increased equalization payments of approximately $200 million. There is thus a rough balance between the yield of the special excise tax and the higher corporate tax revenues on the one hand and the oil subsidy deficit and higher equalization payments on the other. In other words, the total oil account rests roughly in balance.

I have cited these numbers in order to refute the suggestion that the special excise tax on gasoline is unnecessary to finance the deficit on the oil subsidy program. I would caution members of the House, however, that in the present context a simple balance sheet approach is not appropriate. For example, the $250 million of additional federal corporate tax revenues resulting from the higher prices is not in any way dedicated to energy uses or purposes. It remains in the consolidated revenue fund and is reflected in the general balance of the ways and means budget.

Furthermore, this balance sheet approach would have to be comprehensive and include such federal energy related commitments as Syncrude, Panarctic, New Brunswick Nuclear, Petro-Can and other federally supported enterprises. In the absence of such comprehensiveness I would suggest that naive balance sheet arithmetic does not shed much light on the complex issues of energy finance.

It has also been contended that the modifications to the federal taxation of resource companies will largely cancel any benefits to the industry of the higher prices for oil and natural gas. As I indicated in my November 18, 1974 budget, the respective shares of profits from the production of oil and gas were approximately: the provinces, 46 per cent; the industry, 36 per cent; and the federal government, 18 per cent.

I believe the House should note that the federal percentage share will vary very little as a result of the higher prices or as a result of the federal changes in the taxation of resource companies, assuming the forecasted levels of exploration and development continue. To be precise, the changes in the federal taxation rules will actually cost the federal treasury approximately $25 million per year in respect of oil and natural gas as compared with what the federal government would have received in tax revenues under the old system.

If the petroleum and mineral industries exceed the forecasted levels of exploration, the cost to the federal treasury will be significantly higher. Also, the impact of the new federal tax rules on any individual company will depend largely on its level of exploration activity in Canada. In other words, the amount of tax revenue lost to the federal government and the amount of tax flow available to any individual petroleum company depend directly on how that extra price increase is dedicated to the exploration and development of oil and gas in Canada.

For example, a company with Alberta production, and which is prepared to invest as much of the $1.50 price increase as it can to increase its exploration activities in Canada, will find that almost one half of that amount is available to it for that purpose after payment of federal and provincial taxes and royalties. If there are any further provincial responses to that already announced by the province of Alberta, either by that province, the province of Saskatchewan, or the province of British Columbia, then the cash flow available to the oil companies for exploration and development would be further increased.

On the other hand, by freezing the price of oil within Ontario the government of Ontario is in effect doing what it charges the federal government with doing, that is to say, denying the oil companies sufficient revenue flow to finance exploration. Moreover, by freezing the price on oil the Ontario government is creating an impossible situation for one million consumers in eastern Ontario who do not draw their supplies from Ontario refineries. The government of Ontario also appears to be opposing the single price system for petroleum across Canada, and this will likely have repercussions in other provinces.

To the extent that additional costs imposed by any province bear unequally across the country on a national industry which has to price its product nationally, the actions of particular provinces can be prejudicial to the residents of other provinces.

We believe it is in the national security interest for companies to hold larger rather than smaller stocks, particularly in import-dependent areas such as Atlantic Canada. Last year Ontario was about 15 per cent import dependent. Rising oil prices and high interest rates have already greatly increased the cost of stockholding. Additional measures which in effect penalize the industry for holding large inventories would be contrary to this aspect of the national interest.

[*Translation*]

Mr. Speaker, I admit that the increase in the retail price as a result of the levy of that excise tax combined with a higher basic price for oil will create adjustment problems for the average Canadian.

However, as I said in the budget, the price of gas will still be lower than the market price in most other industrial countries overseas and almost comparable to the market price in the United States under the proposals put forward by the American government.

Allow me now to refer to some criticisms made about the policy we have chosen.

During the budget debate, the Leader of the Official Opposition (Mr. Stanfield) said that, as a resident of the Maritime provinces, it displeased him to know that every time people buy gas in Ontario or the western provinces, they harbour resentment against the people of Quebec and the Atlantic provinces. He claimed that the funds required to maintain a single price system should come from the country's general receipts.

Through his remarks, the Progressive Conservative leader seems to recognize that, in some way or other, Canadians must assume the cost of subsidizing, in the national interest, a single price system for gas. He tries to hide the costs, hoping, it seems, that what Canadians do not know does not harm them. Personally, I think Canadians deserve better than that.

May I be allowed to point out to the Leader of the Opposition that outside of all other considerations, and there are other important considerations, charging the cost of oil subsidies to general receipts will not help to encourage greater conservation of our dwindling oil reserves.