

HOUSE OF COMMONS

Monday, March 18, 1974

The House met at 2 p.m.

[English]

PRIVILEGE

MR. STANFIELD—ENERGY EXPORT TAX PROCEEDS AND EQUALIZATION—POSITION OF MINISTER OF FINANCE

Hon. John N. Turner (Minister of Finance): Mr. Speaker, I am rising to reply to the question of privilege raised by the Leader of the Opposition (Mr. Stanfield) on Friday and to clear up a misunderstanding that has arisen with respect to the equalization of provincial receipts from the export tax on oil. Since last Tuesday when I responded to a question from the hon. Leader of the Opposition I have reviewed the various exchanges that have taken place on this subject and I can now understand why there is some ambiguity about my position.

Some hon. Members: Oh, oh!

Mr. Turner (Ottawa-Carleton): When I made my statement on this subject on January 4, I was under the impression that provincial receipts from the sharing of the oil export tax for the period October, 1973, to January, 1974, would be included in the provincial revenues subject to equalization. Under the circumstances, I calculated that the cost to the Canadian taxpayer of the additional equalization payments involved would be about \$25 million.

Although I was disturbed about the long-term consequences, because I had not yet verified the legal situation, I simply assumed that they would be subject to equalization. At the same time I was very concerned that the inclusion of rapidly rising oil royalties in the equalization formula and the resulting sudden jump in equalization payments would have grave consequences for Canadian taxpayers and, indeed, for the continuing viability of the equalization program itself. Hon. members will be aware of my concern from the remarks I made to the House on January 3, the day immediately preceding my reference to the potential \$25 million equalization payment. During those remarks I said that if oil prices reached international levels, and were reflected in provincial revenues subject to equalization, I could foresee an increase in costs to Canadian taxpayers of over \$800 million. As I later stated outside the House, the costs could be considerably more than this. Under such circumstances we would be forced into considering appropriate amendments to the equalization formula. It was these dangers I foresaw that formed the context in which I asked the Leader of the Opposition to view increased equalization payments, when I answered his question on Tuesday March 12.

In the ordinary course of pursuing this matter, I sought legal advice as to whether, under the present statute and regulations, the provincial share of receipts from the oil export tax was to be included in the provincial revenues that are equalized. The opinion I received, some time after

January 4, was that these provincial receipts are not subject to equalization. Having received this advice I then attempted to clarify the situation to the first ministers at their conference on energy in January, to my colleagues the provincial treasurers and ministers of finance and subsequently to members of this House. My explanations, however, may not have been adequate, Mr. Speaker, and I am sorry if I have caused any confusion.

The one feature of this whole problem which disturbs me in the statements of the hon. Leader of the Opposition is the implication that I had misled him in our discussions prior to the passage of the export tax bill. I tried to see him last week but he was heavily committed in a way which I quite understand. It is my impression that he feels that I misled him in my argument that I needed freedom with respect to the federal share of revenues from the oil export tax after January 31 in order to pay for equalization, yet it now appears that equalization may not be due on provincial revenues charged from that tax.

First, may I say to him that when we had those discussions in early January, I, myself, was under the impression that equalization was payable against those revenues. Second, the reason for my saying that I needed freedom with the federal share of oil tax revenues was that they were required to cover the cost of any price shelter in eastern Canada if we were to achieve uniform prices across Canada and the cost of equalization. That is still the fact. The price shelter will require almost the total proceeds of the export tax. I still do not know the full amount of the total increase in equalization payments that will be due, if not on the proceeds of the provincial share of the export tax, then upon the normal flow of provincial revenues which would be eligible for equalization.

The concern I expressed to the hon. Leader of the Opposition in our private discussions, which he generously accepted, is very much alive and valid. I do not want to see the basic principles underlying the equalization program destroyed. This program has served Canadian federalism well. It has been generous to the "have-not" provinces which, this year, will get an additional \$400 million to bring the total payment to cover \$1.4 billion. The program enjoys an enviable international reputation and is one all Canadians can be proud of. I shall continue to protect its basic principles against the dangers I see emerging from the current energy crisis. However, Mr. Speaker, if the hon. Leader of the Opposition still feels he is owed an apology because of my failure to explain it to him and the House before now, he shall have it freely.

MR. JELINEK—COMMENTS BY POSTMASTER GENERAL ON
REMARKS BY MEMBER ON 1976 OLYMPIC GAMES

Mr. Otto Jelinek (High Park-Humber Valley): Mr. Speaker, I rise on a question of privilege arising from the