

Petroleum and Gas Revenue Tax Act

everyone in this House will agree that she did a masterful job initially as the official spokesman for energy in her Majesty's Loyal Opposition. She accomplished as an opposition critic something which the Government of the day could not accomplish. We are seeing the fruits of those negotiations now coming to the fore with the productive discussions and agreements that are going on with the great Province of Newfoundland.

We saw the Minister of Energy for Newfoundland in the gallery the other day. He had a big grin on his face. If he had died right there on the spot the undertaker would never have been able to get the smile off his face. He is extremely happy. I know all Newfoundlanders, with the exception of two or three in the House in the Opposition, will be more than pleased with the results of the negotiations. Again, of course, our number one concern is employment for Newfoundland in order that Newfoundlanders may take advantage of the resources that are available there. We welcome that.

I can say that negotiations are going on extremely well with the producing provinces in the west. My Minister is at present winging her way to the west and will be meeting with western energy ministers at the first of the week. All Canadians, and we in the House of course, can be very satisfied and feel comfortable and confident that energy negotiations are being carried out in an exemplary fashion by the Minister of Energy. She is doing a marvellous job and we all wish her the best.

Some Hon. Members: Hear, hear!

Mr. McDermid: Another interesting development is the new co-operation between provincial and federal Governments so lacking over the last number of years with a Prime Minister who thrived on confrontation. The new regime is co-operating and consulting with the provinces in many, many areas. An initial meeting was held between my Minister, the Minister of Energy, and the Hon. Philip Andrewes, the Minister of Energy for Ontario. Mr. Andrewes has made it very clear that class 34 of schedule 2 of the income tax regulations, which pertains to fast write-offs for equipment used in the energy conservation area, was due to lapse in 1984 and requested that it be extended. An announcement to this effect was made by the Minister of Finance and the Minister of Energy just recently. That was accomplished with the encouragement and suggestion of the Minister of Energy for Ontario. Co-operation, conciliation and consensus are going on in the field of energy with our partners, the provinces, in the energy field in this great country. I can assure Canadians that there will be benefits arising from these agreements that will please not only the producing provinces but the consuming provinces as well. I want to touch on that in my remarks today.

This Bill is an important Bill because the legal authority does not yet exist for a whole series of tax changes of a relieving nature that the industry has been promised but has not yet received in law. Many companies are affected and they have completed their tax returns for the past two and a half years in good faith, expecting these measures to have been passed by the previous Government. It is crucial that we now

move quickly to retain industry confidence, that the Parliament of Canada keeps promises and can function in an efficient and business-like manner.

If I might with your permission, Mr. Speaker, just go into a brief history of the PGRT, it was introduced effective January 1, 1981 at an 8 per cent level. The Government at that time indicated the rate would be reviewed. It certainly was reviewed; after one year the rate was doubled to 16 per cent although many taxpayers were given a resource allowance of 25 per cent, they paid an effective tax of 12 per cent on their net operating revenues. The rate is still 50 per cent above the 1981 level. I am not sure that is what the Government meant when it said it was going to review it as it went along. The Government certainly reviewed it, upward. This tax, I believe has been—I do not think I am exaggerating when I say this—the single most unpopular tax of all those introduced as part of the previous Government's revenue sharing scheme. Why? The most important reason is that it was a tax on revenues and not on profits. It made no recognition, none whatsoever, of the high capital costs associated with bringing on new oil and gas supplies.

Second, the producing provinces as owners of the resource have always objected to the federal Government imposing a tax so close to the wellhead.

Third, many individual Canadians who have small royalty income—and this is very important—either because they are geologists, those fellows who do the searching and are involved in developing oil and gas plays, or because they were farmers who held freehold mineral rights, suddenly had 16 per cent of their income taken away at source. In some cases these royalties were an important source of retirement income. To add insult to injury, the Government even made them pay income tax on the money that had already been taxed away from them.

Most importantly, however, the PGRT reduced the incentive to reinvest because it was not profit-sensitive. It also reduced the cash flow available to companies, and because the tax rate was subject to review there was much uncertainty in the industry. This uncertainty and lack of confidence led to a poor investment climate and an unwillingness to invest in otherwise attractive opportunities.

I listened to my socialist friend, the Hon. Member for Vancouver-Kingsway (Mr. Waddell), this morning who criticized firms for reinvesting money in the industry to search for new resources. He said it was a terrible thing for them to do. He said they should pay that money in taxes, not reinvest it in the industry, not create jobs or keep the economy going. They want the big tax-grab. That is all the socialists would do if they were ever in power; they would grab all the money they could get. You think businesses had their problems with the Liberals, Mr. Speaker, but heaven forbid if the socialists were ever in power.

Some Hon. Members: Oh, oh!

Mr. McDermid: I will come back to the Hon. Member for Essex-Windsor (Mr. Langdon) later on when we are discussing