

The Budget—Mr. Horner

power, gas and oil, at less cost? I do not see anything in the budget that would encourage them in that way. Will it encourage Canadians to produce more food at less cost? I see no encouragement in the budget in that regard.

● (2040)

The budget has attempted to keep abreast with rapidly growing inflation. The Minister of Finance has given some recognition to escalating revenue in the federal treasury brought about by inflation, and has attempted to give some of this back to lower income groups. I do not deny the minister that fact, and certainly this is worthwhile if he acknowledges that he can in fact do nothing to apprehend the inflationary spiral that exists in Canada and other countries in the world.

What can the minister do at this particular time to offset the recession most Canadians and most world citizens believe we are heading for in the next year? The minister has suggested in the budget, and I could quote the page, that he expects a 4 per cent economic growth rate in Canada.

Mr. Turner (Ottawa-Carleton): After the budget.

Mr. Horner: The minister corrects me. After the budget he expects a growth rate of 4 per cent. He also said that he expects, after the budget, an increase in government expenditure of 16 per cent. One does not have to go past grade three or grade four, or to have an excellence in mathematics, to realize that a 16 per cent rate of growth in government expenditures and a 4 per cent growth rate in the economy constitute an inflationary complex.

Mr. Turner (Ottawa-Carleton): That is at about the grade nine level.

Mr. Horner: Can we believe the minister that the rate of government expenditure will be limited to 16 per cent? Let us look at the past record which shows that the rate of expenditure increased by 24 per cent. What gives us the idea that he will hold the line on this budget?

An hon. Member: He said so.

Mr. Horner: Somebody says "He said so", but we on this side of the House know that he does not have a close relationship with the President of the Treasury Board (Mr. Chrétien), and that they are miles apart on many things. I am afraid we cannot believe him when he says that he and the President of the Treasury Board will hold the line on government expenditure. It is with sad heart that I say to this House that we have no confidence in the government which says it will hold the line on government expenditure. We know that a year ago government expenditure increased by 24 per cent. The Minister of Finance now is predicting a 16 per cent increase, and 4 per cent real growth in the economy, and that in itself is inflationary.

In Canada we have the ability to produce energy, and we have the ability to produce food. These are two commodities the world will be anxious to receive throughout the coming years. I have heard the Minister of Finance in this House and on television suggest to the country that the federal government receives only 8 per cent of the

[Mr. Horner.]

royalties being paid on oil and gas in Canada, and he cannot understand why the producing provinces, Saskatchewan and Alberta, condemn him for not allowing royalties as a tax exemption within those provinces. These royalties have been allowed as an exemption ever since confederation.

The minister is a lawyer and he has a great deal of legal assistance at hand, and there is nothing in the world to stop him from providing a clear and exact definition in respect of royalties if he finds that the provinces are finding loopholes. There is nothing to stop him or his department from laying down the exact meaning of a royalty which falls within his exemption category. If the provinces go beyond the boundary then the minister can say that he does not consider what they are attempting to exempt as a proper royalty.

The minister did not follow that course. He said that all royalties would be disallowed as tax exemptions within the federal government's jurisdiction. The minister has completely disallowed royalties paid to the province as tax exemption items for resource companies.

There has been much talk about the bleak future in respect of energy supplies, and I should like to deal with that for a few minutes, as well as with the National Energy Board report. I think I would be remiss if I did not point out at this time how Albertans feel about the way the minister is using them. The minister is using and abusing them.

I have in my hand a letter sent from a consulting firm in Calgary to an individual who wanted to purchase a small oil company in Saskatchewan. He wrote this consulting firm asking whether this would be a wise purchase. This involves a \$2 million expenditure, and relates to 61 exploration and some producing wells. Let me just read the last paragraph of this letter which states:

Alberta operators are not hit as hard by provincial royalties as are Saskatchewan operators; nonetheless, as a consultant I cannot in clear conscience recommend to you investing monies in Canadian oil and gas properties even though lack of private investment spells the end to my consulting practice.

That is like the old mother hen cutting off her own head. Mr. D. O. Bossort, the consultant, attached a financial statement for the month of October 1974 in respect of this oil company which shows that the federal export tax amounts to \$76,344, and federal income tax amounts to \$18,926.91, for a total federal tax of \$95,270.91. It shows that the provincial tax and royalty of the same company amounted to \$13,513.46, with a royalty surcharge of \$30,994.23, for a total of \$44,507.69, with a net after taxes of minus \$344.86. It is no wonder the consulting firm did not advise this private Albertan Canadian citizen to buy into that small company in Saskatchewan.

I might add that this company had gross operating costs of \$18,582.05 monthly, but by the time it paid federal taxes and provincial royalties it was operating in the red. This, as I say, is a \$2 million enterprise. Government bonds represent a far better investment than oil and gas. This is a pure and simple example of that fact to all Canadians. I am prepared to put this whole letter on the record, or to send a copy of it to the Minister of Finance or anybody else who wants it. I suggest it is a prime example of why Canadians will not independently go out and buy up small