

Mr. Speaker, I have tried to outline the simple facts which led us to the budget measures relating to the taxation of the resources industries. I have tried to explain why we had to act when we did and as we did. I recognize that our proposed solution has not met with the approval of the producing provinces, and I deeply regret this. We have made it plain that we are not in any way challenging the provincial right of ownership or jurisdiction over natural resources. The issue is simply one of the right of the federal government to tax.

I would emphasize that in the legal sense, in the constitutional context, the budget does not in any way limit the freedom of the provinces to impose any royalty they wish. There has been some talk of our rolling back these royalties or preventing the provinces from taxing. Nothing the Minister of Finance has done in his budget is preventing the provinces from taxing. It does not reverse, roll back or repudiate these royalties. The disallowance provision does not take one dollar out of any provincial treasury. On the contrary, as federal corporate income tax revenues increase so will the provinces' share of that revenue increase. In the economic sense, of course, the budget does exert a very real impact on the resource producing companies, and that is the problem. Not on the provinces, Mr. Speaker—on the companies. If the total tax and royalty demands upon the companies threaten their health and viability, somebody has to give ground. We have given ground; we have reduced our claim by 25 per cent in this budget as compared with the May budget.

Both the federal and the provincial governments have a vital interest in maintaining and encouraging resource exploration, development and production. It is up to both levels of government to co-operate in making that possible. The federal government cannot be expected to bear the full burden of incentives to the industry. The budget does not force the provincial governments to do anything at all, in a legal sense. In an economic sense it invites them to co-operate with us in ensuring a healthy and vigorous industry.

Mr. Speaker, I was very pleased to see that the Liberal leader in Alberta, Mr. Nick Taylor, courageously stood up and spoke in favour of this budget.

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

**Mr. Trudeau:** I realize that it takes a courageous man to do that, and Liberals are courageous people when it comes to the good of the country. The Liberal leader realizes that his province will derive enormous wealth from this new development in the petroleum industry, and he believes that the people of Canada should share in some of that wealth because they shared in the crises and burdens which made possible the development of that industry. That is Liberal policy.

● (1700)

Let me make clear that in these comments I have been dealing with the long-term taxing system of the federal government and its access to a reasonable and continuing share of the profits of the resource industries. I have been speaking of the tax regimes which the federal government and the producing provinces apply to the resource industries within the price structure at which these resources

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are sold in Canada, or at which they move to the frontier for sale beyond our borders. I have not dealt thus far with the separate question of the export tax which is at the moment applied to Canadian oil as it moves into foreign markets.

**An hon. Member:** You bet.

**Mr. Trudeau:** I can return to explanations which have been given many times, but I do not think I have to take up too much time of the House to repeat that that is not money which the federal government keeps for its own purposes; it is money which serves to ensure that all the people of Canada will be paying more or less the same price for petroleum products.

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

**Mr. Trudeau:** There is no question in my mind that the people of Canada owe a debt of gratitude to the people of Alberta and Saskatchewan for willingly entering into an agreement under which they would receive less for their resources over 15 months than the enormously increased price that suddenly prevailed in the world.

**Some hon. Members:** Oh, oh!

**Mr. Trudeau:** I see that the Alberta members who are guffawing do not appreciate that gratitude. Perhaps they do not take my word for it. However, I am sure there are members in their own party who are very happy that the province of Newfoundland, for example, does not have to pay \$10.50 a barrel for its oil.

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

**Mr. Trudeau:** When I hear members opposite, some provincial politicians from those provinces and in some instances the premiers, argue that the proceeds of the export tax represent simply a gift from their provinces to Canadians generally, I think they carry the argument too far. Surely the country as a whole, which shared with the producing provinces the burden of encouraging the resource industries to develop, as I have said, in the form of very generous tax incentives and in the form of a guaranteed market west of the Borden line, should also have a fair share of the revenue resulting from higher prices, not as a gift but as a right.

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

**Mr. Trudeau:** No doubt we will soon be working with all the provinces, with Alberta's and Saskatchewan's interest particularly in mind, toward a new price level for some succeeding period. This is as it should be. At the same time, we have moved in the budget to ensure, over the longer term and across the wide spectrum of resources, that the federal government on behalf of all Canadians can have assured access to a reasonable proportion of the profits generated by the resource industries of this country.

We do not seek a confrontation. We believe our objectives to be fair and reasonable. We are cognizant of the report of the National Energy Board and have reduced our tax imposition in recognition of future development needs. We have taken the steps that we felt were necessary to