

*Income Tax*

Mr. Kierans is very knowledgeable about resources. Obviously he was knowledgeable when he sat in the House and when he sat in the legislative assembly of the province of Quebec, so what he is saying about resources is certainly valid.

Let me go back to the specific issue of non-deductibility. I have a difficult time comprehending why the government is going ahead with this provision. Royalties are a proper business expense, and if you can deduct other business expenses, why can you not deduct royalties? I think that the only reason that the federal government is disallowing deductibility of royalties is that they are afraid the provincial governments, regardless of the party in power, will tax the resource companies too highly. It seems to me strange that you can allow the deduction of a royalty paid to the Hudson's Bay Company, the CPR or a foreign government, but you cannot allow deduction of the royalty of the people of Saskatchewan. I think it is like telling a farmer who rents land that he cannot deduct payments made to his landlord. He can do that in accounting his income tax, but an oil company cannot do it in accounting theirs. It is also like telling a farmer who owns land that he cannot deduct from his income tax returns the municipal tax he paid to his local municipality. Both of those are legitimate operating business expenses and that is how they should be viewed.

There are a number of other points that could be made. A number of us have made the point that the premiers of some provinces have been unhappy about this provision being put forward unilaterally. In March we had an agreement to set the price of oil and to set the export tax, and not once did the Prime Minister or any of his officials say at the time that they were considering disallowing deductibility of royalties. I think all the premiers in this country would agree that that is so. I can quote at length from a speech made by the premier of Saskatchewan, Mr. Blakeney, in which he documents letters he received from the Prime Minister, as well as from statements made by Premier Lougheed.

If the Prime Minister did raise this issue at the meeting, then it seems to me very strange that not one premier realized what he was talking about. Perhaps all the premiers in this country have had hearing, but I would be surprised if that were so. It seems to be strange that the Prime Minister is the only person who recalls what happened at the meeting in March as well as at the meeting back in January.

So I appeal once again to the Minister of Finance that he consider seriously the proposal put forward in the House a week ago by the hon. member for Regina Lake Centre, and more recently by the hon. member for Qu'Appelle-Moose Mountain, that we split the bill or that we move a simple amendment, such as we did to the Foreign Investment Review Act, that the government have the authority to proclaim this section after the first ministers' meeting. Then the minister can go to the meeting and say to the premiers that the government is willing to negotiate to try to arrive at a decent price for oil, that the government is willing to make fiscal or taxation arrangements that will be acceptable to all Canadians. If the minister does not do that, he will heighten suspicion in this country and

increase the economic discrimination that we have known for so many years.

As other hon. members have said in this debate, it is not just this particular issue that is important but also the future development of the oil industry. As all of us know, the Syncrude consortium is exempt from many of the provisions that are in the bill before us today. It seems to me that it is very unfortunate that one consortium should be exempted while other companies are not, because there will be many other companies wanting to develop the tar sands. If we allow tax exemptions for some of them, we will have to consider exemptions for others.

In discussing this clause we should also consider Syncrude. Just this morning I read a report in the newspaper that in the study that was commissioned by the Alberta government it is stated that the cost of Syncrude will go up to \$2.91 billion. It was \$2 billion eight or nine days ago. How much will that project cost? How much will we have to pay from the federal treasury or the treasuries of Ontario or Alberta and still not maintain control over the development of the tar sands?

These are questions that will have to be answered in this House. They are questions that not only those of us in the House are concerned about but that concern the people of Canada and the provincial governments which represent them. We are thinking now about the first ministers' meeting which is only two months away. I do not see why this government cannot delay this part of the bill for another two months. The oil will still be there. We are dealing with billions and billions of dollars. We are dealing with future planning by provincial governments, by the people of those provinces, by municipalities and so on. Why can we not delay this for another two months until the first ministers have had a chance to come to Ottawa, meet the Prime Minister and come to an agreement that is acceptable to them all?

As I said at the outset, as a person coming from Saskatchewan, a province that traditionally has below the national average in terms of income, we would be very happy to accept a lower price for our oil if in return we had a *quid pro quo* or trade-off that would benefit Saskatchewan. We are paying the world price for the cars we import from Ontario. We are paying the world price for farm machinery imported into Saskatchewan to farm our land to bring us income. If we had some kind of trade-off or a better deal on the materials we need for production, then we would be much more willing to sell oil at a lower price or be more conciliatory in terms of our negotiations with Ottawa.

● (2050)

I think these are very serious arguments which should be looked at in a serious way. We have a country now where there is no planning, where there is no forethought whatsoever, where people are living in two or three large cities, where they live in urban sprawl conditions without proper transportation and with all kinds of urban pollution. There are people in those cities who do not want more urban growth, and yet we have regions of this country like the prairies, the Atlantic provinces, the northern parts of Canada and eastern Quebec which could use more growth. These are areas where the raw materials