

The Budget—Mr. Lang

in other words, whether it was right in theory to disregard royalties imposed by a particular province when determining what should be the level of a particular federal tax. It should be plain to anyone that in a federal state it would be altogether inappropriate for the federal government to take more in taxation from an industry in one province than it took from an industry of exactly the same kind in another province. This is essentially the principle which is involved.

To go further, how ridiculous it would be if the federal government were to take less from an industry in a particular province because the government of that province chose to take more from that industry as its own share. In other words, if we were to allow provincial taxation generally to be deducted before calculating federal tax we would be encouraging, practically forcing, provinces into the position of taxing at the highest possible level to make sure that the federal government got less. This could be put in another way. Indeed, it was evident from the actions of Alberta and Saskatchewan that it was the other way.

If there is a federal tax structure and an appropriate level of taxation to be imposed by the federal government on industry throughout the country, the provinces may be tempted to increase their levels of taxation if those are to be counted by way of subtraction. We saw this clearly in the way in which Alberta and Saskatchewan acted. Alberta introduced higher levels of royalties than had been contemplated. Royalties were taken not only from the increased profits of the companies but from the proportion of revenue which the federal government would have obtained from those companies.

Look at what happened in Saskatchewan. Royalty rates there were put up even higher. If these rates had not been treated as they were treated in the budget we are now considering, the people of Saskatchewan, through those higher royalty rates, would have obtained a higher share of the profits of the oil industry than those in Alberta, though the oil industry in Saskatchewan would have paid less to the federal treasury than the identical industry in Alberta. This is unacceptable from a federal viewpoint.

There are some who claim that this approach to the treatment of royalties may encourage provinces to consider the next step of actually socializing the industry. I have heard this said, but it is wrong for two reasons. First, the very spirit of what we are doing is against that proposition. Saskatchewan has already gone half way toward socializing the industry by applying its particular level of royalty. This approach is being discouraged rather than encouraged by our handling of this question.

Further, there seems to be an easy assumption that somehow or other we could not or would not tax a Crown corporation operating a business which otherwise would be taxed within a province. Let me say it is our considered opinion that we could indeed tax such a Crown corporation operating in any such field. The fact that we have not done so in the case of utilities like power and telephone concerns is not a sign of the lack of constitutional power to tax but, rather, reflects policy decisions made at the time.

Indeed, utilities may be in a special position anyway because they are quite commonly under government own-

[Mr. Lang.]

ership or directly regulated so that their profit or return is very carefully controlled. I do not say this means we have to avoid taxing them in every case; I simply say it may be an explanation for the decisions which led to this conclusion as a matter of policy.

The point which I consider to be of importance is that we could indeed tax a Crown corporation within a province if it engaged in activity which otherwise we were taxing in other provinces. This should be accepted by everyone in the House who does not believe that our constitution was not specifically aimed at promoting socialism in the provinces. If it were otherwise, every step toward socializing an industry would remove that industry from the federal taxation scene and there would be a clear impetus toward socialization.

The hon. member for Regina-Lake Centre (Mr. Benjamin) may smile, and that is because he would like a constitution which was aimed in that direction, but I should like to think that members of the Conservative Party and, indeed, the premier of Alberta might think twice about approving a constitution which was biased toward socialism because of the nature of the tax structure. Our considered conclusion is that it is not so, either in fact or in law.

The real question is not the right to tax and the propriety of allowing the federal government to tax business without regard to taxes or royalties imposed by provincial governments, but rather what the appropriate level of the tax should be. That is the appropriate question.

Mr. Andre (Calgary Centre): Is that what you said at the meeting of the premiers?

Mr. Lang: Yes, Madam Speaker, we indicated quite clearly in advance of that conference that it would be necessary for us to protect ourselves in regard to our revenue against such action that the provinces might take.

Mr. Andre (Calgary Centre): That's not true!

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Mr. Lang: I suggest that as far back as last January the federal government made clear its position that the key question was appropriate shares between the federal government, the provincial governments and industry. The argument about appropriate shares is, of course, practically as old as confederation itself. It is not our view that the industries in this country should be so throttled with taxation that they have no incentive to explore. It is not our view—though it is the view of the NDP government of Saskatchewan today—that it is appropriate to expropriate without compensation and take over industries, totally discouraging all development and private initiative. That is not our view. It is our view that we should have appropriate and fair shares, which is the kind of matter that we can discuss.

In recognition of this, in his budget in May the Minister of Finance indicated, even though for very logical reasons he had to move to the conclusion that royalties should be treated as non-deductible for purposes of federal taxation, that he would allow a higher level of abatement which, in effect, restored to the provinces an appropriate and decent share of the revenue that was available. After all, it was