

bringing together all those involved in order to ensure several things: first, that the search for and development of new sources of energy is accelerated; second, that measures are taken with regard to the conservation of our existing sources and uses of energy; and, third, these things are undertaken as a co-operative effort. It was with that in mind that the hon. member for Calgary Centre asked the Minister of Finance the intentions of the government with regard to the proposals contained in the amendment to the Income Tax Act which would have had the effect of disallowing royalties. The minister, as recorded at the bottom of page 2232 of *Hansard*, said:

Mr. Speaker, we will certainly analyse the figures very carefully to see what the situation is.

I conclude by saying that I hope that was a genuine statement of intention by the minister. I do not expect the government at this stage to say: We brought that program into effect; we proposed that type of amendment to the Income Tax Act because we thought we had to, but as the situation has now developed, we do not need to. I do not think they will say that right away. At one time provincial royalties were in the neighbourhood of 22 per cent or 23 per cent. Ultimately they rose to 65 per cent. Apparently this government said that 22½ per cent is acceptable as a royalty for a company to deduct in compiling its income tax but 65 per cent is not.

I will not deal with the potential constitutional issue nor with the political issue, although both arise on those two proposals. But it seems to me, and I recommend this very strongly to the committee and, through you, Mr. Chairman, to the government, that they should review the situation, because if we are to solve these problems we have to solve them together. I do not think this government is able to solve them by itself, and certainly the provinces by themselves do not have the constitutional or fiscal capacity to solve them. It has to be done through co-operative effort.

● (2010)

I should like to think that when the Minister of Finance gave his answer, he genuinely meant that the federal government was looking very hard at the situation. I should like to think, too, that there will shortly be a proposal for a first ministers' conference and that all the problems facing us will be on the agenda. There are many problems; I do not need to tell the minister that because he knows it as well as I do. One of the issues will be price, another will be the disallowance of provincial royalties, and tax. I hope that the answer given by the Minister of Finance means that the government is giving very serious consideration to this matter. It can be done without prejudicing legal rights. The minister is a lawyer, as I am, and he knows that if the federal government feels it has a legal position it can say it is doing this without prejudice, to reassert at a later date, if it has to, what its position is legally.

In a spirit of understanding and compromise, and with the need to act on behalf of the people of this country, I hope the minister meant what he said and that it indicates a genuine intention to review the government's position with regard to this proposal which I think is the greatest

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barrier to the form of federal-provincial co-operation that we will need in the years ahead.

Mr. Macdonald (Rosedale): Mr. Chairman, in response to the hon. gentleman's question, and also with regard to the point made earlier by the hon. member for Nanaimo-Cowichan-The-Islands about the regulations, I should like to state for the public record that there have been three sets of regulatory rules, if I can put it that way. The first, applicable to the first quarter of 1974, were provided under vote 11b of Appropriation Act No. 1, 1974, being Privy Council regulations 1974-806, promulgated on April 9, 1974. The second set are not actually regulations but are referred to as guidelines because they covered the period when the first Appropriation Act was not applicable. That happened at a time when members were engaged in other occupations and we were proceeding by special warrants. They were issued, therefore, not as regulations but as guidelines under special warrants applicable to October 31, 1974.

The third set are those operating now under vote 52a of Appropriation Act No. 3, Privy Council regulations 1974-2419, promulgated November 5, 1974. I would confirm that it would be the intention, pursuant to this Appropriation Act, to promulgate a similar set of regulations to those now applied. In effect, what is being done is to apply the pattern of Bill C-18 rather than Bill C-32 in this regard so that the regulations will be available. It is to confirm again that those, being regulations under the appropriate law, have been gazetted in the *Canada Gazette*.

There was some question about available public information on the payments made. What we have done, in effect, is to have an effective scrutiny of the system. I asked the governor in council and he, under the Financial Administration Act, has requested the Auditor General to do a periodic audit of the payments made under the various provisions. The Auditor General has completed one of these reports which will be forthcoming, and I expect to table it at a later date. He will be asked to do a subsequent one and to put before the House his scrutiny of the payments made and the procedures followed, so that members can comment on them in due course.

The hon. member for Peace River suggested it would be useful to have a committee discussion. I would be glad to have that and to have officials appear and answer questions in detail.

Mr. Baldwin: And the amounts I mentioned?

Mr. Macdonald (Rosedale): The amount in effect under Supplementary Estimates (A) for 1974-75, vote 11a which was under the my own department, was \$470 million; vote 52a, under the Energy Supplies Allocation Board—as I mentioned, the responsibility was transferred from one to the other—was for \$330 million; being sought here, for the reasons I have mentioned, is \$365 million—making a total, over the period, of \$1,165 million.

Mr. Hogan: Mr. Chairman, I rise to get a guarantee from the minister, if he will give it, on the question of the Atlantic provinces after the subsidy, so-called, ends on March 31. I understand that the government, through the petroleum corporation, will have something in place, but I want to be sure that those provinces will be looked after