

The Budget—Mr. McCain

to the fifties. But it seems to have come as a surprise to the government that a percentage measurement of profit should be the measurement by which royalties are to be paid to a province.

This approach, as presently exercised by other provinces, has been pursued to excess. Only from this point of view do I support the Minister of Finance. Excessive charges have been levied at the provincial level. But the answer is not to confront ten provinces because two or three do not stay within the guidelines laid down by the government. The answer is to sit down and negotiate a sane and sensible deal with those provinces which have stepped over the traces by federal standards.

As a result of excessive taxes imposed by various provinces in Canada there has been a new impetus for exploration of mineral resources both in New Brunswick and in Nova Scotia. There are indications that some of the off-shore exploration for oil may have been concentrated in the Atlantic area because unstable economic structures exist in the rest of Canada affecting oil resources. Reliance was placed upon the economic commonsense of the Atlantic area as an attractive basis for exploration and development. This certainly applies in the case of metals.

If the government applies to the whole of Canada the income tax law proposed in the budget before us, it will not only be punishing one or two particular provinces that have quarreled with it, but it will be punishing other provinces as well. This is not good government. We in the Atlantic area are concerned about this change in basic principle—about not allowing royalties as an expense of operation of the companies. This is not fair. It is not right. It is an infringement of constitutional privileges extended to every province since confederation. Is it the intention of the government to rewrite the constitution through the budget?

An hon. Member: Yes!

Mr. McCain: Members opposite know the problems they would face if they were to try to rewrite the constitution by legislation. Are they attempting it by means of a budget which automatically passes at a given point in time, regardless of the views of the opposition or of the provinces? If so, it is a shame and it is detrimental to the wellbeing of the country. And little do they care, Mr. Speaker, about what happens or what may be the feelings of others as long as those in power in Ottawa get their own way regardless of the consequences to the rest of us.

There has been a great deal of talk about the fiscal responsibility of the federal government. The government has expressed concern about the increasing cost of goods and services. I submit that in perfect contradiction of these expressions of concern the government has produced a series of budgets which are a denial of these protestations.

In the fiscal year 1973-74 the budgetary requirement was \$23,726 million, according to figures made available in the budget speech delivered by the Minister of Finance. In the fiscal year 1974-75 the corresponding figure was \$30,175 million. In the fiscal year 1975-76, as projected at this moment, the figure is no less than \$34,900 million. In 36 months the government has escalated its expenditures and tax collection by 50 per cent. By what possible standards

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could there be an appeal to any section of the public to exercise restraint when the government sets an example by spending at a rate greater than the rate of inflation which presently exists?

Take one example of the effect of federal policies. There are in this country shortages of products required by agriculture, particularly in the chemical field. Within the last few months an executive of a company producing one of these products came to my office and stated that his company alone could end one of the shortages which presently exists, but it would not do so now because, if his firm were to invest money at its present cost, it might very well be priced out of the market due to interest charges alone. That is the effect of high interest rates in this country on development, employment, agricultural and chemical opportunities.

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This stifling budget, and this stifling policy of high interest rates, have to be changed. It is a contradictory budget, which makes one question the real veracity of any government that would support such a situation as this. The budget is contradictory with respect to small businesses. No real concern has been expressed about them. The minister is going to change the Industrial Development Bank and do a lot of things, he says, for small business. But when you consider interest charges, labour charges, raw material charges and inventory charges, and the way they have escalated over the past five years, and if we adopt the standards of some of those members to our left and say there have been excessive profits so let us tax them as well, then I submit that the small businessman is constrained and restricted, and at this moment in time is looking forward to a not very bright future.

I grant you, Madam Speaker, that there has been a change in his taxable returns, but I submit he has now reached the point in time where he needs, as does every individual taxpayer in the country, an exemption, whether it be \$30,000 tax free profit, provided it is reinvested in the business and works for the business. Small business is hurt and it is high time that the government, to the benefit of small business, the provinces and people in general, came out from behind its facade and into the world of reality.

Mr. Leonard C. Jones (Moncton): Mr. Speaker, I listened very carefully last Monday night to the budget presented by the Minister of Finance (Mr. Turner), and I would be less than honest if I did not commend the minister on his very lengthy, historic and concerned review of economic conditions, both nationally and internationally. Certainly the stated objectives of the budget to meet the serious economic problems of the country are worth while, but whether the actions that will be taken will really attain those objectives remains to be seen.

I trust that the members of the House will not push the panic button too soon or too late, as the case may be, for fear that instead of inflation, recession, slow growth and such other economic phrases, we hit rock bottom with a serious recession or depression, along with even more serious unemployment. We are just gliding at the moment. The trip will not be smooth or easy, but with less wind and proper navigation we should be able to land fairly smooth-