it is this government and this Minister of Energy, Mines and Resources (Mr. Macdonald), Canadians have good reason to fear the consequence. I say to the House that this legislation, following on the heels of the May budget, invites confrontation and distrust from the producing provinces. Surely this action is not in the spirit which brought about the accord at the end of March, nor in keeping with the words uttered by the Prime Minister about goodwill, understanding, co-operation and generosity. Nor is this the kind of legislation that promotes trust, co-operation and goodwill, a vital necessity if Canada's long-term energy needs are to be met.

The bill which we are discussing today, Bill C-32, is one further step toward breaking down any confidence or trust which might have existed between the provinces and the federal government. I suggest that clause 22 in this legislation, which provides that the governor in council may enter into an agreement with the government of a producer province for the purpose of establishing mutually acceptable prices of the various qualities and kinds of crude oil, is in fact just a sham and a farce.

● (1650)

Under clause 36, the consultative process becomes meaningless. The clause would give the federal government the power to set aside any agreement which had been reached with a province after discussion or consultation. What a way to negotiate! What sort of blackmail is that? This action is wrong in principle and, in the view of most people, it violates the traditional constitutional position of the provinces. The bill before us is, in fact, one of the most extreme instruments for the transfer of power to a government that this country has ever witnessed in time of peace. Neither the Prime Minister nor the Minister of Energy, Mines and Resources has sufficiently explained to this House or to the Canadian people why these excessive powers are being demanded.

I think it is safe to say that all Canadians breathed a sigh of relief when it was learned that agreement had been reached between the provincial premiers and the Prime Minister. As the Prime Minister said, it was not an easy agreement. I quote his words:

> We have searched hard for solutions which would meet the reasonable aspirations of the producing provinces as well as the immediate and longer term energy needs of all Canadians.

It seemed clear from this statement, and from indications by the premiers, that compromises had been made on all sides to satisfy all needs for the foreseeable future, or at least until June, 1975—the needs of the provinces, of the federal government and, last but not least, of the producing companies. The reference in the Prime Minister's statement to recognition of the "immediate and longer term energy needs of all Canadians" suggests that he, too, saw at that time an agreement which would enable the vital search for oil and gas to continue.

Some time between the end of March and the date of the May budget, something changed. Something new entered the picture. I wish the government would take the House into its confidence and tell us what happened to bring about what amounts to a reneging on the March agreement, rendering it meaningless. In his speechmaking around the country, the Minister of Finance (Mr. Turner) has made much of the greed of the provinces in raising their royalties so as to take, as he says, too large a share of federal revenues. But why did the Prime Minister not make this important point very clear at the meeting with the premiers on March 27? What has not been made clear to the Canadian people is that the Prime Minister was fully aware of the Alberta royalty rates when the agreement was reached with the premiers at the end of March. Should there be any doubt about this, I would set it to rest by quoting from the Alberta *Hansard* a statement made by the premier on October 31 of this year:

> During my first meeting with the Prime Minister in March, 1974, I informed him it was the Alberta government's decision—which we would be announcing—to increase the royalty rates on incremental price increases to the extent of an average of 65 per cent for price increases over the existing average wellhead price of $3.80 per barrel.
>
> I also pointed out to him that we would end up with an average royalty rate increasing from 22 per cent to 40 per cent of gross production, that we would have a lower rate of about 28 per cent on new oil, and that as of April 1 we would take this production in kind through the Alberta Petroleum Marketing Commission.
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> The federal government made a reservation with regard to the position we have taken to have access to the various streams of income throughout the country. I noted that reservation and want to refer, Mr. Speaker, because of its importance, to the statements made by the Prime Minister in the House of Commons on Thursday, March 28, 1974, the day after the oil pricing accord.

Quoting the Prime Minister with regard to his announcement of the oil pricing accord, the premier went on:

> It was apparent, however, that Canadian oil resources were limited. It was apparent that if we wished to assure the huge investments necessary for adequate future supplies, somewhat higher domestic prices would be essential and that the oil producing provinces, mainly Alberta and Saskatchewan, must be assured a fair return.

The premier continued:

> He went on to say that the $6.50 would go entirely to the provinces to divide with the companies as they see fit, subject of course to the federal right to use the federal corporation tax responsibly. At the time that statement was made, and during the month of April, the position was that the federal government—or perhaps I should retract and say, as of March 27 and prior to that—the federal government was aware of our proposed royalty rate structure. We were not aware of any contemplation by the federal government to change, contrary to the spirit of confederation, the historic nature of the deductibility of provincial government royalties which, as the premiers have said, has been historic and traditional in our nation.

Mr. Speaker, Canadians are being told by the Minister of Finance and by the Prime Minister that increases in provincial oil royalties are to blame for all the upset in federal-provincial relations and for the retaliatory actions taken in the May budget. Should there be any doubt about the position of the federal government with regard to provincial royalties, I would refer hon. members to a meeting of the committee on miscellaneous estimates on November 14, 1973, when the Minister of Energy, Mines and Resources replied to a question posed by the hon. member for Waterloo-Cambridge (Mr. Saltsman) as follows:

> Mr. Saltsman, we anticipate that the provinces will be moving into the situation with amended royalty programs so as to capture some, at least, of this economic rent for provincial purposes. That is why the government of Alberta has our full support in the proposed change in the royalty legislation. We were of the view a year ago that they had underestimated the capacity of royalty collection in that province. We are glad the premier has changed his mind on that, and now proposes a