

Excise Tax

This also affects heavy oil and heavy oil upgrading. The production tax is right at the heart of the problems which the industry is facing in maintaining production on an economic basis. The production tax, combined with the insufficient pricing schedule, will not result in these projects going ahead.

My colleague mentioned that the excise tax on natural gas has been declared unconstitutional by the Alberta Court of Appeal. Apart from the direct impact on the production and exploration activities of the industry, it is another reason we believe the government should withdraw these two key elements of the National Energy Program and rethink the ways in which revenue can be raised.

In passing, I should like to note that the production tax affects frontier production. Today I released the amendments we are proposing to Bill C-48, the Canada Oil and Gas Act. One concern of the various witnesses who appeared before the committee was that the production tax comes up time and again as being a key element in making production in that part of the country less economic and, therefore, less likely to proceed. There is such a layering of taxes, starting with the production tax on frontier development, that while there could be some surge in exploration activity because of the generous grants which have been provided, the next step toward bringing the fields into production could well be held back by the size of the production tax, together with the other elements of Bill C-48 which our amendments propose to remedy.

A final point on the impact of the National Energy Program on our economy concerns the balance of payments. This year we will be paying somewhere around \$5.5 billion to \$6 billion for oil imports. It will be a very, very heavy drain on our economy. The production tax will perpetuate that drain and might well see it increased because of the significant increases we are likely to see in oil prices over the next ten to 15 years.

It is one of the causes of the very high interest rate policy the government has been following. Since we have this drain on our balance of payments, we are forced to keep interest rates up to support the level of the Canadian dollar. If that oil was produced in this country, the pressure would be off and it would provide Mr. Bouey with a great deal more flexibility in the monetary policy he has been following. So it is essential that the production tax and the excise tax be deleted. We are proposing that in our amendments to the legislation.

I repeat that we will be opposing the taxes in the strongest possible way because of their very serious impact on this industry, on our energy future and on our economy in general.

Hon. John C. Crosbie (St. John's West): Mr. Speaker, just before dealing with several other points we wish to bring forward in discussing the excise tax amendments, I want to mention first how obvious it is that the provisions of this legislation are part of the scheme of hypocrisy which the government is now advancing in Canada. The taxes to which my hon. friend just referred—the tax on natural gas and gas liquids and the 8 per cent tax on petroleum and gas revenues—are part of the new, so-called energy policy which has done tremendous economic damage to the country.

I just want to refer to an address which the Deputy Prime Minister and Minister of Finance (Mr. MacEachen) made on May 6 to the Conference Board of Canada in Toronto to show how hypocritical either this legislation is or his address was. On page 2 of his address he said:

Of the three percentage point rise in inflation that we have witnessed in the last five months, two percentage points are the direct result of the recent increases in energy prices that were set out in the National Energy Program. Put another way, energy accounted for almost 25 per cent of the over-all increase in the consumer price index in the last five months.

Then on the same page he said that the annual rate of increase in the consumer price index has now gone up to 13.9 per cent in those same five months. He said that 25 per cent of the over-all increase was due to the National Energy Program. What is the National Energy Program? It is a whole series of taxes imposed by the government. In other words, the Minister of Finance indicts his government. He should have said, to put it another way, that this government has accounted for almost 25 per cent of the over-all increase in the consumer price index in the last five months.

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These taxes, and others imposed by the government, for example the petroleum compensation charge and the Canadian ownership charge, have resulted in energy price increases in the last five months. They are the cause of the 11 increases in the price of oil and oil products since February, 1980. Of the 11 increases, eight have been increases in federal taxes alone—taxation increases going to the federal government alone. Not one cent of those eight increases will go to the gas or oil producers. Not one cent of those eight increases will go to the provincial governments. They are federal tax increases—eight of the last 11 increases in the price of gasoline at the pump. Eight of the last 11 increases in heating oil, and every one of those increases, apply to all of the products which come from a barrel of oil in addition to gasoline. So it is the government of the Minister of Finance which says that it is battling inflation by putting on these inflationary tax increases. It is their own National Energy Program which they should change.

In the same speech the minister says that he has identified energy as a source of two thirds of the rise in consumer inflation which we have experienced in the last five months. Two pages on in the speech he has it up from 25 per cent to two thirds. He goes on to say:

I have argued that higher energy prices cannot be avoided.

That is nonsense, Mr. Speaker. Higher energy prices could have been avoided if the Government of Canada had chosen not to have eight tax increases in the price of oil products in the last year. We did not have to have the Canadian ownership charge. We did not have to have Petro-Canada buy Petrofina, which resulted in a Canadian ownership charge, putting the price of gasoline up 3.5 cents a gallon just a month ago. We did not have to have the petroleum compensation charge which has put the price up \$3.30 a barrel, I think it is, this year, and I have forgotten the total altogether.

The Minister's speech is rife with hypocrisy. He tries to put the blame on energy cost increases when it is the government's