

recommending to the provincial executive council that the royalty rate on the additional \$1.50 a barrel be reduced from 65 per cent to 50 per cent.

We believe we have established a clear and lasting set of rules that are equitable and provide appropriate incentives. A positive and constructive response from provincial governments and industry will ensure that the difficult task of bringing new oil and gas reserves to markets will proceed unhindered.

I know my time is running short, Mr. Speaker, but I would like to make one final point before resuming my seat.

Mr. Bawden: On Petro-Can.

Mr. Macdonald (Rosedale): That is exactly right. For once, the hon. member for Calgary South (Mr. Bawden) is right. I should like to respond to concern about the announcement of a cut in this year's budget for Petro-Canada. This cut does not affect our commitments to Syncrude but is restricted solely to the administrative funding for the corporation. The cut reflects the unconscionable delay, as it has been expressed, in getting the legislation through parliament and amounts to \$5 million of a previously estimated \$15 million; that is to say, there will be \$10 million available to the corporation in the balance of this year in order to commence operations.

I would like to close by observing, again, that the arrangements made for the pricing of oil and gas represent the result of extensive discussions and a compromise particularly between the major producing province and the Government of Canada. Taxation measures being taken with regard to the compensation fund provide some means of maintaining our single oil price across Canada; and in particular—just as provincial governments have done—we have selected the end user of this particular commodity, gasoline, as the person who is in the best position to bear this particular cost.

An hon. Member: Totally regressive.

Mr. Macdonald (Rosedale): The hon. member suggests it is totally regressive. I am glad the Leader of the Opposition has rejoined us, as the provincial author of a gasoline sales tax, but I suppose he could be called totally regressive as a leader as well.

Mr. Bawden: Mr. Speaker, would the minister entertain a question?

Mr. Deputy Speaker: Order, please. This could only be done with the unanimous consent of the House, as we have actually gone beyond the time allotted to the minister in that I allowed for some interventions made during his speech. Is it agreed that the hon. member be allowed to ask a question?

Some hon. Members: Agreed.

Mr. Bawden: Mr. Speaker, the minister made reference to the 50 per cent royalty rate mentioned by the minister of the government of Alberta. I would ask if it is true, as it was reported in yesterday's press, that prior arrangements were made between the federal government and the government of Alberta to limit any increase in Alberta pro-

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vincial royalties on the increased crude oil price to 50 per cent? If that is the case, would the minister indicate whether similar agreements were reached with the governments of Saskatchewan and British Columbia?

Mr. Macdonald (Rosedale): Mr. Speaker, it would not be correct to say that an agreement was reached in this regard. The Premier of Alberta and the ministers, prior to the first ministers' conference in April, indicated what they considered an appropriate change in federal taxation policies would be and that they would be prepared to change the royalty provisions. There was no agreement in this regard, but the actions of the Alberta minister of energy and natural resources and his announced intentions in this regard would indicate that he really is carrying out what was the premier's expressed intent. So far as I know, there has been no similar expression of intent either on the part of the Premier of Saskatchewan or the Saskatchewan minister, or on the part of the government of British Columbia. There was not, as there was not with the Alberta government, anything that could be described as an agreement.

Mr. Bawden: Mr. Speaker, I should like to ask the minister whether a similar agreement was sought by the federal government with the provinces of British Columbia and Saskatchewan, particularly in view of the stated objective of this government to direct price increases toward stimulating new exploration. Bearing in mind that in the case of the most recent crude oil increase as it relates to the province of Saskatchewan, 100 per cent of the increase is going into the provincial coffers rather than into the search for new supplies, I would ask the minister what efforts were made and why it was not possible to achieve such an understanding as it relates to incremental royalties in the provinces of Saskatchewan and British Columbia?

Mr. Macdonald (Rosedale): Just to correct the hon. member's language, neither on the part of the federal government nor on the part of Alberta, nor on the part of any other government, was there anything in the nature of an agreement on so-called tax bargaining. There was not an agreement in this sense and I do not think one could expect that such an arrangement would in fact be made.

Mr. Bawden: Why not?

Mr. Macdonald (Rosedale): The government of Alberta, just as the Minister of Finance, takes the view that it forms the taxation policy and neither the minister nor the treasurer of Alberta should engage in a form of bargaining on this particular matter. We did, however, have extensive discussions and the Alberta government expressed some intention that it will follow through in this regard. We have represented to the governments of British Columbia and Saskatchewan that the royalty policies they follow are antipathetic and, therefore, disadvantageous in the case of British Columbia in respect of the natural gas industry, and in the case of Saskatchewan, the oil industry. I can only say that while this view has been put strenuously, not only by the federal government but also by many other observers in this country, it has not changed the thinking on the part of these particular governments.