justify this display of self-congratulation and self-righteousness. He thinks this is a good bill.

The bill contains the same mistruths as those contained in the budget, the mistruths which do not address the fact that spending is up by 22 per cent. The minister repeated the same statements, the same mistruths which are in the budget, when he said that this is a budget of restraint and that the government has tried to hold back spending. Surely, a 22 per cent increase in government spending while the national economy of a country is growing at a rate of 14 per cent or 15 per cent per annum shows no sign of restraint. The government has been making the same attempt to mislead Canadians by repeating again and again that 12 million Canadians will pay less taxes. Surely by now, all Canadians know that is not true, as people are paying hundreds of dollars more each year through energy taxes, and those are the taxes which they cannot avoid paying. The minister continues to repeat this, even after we have shown his boss, the great deceiver, the Minister of Finance (Mr. MacEachen), that Canadians do not believe and will not accept those mistruths.

Mr. Deans: How about interest rates?

Mr. Wilson: I will come to interest rates in a few minutes, so do not leave the House.

Mr. Deans: Don't worry!