question, Mr. Chairman, there have been numerous representations from members in this house that the federal government ought to take into consideration such things as the sale of capital assets, net revenue from natural resources rather than gross revenue, and cost of administration. In my view that is the difference between gross and net. However, so far the minister has not given any indication that he is willing to take these things into consideration.

Let me now lay down three suggestions which in all fairness ought to be taken into consideration. First of all, natural resource revenue is not a tax shared by the two levels of government. If I understand the basic premise on which equalization is based, it is that there shall be a redistribution of the so-called standard taxes referred to a number of times in this bill. These standard taxes consist of personal income tax, corporation income tax and estate tax. These taxes are levied at the same level, or near the same level, all over Canada. These taxes are levied at nearly the same rate all over the country. In some areas where the amount of money received from these standard taxes falls below a certain level I think the equalization principle and formula is fair and just. But I do not believe that natural resource revenue ought to be included because it is not levied at the same rate in all provinces. The other provinces have the right, if they choose, to impose royalties on the production of nickel, timber and all the other minerals which are produced. But if they do not happen to choose to do that there is no sound logic in penalizing those provinces who do claim a fair and just portion of the production of natural resources and minerals in their provinces.

If the government completely rejects this proposal that natural resources revenue should be excluded, surely they should be willing to accept a differentiation between the sale of capital assets and current revenue or royalties. So far there has been no indication that they are willing to recognize that some of the money which now gets into current account in Alberta, British Columbia and Saskatchewan is in fact from the sale of a capital asset.

The third point concerns the difference between net and gross. Even though you consider only the current recurring revenue which comes from the development and exploitation of natural resources in those provinces where this current revenue has reached high levels, you must also remember that along with it have come high levels of expenditure to keep these natural resources operating. It has been pointed out time and again that so far as timber is concerned the province of British Columbia in particular spends millions and millions of dollars on the protection of forests and has programs to ensure the continuity of forest production in the province. In the province of Alberta there is the oil and gas conservation board and a rather large force of administrative personnel to see to it that the natural gas and oil is developed in such a way that we will have optimum production from these reserves. To none of these three matters, which I consider fair, has the minister indicated the government will give consideration.

We think that this is unfair. So far all the minister is able to say is that there was an arbitrary figure reached of 50 per cent, which is above the national average, and he has not given any logical reason why this arbitrary figure was arrived at.

With regard to the point about the difference between gross and net, when you consider the other three so-called standard taxes —income tax, corporation tax and estate tax —outside of a very small percentage of that tax, which amount is required to meet the expenses of the personnel who collect it, it is net. Millions of dollars are spent by the provinces with natural resources revenue in order to keep the resources concerned administered. I suggest that the higher the natural resources level in a given province, there is along with it a proportionately higher level of cost to maintain these resources. We have pleaded with the minister to recognize these principles, but so far all we have had is the answer that 50 per cent was arbitrarily arrived at for no particular reason. That, in our view, is not a satisfactory answer.

Clause agreed to.

On clause 5—*Payments to provinces of amount of provincial taxes or fees in respect of fiscal years 1962 and 1963.*

Mr. Lambert: Mr. Chairman, on clause 5, may I say I am sorry that the minister has not seen fit to reply to the arguments put forward by the hon. member for Medicine Hat and myself on behalf of our colleagues from the three western provinces. These are important matters. If the minister chooses to refuse to answer now I can assure him that on the next occasion he is going to have just as difficult a time, if not a more difficult time. I am not going to threaten him.

Some hon. Members: Oh, oh.