

ernment is for that government to move arbitrarily and unilaterally into a major area of provincial jurisdiction.

In our view, the federal government's position on resource taxation is such a move. For the first time in our history the federal government is saying to the provinces that provincial royalties on resources will no longer be deductible by corporations for taxation purposes. In case there was the slightest doubt about that, the Prime Minister dealt with it at length this afternoon.

It is important to note, Madam Speaker, that this issue is not simply a matter of the federal government versus the oil producing provinces of western Canada. I think it is important to stress this point particularly in this budget debate because during the past eight or ten days that has been the principal focus, aided and abetted, I would suggest, by the Prime Minister himself. It is a posing by the federal government in respect of national interest, in opposition to the western provinces. That is the way the Prime Minister would like to see the issue go. This is a matter which affects all the provinces, Madam Speaker, and it is one upon which all the provinces have made their views known to the Prime Minister. In the communiqué issued following the annual conference which took place in Toronto on September 12 and 13, the premiers expressed their strong opposition to the federal government's then recently expressed position on resource taxation. I quote briefly from the communiqué:

The premiers were unanimous that the non-deductibility of provincial royalties and mining taxes in determining federal income tax was contrary to the spirit of confederation.

That was a unanimous declaration by Canada's ten provincial premiers. They described this action of the federal government as a blow to federal-provincial relations and strongly urged the Prime Minister to remove the non-deductibility provisions from his forthcoming budget; that is to say, from the budget they knew was coming within a month. In complete disregard of this sensible and constitutional request, the Prime Minister and the Minister of Finance reintroduced the objectionable proposals in the budget that was presented to this House last week. That was done with the full knowledge that such action would produce confrontation and prevent co-operation from all our provinces.

Why are the provinces united in their opposition to the federal government's non-deductibility policy? Perhaps this is the most serious question that has to be faced. It was not faced in a serious way this afternoon by the Prime Minister. The provinces object because such a policy impinges in a financial way upon one of their traditional domains, ownership and control of their natural resources. They ask why a royalty paid by one company to another should be deductible when a royalty paid to a province is not. The second and related basic question is why a royalty paid by a Canadian company to a foreign government should be deductible from federal tax, but one paid to the province of Ontario or Quebec is not. That is an important question which the Prime Minister dealt with this afternoon. The government's sole justification for federal incursion into provincial rights is its contention that all Canadians should have a right to share in the benefits of the natural resources of this country. The Prime Minister tried to make that point this afternoon. This is so self-evi-

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dent and so simple in principle that no one, including the provinces, argues against it. The Prime Minister has created a straw man to attack. He thinks he has made a substantive policy decision by destroying the straw man he himself has created.

The point in dispute now is not the right of all Canadians to share directly or indirectly in our natural endowment; rather, the point in dispute is the means of achieving this goal. To begin with, you do not get a determined spirit of co-operation on this issue by the ten provincial premiers by taking away a right they have correctly assumed has been theirs since confederation.

**Some hon. Members:** Hear, hear!

**Mr. Broadbent:** Surely that should be self-evident. Such an approach produces only resentment, anger and non-cooperation in the premiers of all the provinces, not just the premiers of the two oil producing provinces. What is required is a frank reassessment of our approach to equalization in Canada. This is essentially what Premier Blakeney, among others, has been saying for many months now. Until such reappraisal takes place and new ingredients are added to a mutually agreeable formula, it is fundamentally wrong, in the view of the NDP, for the federal government arbitrarily to change the existing rules of constitutional practice.

What is so reprehensible about the government's action is that it has produced, entirely on its own initiative, an atmosphere of distrust and suspicion from a foundation last March, to use the Prime Minister's words, which was one of good will and deep commitment to Canada. That is the atmosphere he described and reported back to the House last March. The Prime Minister's disregard of a solemn commitment has led to the present situation. I say that with care and deliberation. His disregard of a solemn commitment has led to the current constitutional problem on this issue.

During the many months of last winter's energy crisis a series of meetings at every level of government took place. Finally, in March, an agreement was reached concerning oil prices and related taxation policy control, again referring to what the Prime Minister said this afternoon, pertaining in particular to the establishment of capital funds. This agreement would not have come about but for the provinces of Alberta and Saskatchewan.

● (1810)

**An hon. Member:** And Ontario.

**Mr. Broadbent:** Those two provinces sacrificed millions of dollars, in the national interest, by accepting a lower Canadian price for oil than the market situation would have permitted. All of us in other parts of Canada owe a debt of gratitude to the people of Alberta and Saskatchewan for this direct and costly sacrifice. On March 28, following that meeting, the Prime Minister (Mr. Trudeau) said in this House:

Yesterday was a great day for federalism . . . the national oil agreement would surely not have been possible without the goodwill and deep commitment to Canada of the premiers of Alberta and Saskatchewan.