

Mr. Crosbie: After the crocodile tears are over, I will carry on.

This tax will not apply to heating oil in the home or elsewhere.

Some hon. Members: Hear, hear!

Mr. Crosbie: The tax will apply to all users of transportation fuels and will replace the current tax of seven cents a gallon on gasoline which applied only to non-commercial users. Thus the increase is 18 cents a gallon for those using gasoline for personal use only. Farming, commercial fishing and urban public transit systems will be entitled to a rebate of ten cents per gallon and so will be taxed effectively at 15 cents.

All federal proceeds from the new energy tax and a substantial part of the proceeds from the excise tax will be returned to the economy in the form of direct measures to assist in developing alternate energy sources, conservation methods and to assist regions and people in Canada in absorbing these higher costs.

The former government stated that it was never its intention to maintain indefinitely the present regime of cheap energy in Canada while the rest of the world was adjusting to the new realities. They said then that there was no practical alternative to continuing a phased adjustment to higher energy prices. They stated that this was essential to provide for future supplies and to conserve this scarce resource. The problem that they left us is that they did not have the courage to carry out their own policy. We have to act now so that Canada can be self-sufficient in all energy sources, including oil, by the 1990s and to protect Canada from chaos whenever international oil supplies are interrupted. Unlike the previous government we will not declare a policy and then fail to act.

I am announcing tonight an income-tested, refundable, energy tax credit of \$80 per adult and \$30 per child per year, phased in over two years, for the benefit of lower and middle-income Canadians. The cost of this measure when in full effect will be \$1 billion each year.

If the opposition parties permit our mortgage interest and property tax credit legislation to be passed into law, reductions in federal personal income taxes will be \$1.2 billion in 1980, rising to \$2.9 billion in 1982. Federal income taxes will also be reduced in 1980 by \$1.4 billion through indexing.

Investment in common stocks of businesses in Canada will be encouraged by a new investment plan, the Canadian Common Stock Investment Plan, and by changes in the Registered Retirement Savings Plan rules.

To assist small unincorporated businesses, and to recognize the contribution many wives make to running them, salaries paid to wives or husbands by such businesses will be deductible. This will be another step along the continuing road towards equal status for Canadian women.

Tax measures will be introduced to reduce the borrowing costs of small business corporations during the present high-interest situation by means of a small business development bond.

The Budget—Hon. John C. Crosbie

New tax incentives will encourage regional development and promote investment in Atlantic fishing vessels built in Canada.

Farmers will receive substantial relief from problems caused by the taxation of capital gains on farm land.

Income tax changes of importance to family law reform will be introduced.

A surcharge of 5 per cent on corporate income taxes will be imposed for a period of two years as a contribution from the business sector to our overwhelming need to reduce the deficit.

The super depletion allowance for frontier drilling will be extended at a reduced rate to the end of 1980 and then replaced. The write-off for Canadian oil and gas property, including land bonus payments, will be reduced from 30 per cent to 10 per cent.

Taxes on alcoholic beverages, tobacco and some other products will be increased.

Measures will be taken to eliminate certain abuses in the tax system.

Unemployment insurance contribution rates will be increased while the employment tax credit will be enriched.

THE ECONOMY

Before turning to our specific objectives for reducing the deficit and a fuller discussion of the budget measures let me review our current economic situation and the general economic environment we face over the next several years.

Output and employment in the Canadian economy were stronger in the third quarter than had been generally expected. Gross national expenditure in real terms is likely to increase by something like 3 per cent in 1979. Over the past four quarters, business investment in particular has been growing strongly, showing an increase in real terms of 12 per cent.

Job creation has also been impressive. About 440,000 more people were employed in October, 1979, than in October, 1978. More than 135,000 of the new jobs were in the manufacturing sector.

But the news has not all been good. Of particular concern was the deterioration in our balance of payments on current account. During the first three quarters of 1979, imports of goods and services exceeded exports at an average annual rate of \$6.1 billion, compared to \$5.3 billion in all of 1978. Export growth slowed because of the slowdown in the U.S. economy while import growth accelerated, reflecting the high level of expenditures in Canada for machinery and equipment, most of which is imported.

Consumer prices continue to show year-over-year increases in excess of 9 per cent, despite some slowing of the rate of increase in food prices. At the same time, energy and other non-food prices increased at above average rates.

Our prospects for 1980 are clouded by the recession which now appears to be under way in the United States. Although their output may actually fall, we estimate Canada's will rise about 1 per cent. This means that fewer jobs will be created in