

Income Tax

early years, the 1950s, it only required \$75,000 to drill a D-2 well. It was easy for a syndicate of a couple of farmers, a garage owner, a farm machine distributor, a doctor, and anyone else you wish—say, seven or eight people—to put up \$75,000 to risk on the drilling of a well. There were a lot of small independent drillers at that time. However, this was available only to Americans. If such a venture resulted in a dry hole, the \$75,000 put up by Canadians would go down the drain. There was no means of deducting it from ordinary income as our American friends could do. It was a case of their going to chase another \$75,000 or \$150,000.

When one considers that the average might be one in three or one in four of producing wells, particularly when working in marginal fields, the money was never recovered. However, our American friends could charge off all lost drilling expenses against their ordinary income over a relatively short period of time. Therefore, that venture capital was readily forthcoming from the United States. Canadians, however, could not step across the sill of a door.

Despite representations every year, successive ministers of finance and their officials rejected the proposal to get rid of the principal occupation rule. Bit by bit it has come along. First it was about 20 per cent. It may have gone as high as 50 per cent. The numbers matter little. Finally, it has gone; the principal occupation rule no longer applies. However, Mr. Speaker, there are no more oil fields where independents can operate. As I said, in the era of the 1950s, a D-2 well would cost approximately \$75,000 to drill. Today it would cost between \$400,000 and \$500,000. The costs of the search for and production of oil and natural gas have gone up just as much if not more than many other sectors.

● (1630)

Thus, I find it ludicrous to see leading articles in newspapers and to hear commentators on radio and television, in addition to certain political representatives of the New Democratic Party in this House, crying to high heaven because on a dollar basis the revenues of the oil companies have increased. Day after day we hear the government saying that the industry must go out and find a lot more oil and gas. But consider how costs have increased. Instead of \$75,000 or \$100,000 for a well, the price is now a minimum of \$500,000, and in the case of the Arctic wells it is anything from \$5 million to \$6 million.

How is this revenue to be generated? There is no magical money tree. Of course, if the socialists had their way, a Crown corporation would be set up to feed in public money. That would be the money tree. But we do not yet have to rely on a nationalized oil and gas industry.

The same thing applies in mining; it applies throughout the manufacturing sector in the replacing of equipment, and so on. It makes my blood boil to hear people prate about profits increasing by such and such per cent. They do not tell you whether they are comparing \$100 with \$10 or \$1 million with \$100,000. The percentages are still the same, though the sums are vastly different. Looking at the picture from a dollar point of view, I am amazed people should be gullible enough to be

taken in by this type of criticism. I might say a lot more about the intelligence of those who advance this type of criticism. Either they are carelessly ignorant or they are deliberately hoping to mislead.

I hope the minister will be able to explain precisely what he intends to do about tightening up the rules concerning charities and charitable foundations. There seems to be some public concern about the ability of certain of our traditional charities to survive, because they would not be spending certain minimum percentages of the income generated in any one year. This may present a problem. I hope the minister will be able to tell us whether he has received any representations with regard to this point. One can only say, dealing with individuals, that the new definitions and adjustments with regard to the principal residence of taxpayers, and so forth, will remove some of the anomalies in the Income Tax Act.

I want to talk, now, about some of the effects of what appears to be a series of newspaper stories or editorials which have appeared following some sort of declaration by the National Welfare Council. The council is critical of what it calls a "hidden welfare system" operating through the income tax laws. I shall cite two editorials which appeared in the *Ottawa Journal* of November 10 and November 11. Seemingly, because figures are tossed around—so many percentage points of earnings paid out in tax by one group of people, while a much larger number of people earned lower incomes and therefore did not pay as much tax—the conclusion was reached that the whole system is wrong. But I think the Welfare Council was totally wrong in its assessment of the effect of tax deductions in a graduated tax system.

In giving more than moral support to the proposals of the National Welfare Council, I think the *Ottawa Journal* rendered its readers a disservice. They bought a bad case. Here, for instance, is a sentence from the editorial of November 11:

The National Council of Welfare doesn't much like the federal government's child care deduction, among others, under the personal income tax system. It has good reason. A woman earning \$6,000 a year would receive \$123 less in tax savings from a \$1,000 deduction than would a woman earning \$20,000 a year. It is impossible to justify the difference.

Of course there is justification. One had a higher income, and an income of \$20,000 may justifiably be earned. We are not an egalitarian society in which it is said that every woman taxpayer earning \$20,000 should be cut down to the level of a woman earning \$6,000. Since when has it been decided that we shall all earn the same amount? I quote again from this editorial:

The council is also critical of the exemption for dependent children which works in the same way to benefit the rich more than the poor.

I suppose one might say that the rich are all those who earn more money than we do. Exemptions for dependants are treated as being in the same category as are a number of other allowance provisions. I think that the National Council of Welfare, though it does some admirable things, does write mischievous things sometimes. With regard to that press release by the National Council of Welfare, I would much prefer to take the view given by a well known resident of Winnipeg, a man well known to government supporters

[Mr. Lambert (Edmonton West).]