

[Translation]

Mr. Lewis: I suggest, Mr. Speaker, that the remaining questions be allowed to stand.

Mr. Speaker: The questions enumerated by the Hon. Parliamentary Secretary have been answered. Shall the remaining questions be allowed to stand?

Some Hon. Members: Agreed.

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MOTIONS FOR PAPERS

Mr. Doug Lewis (Parliamentary Secretary to Deputy Prime Minister and President of the Privy Council): Mr. Speaker, I ask that all notices of motions for the production of papers be allowed to stand.

Mr. Speaker: Shall all notices of motions for the production of papers be allowed to stand?

Some Hon. Members: Agreed.

• (1510)

GOVERNMENT ORDERS

[English]

PETROLEUM AND GAS REVENUE TAX ACT

MEASURE TO AMEND

Hon. Tom Hockin (Minister of State (Finance)) moved that Bill C-17, an Act to amend the Petroleum and Gas Revenue Tax Act and the Income Tax Act and to repeal the Petroleum and Gas Revenue Tax Act, be read the second time and referred to a legislative committee.

He said: Mr. Speaker, this is the third occasion the House has been asked by the Government to consider changes to the Petroleum and Gas Revenue Tax Act. I am pleased to tell Hon. Members that this will be the very last time.

In September of 1984, my predecessor, the former Minister of State for Finance, was assigned the task of carrying forward a number of *ad hoc* changes to this tax which had been left over as unfinished business of the previous Government. Early the following year the Government was able to negotiate a new energy pricing and taxation deal for western Canada. This new deal, the Western Accord, began the process of healing the enormous economic and political damage done by the National Energy Program. In the Western Accord, the federal Government agreed to the general phase-out of the PGRT by the end of 1988. It also agreed to its immediate elimination for new production and a number of other relieving changes.

Petroleum and Gas Revenue Tax Act

The amendments Hon. Members are now being asked to consider follow the spirit of that historic agreement. Hon. Members are being asked to approve legislation which will accelerate the phase-out, terminating this unpopular and inappropriate tax on all revenues attributable to production after September 30, 1986.

Let me remind Hon. Members of the political and economic importance of the legislation before us. This legislation will mark the end of the petroleum and gas revenue tax, a tax which has done more to alienate western Canada than any other single measure since Confederation. It was a tax which imposed an unjustifiable burden on the petroleum industry when it was enjoying prosperity and was threatening to strangle it in today's environment of much lower crude oil prices. My party recognized the inequity of this tax and promised in 1984 to abolish it.

The previous Government designed incentive systems which gave with both hands. It provided both income tax incentives and direct grants. At the same time, the PGRT and income tax systems were taking money from the petroleum industry with two hands. We have fulfilled our commitment to abolish this tax and we have done so in a fiscally responsible manner.

The decision to remove the PGRT immediately rather than follow the originally agreed upon schedule was not taken lightly. The decline in international oil prices had already reduced the Government's expected PGRT revenues in the fiscal year 1986-87 by some \$425 million. Earlier this year the Prime Minister (Mr. Mulroney) announced increased relief targeted to small producers by increasing the small producer credit to \$2 million per year. The continued slump in oil prices necessitated additional action. My colleague, the Minister of Energy, Mines and Resources (Mr. Masse), although very new to his portfolio, met with his provincial counterparts and industry representatives in August of this year. After these meetings and the assurances obtained, it became possible for the federal Government to immediately eliminate the PGRT.

The cost of this elimination is not cheap. It will cost \$150 million for the remainder of this fiscal year. But it is money well spent because it will help to save the jobs of Canadians and because it reaffirms to western Canadians that this Government truly cares about their current economic problems and stands ready to help where it can. These are difficult economic times with our large deficit, but we are taking \$150 million out of our own treasury in order to hasten the schedule of abolishing the PGRT.

I have spoken about why it was necessary for the Government to accelerate the PGRT phase-out. My colleagues from western Canada have pointed out on many occasions how the National Energy Program in general, and the PGRT in particular, was responsible for so much economic and political damage to this country. I would like to now bring to the attention of Hon. Members one of the less well-publicized provisions of the legislation we are considering. I would like Hon. Members to consider the treatment of the smaller corporations who receive royalty income. Many of these