

The Budget—Mr. MacLaren

nately benefit from the new program presented in the budget. A company at least 75 per cent Canadian owned with one dollar in cash will be able to spend \$5 on Canada lands, \$4 coming from the government as incentive payments. Such a company will have to pay only 7 cents of each dollar spent on exploration on Canada lands. The cost of exploration on provincial lands will amount to only 34 cents for each dollar when the program is fully implemented in 1984. This compares with a cost of 37 cents for each dollar under the past system.

Incentives, as has become evident to all those who have read the new energy program, will be less attractive for foreign companies. For example, their net cost on Canada lands will be 28 cents for each dollar. Nevertheless, the total system will remain highly attractive by international standards.

The incentive program will be very attractive to individual Canadians and will help oil and gas companies to raise money through drilling funds. Individuals will get the same incentive payments as Canadian companies. Net cost of exploration for an individual with a marginal tax rate of 40 per cent will be only 39 cents for each dollar spent on provincial lands and 12 cents for each dollar spent on Canada lands. These are indeed major incentives for Canadians to invest in the fastest growing and most prosperous segment of our economy.

I have already said a word about Canada lands. I want to expand for a moment on that particular aspect of our policy affecting those lands in the high Arctic and offshore. A new Canadian oil and gas act will enable the government to direct development on these lands more effectively, to share more equitably in profits from future production and to increase Canadian ownership. Starting in 1981, the government will make incentive payments from 25 per cent up to 80 per cent of all exploration costs on Canada lands. It is only normal that the government would then share in both costs and revenues. The 25 per cent interest reserved for the Crown, which has led to some discussion in the House, must be evaluated in the context of the overall system on Canada lands, taking into account the royalty system which could have been used to increase the government's share. Looking at the system as a whole, it appears attractive by any world standard.

The new policy provides for a carried interest for the Crown in the Canada lands. When it is converted to a working interest, the Crown corporation involved will have to pay its share of the costs. Development costs being much higher than exploration costs, the government will have to pay a larger share of total cost to receive a share of revenues. The application of this clause to existing interests is justified since the government and the taxpayer paid a large share of the exploration costs incurred previously.

There are various other aspects of the incentive program for greater Canadianization in the petroleum industry which I could touch on, for example, the natural gas bank, the role of the Foreign Investment Review Agency or the acquisition policy which will be carried out by Petro-Canada. But I think it will be sufficient if this evening I simply note that contrary to what some have suggested, the Canadianization objective of

this government will be no deterrent to our energy security. Quite the contrary, our program will reinforce an existing tendency by aggressive Canadian firms to expand both by acquisition and by new discoveries.

When acquisition is by a public company, that company can be expected to follow the tradition already established by Petro-Canada as a leader and as a catalyst in such ventures as offshore exploration, energy transport and oil upgrading. Our program is intended to reduce the profits of firms which are not now investing adequately and to divert those funds to firms which are willing to explore more aggressively. In the case of acquisitions, it is to be expected that the firms to be acquired will be predominantly those with less than average reinvestment track records and that the acquiring firm will have a better than average record. In this way a process of Canadianization is one which enhances our energy security.

In summary, the new energy program builds on Canadian energy strengths. We already produce more energy than we consume. We offset our deficit in oil with our surpluses of electricity, natural gas, uranium and other fuels. Oil prices will, of course, be increased substantially, but they will increase gradually and predictably, remaining below the international prices while being high enough to encourage new supplies and to act as an additional inducement to conservation.

Natural gas prices will rise slower than oil prices. Gas distribution will be expanded, and we shall encourage households across Canada to switch from heating oil to gas and encourage businesses to move toward a greater use of natural gas. Through stimulation by federal grants to consumers and other methods, we shall encourage the substitution to forms of energy other than oil.

The principal feature of the new energy policy is one of sharing. That aspect is important if all Canadians are to receive the full benefit of our new energy policies and to share in the total energy industry which is the greatest stimulus of our economy today.

Mr. Peter Elzinga (Pembina): Mr. Speaker, I appreciate very much this opportunity to participate in the budget debate, in view of the fact that we faced closure on the constitution issue, an issue which is possibly the most important issue which could be before this House of Commons as far as the future of Canada is concerned.

In his press conference on October 23 the Prime Minister (Mr. Trudeau) stated that we as members of Parliament would have the opportunity to debate the very important issue of our constitution in this House of Commons, but it is obvious that he reneged on that promise. When we review the record of the Prime Minister, we find that this is nothing new. He is very often willing to make statements but not to live up to his commitments once he is in government.

What we in western Canada resent so much with regard to the constitutional package is that it makes us second-class citizens. Two provinces are guaranteed a veto right under the constitution whether they have 25 per cent of the population or