

ernment of Canada which has the responsibility for the national economy. We all hope that will still be done.

I must say also to the minister, and I do not say it to him as an individual but as a member of the government, that the possibility of reaching such an agreement was sadly reduced last year when the federal government, after getting an agreement with the provinces which cost those provinces \$5 a barrel, in that they got that amount less than they would have received from the international price, turned around and said all resource companies had to pay income tax on royalties paid to the provincial governments. For the first time to my knowledge that expenditure by the resource industry has been treated as income and not deductible for income tax purposes. That is a good part of the reason why it is so difficult now to reach any agreement between the federal and provincial governments.

Mr. Andre: You can't trust them.

Mr. Douglas (Nanaimo-Cowichan-The Islands): My friend says that we cannot trust them. I suggest for very good reason; once bitten, twice shy.

Mr. Gillies: You are speaking better now, Tommy.

● (2050)

Mr. Douglas (Nanaimo-Cowichan-The Islands): My friends in the Conservative Party only like me when I am giving the Grits hell. My job is to point out when they are both wrong.

An hon. Member: You are good at it.

Mr. Knowles (Winnipeg North Centre): He has a two-edged sword.

Mr. Douglas (Nanaimo-Cowichan-The Islands): I think a good deal of the resentment and hostility present today in the relations between the federal government and the oil producing provinces could have been resolved, and could still be resolved if the federal government were prepared to drop its unjustified and unwarranted intervention into the management of the resources of the provinces through a tax measure which I think was a scandalous intervention by the Minister of Finance in his budgets both of May 6 and November 18 last. At the beginning of the discussion I made a suggestion in respect of the bill. The minister, I am sure, would not want to accept it although he may as time goes on give some thought to it.

I think this legislation could pass much more quickly if the federal government were prepared to take out of the legislation the mandatory clauses, particularly clause 36 having to do with oil, and I believe clause 52 having to do with natural gas, the two clauses which give the federal government the power to set the price once it happens that an agreement cannot be reached with the provinces. But I do not stop there. I do not agree with my friends that this is satisfactory because, if the federal government does not have the final power to intervene, this would mean that the provinces would be able to set the price.

An hon. Member: Not necessarily.

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Mr. Douglas (Nanaimo-Cowichan-The Islands): The provinces could set the price in their interest rather than in the national interest. If the provinces are not prepared to enter into a joint agreement with the federal government then I am prepared to support the idea of the federal government having power to set the price. If the minister and his colleagues cannot reach a compromise with the provincial governments they can always introduce in the first, second or third week in June, an amendment to this legislation to include the mandatory provisions.

So far as this party is concerned we would support those mandatory provisions because otherwise we cannot have two-price systems in our country. In the final analysis the government must have the authority to fix the price after the temporary voluntary agreement ends on June 30.

Mr. Gillies: Why not a federal-provincial commission?

Mr. Douglas (Nanaimo-Cowichan-The Islands): I would not worry about a federal-provincial commission because the federal government, operating under the constitution, is given the power to set the price within provinces and across provincial boundaries and it ought to exercise that authority. My criticism is not of the federal government exercising the power that the constitution gives it but that it has taken too long to use that power, and now that it is using it I propose to support it in doing so.

Mr. Gillies: Do you want in or out?

Mr. Douglas (Nanaimo-Cowichan-The Islands): I want if possible to get a voluntary agreement and, if not, I want the federal government to have the power to impose an agreement because otherwise we would not have price control in this country. My friends who supported price control ought to be jumping with joy because finally the federal government has proceeded to fix the price of one commodity. If in the next few weeks before the federal minister brings down his budget the federal government and the provinces could reach some compromise with regard to the taxation of the resource industries so that all or part of the royalties paid to a provincial government will be deductible for income tax purposes, and if they could reach some agreement concerning the price, this mandatory power may not be needed.

I believe we would get this legislation through much more quickly if this mandatory power were not there, but if there is no agreement we think this mandatory power must be given the government, and we will support the government if it brings that measure before the House.

Mr. Bawden: Mr. Chairman, the hon. member to my left has had something to say about the elements that might be a factor in the resolution of our current energy problems in Canada. Certainly the national press is now stirred up about this, and the *Financial Post* has a special section on energy this week which leads off by saying:

One of the least attractive characteristics of the federal government is its current preoccupation with talking a problem half-to-death, but doing next to nothing about resolving it. And nowhere is this clearer than in the energy sector.

Despite the recent two-day federal-provincial summit meeting here, Canada seems no closer to any kind of comprehensive energy policy than it was a year ago after the last meeting of first ministers.