

Wilson and what happened to the United Kingdom under his regime.

• (3:40 p.m.)

I suggest—and I say this not without tongue-in-cheek—that it would be less than sanity for the heart of the industrial belt of this country to go NDP because then we would have more trouble so far as the economy of this country is concerned. Even now Saskatchewan investors are going to Alberta because they do not feel secure in that province, just as they did not feel secure under the other experiment. That is what determines whether there will be unemployment. The important factor is confidence. If there is not confidence there cannot be full employment. The reason I asked my question today was the headline which deals with the economy. Our distinguished guest, Mr. Kosygin, criticized United States policy and said it was killing jobs in Canada. There is nothing wrong with this headline, but I say it is not good for our negotiations with the United States. In order to get the surtax removed and get a better deal from the United States in so far as our trade relations with the purchasers of our commodities are concerned—and we are also their best purchasers—I would have hoped we could continue negotiations at a high level.

If Mr. Kosygin or the leader of any other nation comes into Canada and starts interfering with our negotiations with the United States, then we can only have more difficulty with the United States and more unemployment in Canada because such things just do not help our negotiations with our neighbour. I know one has to negotiate from strength. But I cannot believe that such statements would add strength to our negotiations. I would have thought the Prime Minister would have indicated that, although he appreciated the visit of a distinguished guest, he did not appreciate the premier of another sovereign state coming to Canada and interfering with our external relations with another nation. That is why I asked the question. If that question is frivolous, then the person who is frivolous is the Secretary of State for External Affairs because so long as we cannot negotiate with the United States we will have further unemployment and further economic problems. We may even have another budget if this government lasts.

Having said that, I want to make a few other comments. My good friend to the left always asks me if I am a shareholder. I understand that the corporations of Canada are owned by Canadians. I hope they are and if they are not I hope we can get greater Canadian participation. I have the right to go into the market and buy stocks. My friend receives the same salary I do and he can do the same thing. I want to deal with the subject with which I was dealing the last day on which I participated in the debate, the resource industries. I wish to place on the record some recommendations made by the Independent Petroleum Association of Canada. I want to do so because, as I said on the last occasion I spoke on this subject, not only does our resource industry provide employment to thousands of Canadians but there is also a reflection in the tertiary industries, particularly in the province of Ontario where the petroleum industry spends \$4 million or \$5 million on equipment. This is important to the economy of the whole country. Therefore, it is very

Income Tax Act

important we make certain that our resource industries have an equal competitive position with the resource industries of other nations. That is why I wish for a few moments to discuss the question of depletion which is so important to the oil, gas and mining industries.

The Independent Petroleum Association of Canada continues to feel that the abandonment of the depletion concept, as it is generally understood in the world-wide oil industry, and its replacement with the concept of earned depletion will not attract the necessary capital to the Canadian petroleum industry. The Independent Petroleum Association believes that taxpayers with oil and gas income should be entitled to gross depletion similar to the situation in the United States. If the government is unalterably opposed to the gross depletion concept, then, the association states it is their belief that earned depletion must be made more meaningful than in the proposals in the tax reform legislation. It must be made more meaningful in two ways; more meaningful to the industry through assistance and encouragement and more meaningful to the industry through obtaining information so that they know what is really meant by the term "earned depletion".

The Independent Petroleum Association states:

In this connection, our Association recommends that all 'Canadian exploration and development expenses' as defined in Section 66 (15) (b) of Bill C-259 should be included in determining the earned depletion base. To avoid any abuse in the sale of properties between companies it is suggested that the income from such sales should be credited to 'Canadian exploration and development expenses' and thus the total earned depletion base is unchanged. We also recommend that tangible equipment such as wellhead equipment and tubular goods for productive wells, battery equipment, processing plant costs and other equipment necessary to recover hydrocarbons be included in the earned depletion base.

It is interesting in passing to point out that most of the well equipment, battery equipment, processing and plant equipment is manufactured in eastern Canada. So we should keep a healthy base and give a proper depletion allowance to these companies so that they can build up a reserve and, in that way, carry on further exploration and development work because this will benefit the industrial base of Canada.

The submission of the association continues:

Certainly the risks of the oil and gas business are of sufficient magnitude to warrant similar treatment in respect to depletion as that afforded the mining industry.

It is illogical that depletion on future production income from producing properties at January 1, 1972 should have to be earned without recognition of the expenditures made in the exploration for and development of such properties prior to November 7, 1969. We recommend that the effective date for eligible expenditures be retroactive to January 1, 1949, after reduction for the amount of any depletion allowed since that date.

That is something for which the industry has been waiting for a long time, even before the amendments in the bill and even during the time we formed the government. The association has something to say about Canadian ownership. They say:

Our Association is deeply concerned that Canadian individuals and corporations have sufficient incentive to make direct investments in the oil and gas business and, more particularly, that in Canada they be placed on an equal footing taxwise with foreign citizens and corporations in making such investments. Independent Petroleum Association of Canada is gratified that the principle