

*The Budget*

The new domestic oil price of \$8 plus transportation may be compared with the present cost of imported oil of over \$12 laid down in Canada. The new domestic gas price of \$1.25 at Toronto may be compared with the recently announced export price of \$1.60 at the border for natural gas sold to customers in the United States.

The limitation of the present increase of oil prices to \$8 per barrel and the increase in natural gas prices to about 85 per cent of commodity value means, however, that we are still not conserving our non-renewable resources to the extent required by the rise in international prices and depletion of domestic supply. I shall propose a further step this evening to encourage immediate conservation where this will impose the least hardship, and to deal with the immediate financial problem which has arisen in the course of maintaining a single national oil price.

In recent months the gap between compensation payments and oil export charge revenues has grown rapidly. This has come about because the volume of our oil exports has fallen while our oil imports have risen. Moreover, mainly because of competitive factors in world oil transport and weakness in the American market, the average subsidy paid on each barrel of imports is currently higher than the charge we are able to levy on each barrel of exports. Although the increase in the domestic oil price and the forthcoming adjustments in the import compensation program will help, the gap will be substantial.

It is difficult to be precise about the figures because the amount depends upon international prices, export volume and a number of other domestic and international factors. The cost of the subsidy for eastern consumers will be about \$1.3 billion this year. The gap between that cost and the export charge revenues is likely to be several hundred million dollars in fiscal 1975-76 and may widen in the future. We are compelled to take some action to meet this growing cost.

I therefore propose, effective tonight, a special excise tax on gasoline for personal use. The tax will be at a rate of 10 cents per gallon. It will be imposed on the producer or importer of gasoline in a manner similar to the general 12-per-cent manufacturer's sales tax. Provision will be made, however, to refund the full amount of the tax on gasoline used for farming, fishing, construction, mining and most commercial transportation. Refunds of the tax to such users will be provided on the basis of certificates supported by receipts submitted to Revenue Canada.

The tax will yield the federal government approximately \$350 million in the current fiscal year. Further details concerning the tax are included in the Ways and Means Motion.

The increase in the price of crude oil is equivalent to about 5 cents per gallon in the wholesale price across the range of products. This will, of course, be reflected in the retail price of gasoline at the pump together with the excise tax of 10 cents.

The increased cost of gasoline resulting from these measures should encourage motorists to make their driving habits more efficient in terms of saving gasoline. This should not, however, be left totally to the price mechanism. Accordingly, the appropriate departments of gov-

[Mr. Turner (Ottawa-Carleton).]

ernment and the Office of Energy Conservation have already been meeting with the motor vehicle manufacturers of Canada and their association. Discussions are proceeding on alternative ways to improve the over-all fuel economy of automobiles sold in Canada, with particular reference to changes in design and the establishment of performance standards. Both improved driving practices and better operating characteristics can make significant contributions to needed fuel conservation. The increased cost of gasoline will also encourage the use of public transportation, thereby helping to relieve the growing congestion in our cities.

I recognize that it will not be easy for the average motorist to adjust to this new situation. I would point out, however, that the retail price of a gallon of gas here will remain far below the prices prevailing in overseas countries. For example, the price of an imperial gallon of regular gasoline in Paris is \$2 and in Tokyo over \$1.80, in London and Geneva around \$1.70 and in Bonn and Stockholm around \$1.60. The average price of gasoline in the United States has been higher than ours in recent months. In the United States the administration has adopted tariff surcharges and proposes measures for decontrolling domestic oil prices which would lead to retail prices roughly comparable to the new levels in Canada. I would stress that the government is continuing to hold the price of oil and natural gas in Canada well below international levels for industrial and agricultural users and for home heating.

The new arrangements which I have announced tonight represent what the government believes to be a reasonable balance among conflicting objectives. The measures will help in increasing the petroleum supplies we will need in the years ahead. They will assist in meeting the heavy financial costs of maintaining a single national oil price well below international levels. They will confront us all with the urgent need to conserve oil and gas.

[Translation]

Resource Taxation

During the past year, Mr. Speaker, the taxation arrangements for the petroleum and mineral industries have posed difficult and contentious issues.

Last November, in recognition of the financial requirements of these industries, I introduced major modifications from the proposals made in the previous May and invited provinces to follow suit. Relieving action by some of the provinces did indeed follow. I have been encouraged by this and by the sense of mutual concern evident in further discussions since with provinces and industry.

I propose tonight to make one further effort to resolve this matter, to the extent the federal government can do so. We must establish a clear and lasting set of rules upon which industry can rely.

My purpose tonight is to accomplish two main objectives. First, I wish to meet, at least in part, the request for some form of deductibility in the tax system for provincial resource levies. Provinces have been seeking a more direct and tangible recognition of their special position in respect of resources. Industry has been seeking recognition of such payments as a business expense. Second, I wish to offer more incentive to those who explore and