

Petroleum and Gas Revenue Tax Act

the Petroleum and Gas Revenue Tax Act, be read the second time and referred to a legislative committee.

Mrs. Barbara Sparrow (Calgary South): Mr. Speaker, as I was saying earlier, it is a joy for me as an Albertan to rise to speak to the total elimination of the PGRT.

Why was the petroleum industry singled out to bear this unjustifiable burden? Marc Lalonde has admitted that the Liberal Government did not want to see the West gain strength and thereby achieve financial independence. He wanted westerners to be second-class citizens. That was unfair, unjust, and discriminatory. One industry in Canada was singled out to bear the burden of this well-head revenue tax which could not be deducted for income tax purposes. It was a tax on a tax. The previous Government was taking money from the petroleum industry with two hands.

Last April, along with my Alberta colleagues, I visited with the previous Minister of Energy and received agreement that the PGRT had to go. This was followed by visits and consultations with the Minister of Finance (Mr. Wilson). When I drew to his attention the disastrous situation for producing provinces and the total unfairness of this specific tax on one industry, an industry which was suffering dreadfully due to international world prices, the infamous tax was terminated, not just phased out.

I have not forgotten the deficit. We must support deficit reduction. It is the priority goal of the Government. We cannot leave this heavy debt load on the shoulders of our children and grandchildren.

In September, 1984 when the Conservative Government was elected, the forecast deficit was \$38 billion and growing. In two years the Government, under the excellent direction of the Minister of Finance, will have the deficit reduced to \$32 billion. Interest rates are down almost four full points. Inflation has levelled off at 4 per cent. The unemployment rate is now at a single digit figure. These are remarkable accomplishments, but there is much more to be done in this area.

I want to return to talking about small explorers and producers, the one, two and three man companies which use royalty income for cash flow. Royalty income has always been considered by many as a passive income not used for activity. How wrong that is. Activity is exactly where it is used. These small companies have that great spirit of the entrepreneur. They are the risk takers. These companies were totally ignored by the previous Government. Alberta MPs put the facts about the small producers before the Minister of Finance (Mr. Wilson). We explained their dilemma and how the situation could be rectified. The Minister announced in mid September that these small producers would receive PGRT relief on the first \$1.5 million royalty income retroactive to January 1, 1986.

PGRT taxed revenues, not profits. PGRT taxed one region of the country in order to subsidize exploration elsewhere. PGRT provided \$10 to \$10.5 billion in revenue to assist frontier exploration through the PIP grants.

PIP grants provided up to 80 per cent of the costs in the frontier for exploration. It depended upon the COR content of the company, that is, the Canadian Ownership Rating that a company had. According to the percentage you had, you could get up to a maximum of 80 per cent of costs written off. This forced or enticed Canadian companies that could ill afford it into the frontier, not based on geology, not based on economics but based on giveaway PGRT dollars. Western Canadian producers supported the frontier action, but no additional production has been achieved. Let me correct that because Amauligak in the Beaufort did produce some 300,000 barrels last summer, which oil was shipped out and sold to Japan. That was a pilot project and although closed down today, I must add that the Beaufort has great potential for future development and production.

Back to the PGRT and the PIP grants, Mr. Speaker. Western producers have paid some \$10 billion in PGRT since its inception. PIP grants cost \$7.2 billion. It is easy to see that western producers subsidized all the frontier exploration. Self-sufficiency and security of supply are Canadian issues, a Canadian responsibility and, therefore, should really be paid for by all Canadians.

• (1720)

This PGRT tax was introduced unilaterally by the Government of the day in October, 1980, a unilateral decision totally unacceptable to my Government. We believe in consultation with industry and with provincial Governments. National reconciliation is a must. But without consulting the provinces, the Grits, who did not have an elected Member west of Winnipeg, implemented the blatant revenue grab along with a made in Canada pricing regime. The National Energy Program contained many new taxes designed to bolster the federal coffers while reducing the provincial share and the industry's share of resource revenues.

In June, 1985, we moved to deregulation of oil. This came about by the signing of the Western Accord in March, 1985. It has worked extremely well and the western producers as well as all Canadians are very pleased.

On November 1, 1986, we moved to deregulation of natural gas. There are two major concerns here: the regional reference border price and the export surplus test. In the statement of the Minister of Energy, Mines and Resources (Mr. Masse) last Thursday, he addressed these two concerns. We must allow export licences in order to create cash flow and cash flow creates activity and future security. It is very important that we monitor this regional reference border price and that we allow gas exports. We can monitor and check on them twice a year, and if there is some sort of problem in that area, the National Energy Board or the ERCB within the Province of Alberta can certainly address the issues.

Last week the Province of Alberta made a statement. I congratulate the province for it. The Premier of Alberta and the Energy Minister announced a \$1 billion assistance package intended to strengthen the viability of the energy sector, to