I believe the hon. member was speaking of section 65. It continues the provisions in the present act which give authority for the deduction of depletion allowances for mining and oil properties, as determined under the regulations. The present regulations provide for a depletion allowance of 33-1/3 per cent of the profits derived from the operation of a mine or oil well. This does not apply to gold mines, which receive an allowance of 40 per cent of profits of $4 an ounce, whichever is the greater, or to coal mines, which receive an allowance of 10 cents per ton.

Non-operators who receive royalties or rentals are entitled to an allowance of 15 per cent of the gross rent. There will be no changes in the amounts of depletion which may be charged under that section until 1977. Commencing in that year, depletion allowances will have to be earned. As the earned depletion system matures, allowances will tend to be related to expenditures on exploration and development activity rather than to profits. I am sure the hon. member will, on reflection, agree that in view of the absence of any major discovery in the southern tier of Canada since 1966, it is most desirable for further exploration to be encouraged and stimulated and that we are taking a positive step in that direction by tying depletion allowances to expenditures and development costs rather than to profits, which benefit principally the established and producing oil companies rather than those searching for new resources.

Mr. Woolliams: Mr. Chairman, can the parliamentary secretary tell us why there will be no changes until 1977, so that we may see the full picture?

Mr. Mahoney: Yes, Mr. Chairman. We have here a transitional seven-year period in which companies which have accumulated depletion but not earned the profits against which to offset it can use up the depletion they have already accumulated. Actually, the period would be seven years because the earned depletion provisions date back to the date of the white paper. That is a seven-year period in which to use up depletion that they have already accumulated against future profits. Since during the period dating from the white paper the eligible expenditure provisions for earned depletion will be available to them during this transitional period, they will have basically the benefit of both systems.

This is a transitional provision and has been brought in to try to avoid as much as possible and in a practical way any retroactive impact on companies which in good faith have spent money in the past on exploration and development, but which have not realized the profits which are necessary if they are to benefit from the depletion allowances they are entitled to.

Mr. Woolliams: Mr. Chairman, I thank the parliamentary secretary. Now we have some basis on which to talk. May I ask another question. Some leading national chartered accountants have suggested that the bill makes only basic changes in the provisions affecting the resource industries and that most of the changes will result by order in council. They say that letters have been written to the industry setting out, basically, what those orders in council will contain. Is that correct?

Mr. Mahoney: That is correct, Mr. Chairman. As in the present act, the depletion allowances system is merely and basically authorized by the act. The detailed implementation of it is to be found in the regulations. It is proposed to continue that system in the near future.

Mr. Woolliams: Mr. Chairman, I thank the parliamentary secretary for his courtesy. May I now turn to something else. There is at present a lack of confidence that is evident in the industry. This stems partly from the fact that much of the law in this area is unwritten law, so to speak, since it will be enforced through regulations.

The parliamentary secretary has said that the present automatic depletion provisions for operators and non-operators, including recipients of royalties, are to be continued until 1976 or 1977. He mentioned special provisions relating to gold mines and coal mines. We are told that taxpayers engaged in this area will be required to spend $3 on exploration and development in order to earn $1 of depletion allowance. Royalty income will be classified as production income and, consequently, will be eligible for the earned depletion allowance. Let me pause there. I had good reason for asking about the United States system. As my good friend opposite will understand, and as many experts in the resource industries have said, the petroleum industry and allied industries need to operate with large pools of capital. These industries work with risk capital because drilling wells or digging for mines is a risky undertaking. Consequently, and you cannot escape this; large international concerns are engaged in this field.

Home Oil, a Canadian company, has undertaken much development in the last few years outside Canada, in the North Sea, up in the Arctic and in Alaska under leases from the United States. If these companies are to function properly, they must function in the right kind of international atmosphere. The point I want to drive home is this. I am not being critical of the parliamentary secretary when I say that this bill is as thick as the bible. There is no doubt about it. It contains as many words, probably, as the bible. I have not counted the words in either.

An hon. Member: It weighs more.

Mr. Woolliams: Yes, it weighs a great deal. Much depends on how big is the bible that you are comparing. If our companies are to compete with American companies, British companies, French companies and others that are engaged in exploration and development, our tax laws and depletion allowances must be as favourable as the tax laws and depletion allowances made available by other countries. That is my first point. It seems obvious that this is not the case.

May I refer again to the National Energy Board's decision recently handed down. Five companies came before the National Energy Board, Mr. Chairman, to apply for permission to export natural gas. They wanted to export approximately 2.7 trillion cubic feet. Those export licenses were turned down by the board. You will find part of that decision on page 6-8 of the National Energy Board's reasons for decision. The board said that having analysed the proven reserves of natural gas, they had come to the conclusion that we did not have enough proven reserves to permit export and at the same time satisfy Canadian needs for domestic and industrial use in the foreseeable future.