

*Adjournment Debate*

not they will have to bear this heavy responsibility, the potential repayment of about \$600 million as a result of this one decision.

We have the spectacle in the province of Saskatchewan of a provincial government which has demonstrated a very substantial capacity for mismanagement of the affairs of our province by getting us into a form of taxation which has now been struck down by the Supreme Court of Canada, notwithstanding the fact that the government had been warned well in advance of putting on this tax that there might be problems so far as its constitutionality was concerned.

On the part of the federal government there has been a history of confrontation over mineral taxation between the federal government and the provinces. It was bad enough when the federal government took a position with respect to the deduction of provincial royalties and taxes in its computation of federal taxes on resources, but we have also the situation of the federal government actively intervening in the CIGOL case, siding with the oil company against the interests of the province with respect to the ownership of mineral resources.

I say to the parliamentary secretary that the situation was brought about by the provincial NDP government and the federal government, and it is leaving the people of Saskatchewan out in the cold. I am afraid that this decision may have far reaching implications, and it is most important that we get a clarification as to what the rights of the provinces are with respect to mineral taxation. So far as Saskatchewan is concerned, the province's natural resources were handed over to provincial jurisdiction in 1930, and we have always assumed in that province that we are the owners of the mineral resources in that province. Now we find, as a result of this decision, that we have less than full ownership. It appears that we have ownership so long as the resources remain in the ground, but as soon as we try to extract them and sell them, all of a sudden the federal government appears to have the upper hand if there is a conflict between the jurisdictions of the provincial and federal governments.

It is incumbent upon the federal government, in the interests of national unity if nothing else, that it clarify immediately the extent of ownership of mineral resources, because if we do not have that, a situation will develop, particularly in western Canada, of increased alienation toward the federal government in particular if the rights of the provinces with respect to their resources are being limited. This clarification could be made at a meeting between the Prime Minister (Mr. Trudeau) who is going to Regina on Wednesday, and the premier, or with the appropriate ministers involved.

The basis of the decision has been twofold. One is that there was indirect taxation and therefore it was unconstitutional. The second basis of the majority decision was that as soon as a resource passes into interprovincial or international export trade, if there is a conflict between federal and provincial jurisdiction, the federal government has the priority.

[Mr. Hnatyshyn.]

● (2222)

I suggest that the implications of this decision, are very wide-reaching, and I think what has happened as far as other provinces are concerned is that they have come to the point where no one is really attacking the arrangements as far as the amount of the tax payable, for example, to the province of Alberta or to other provinces with respect to oil, is concerned. The federal government receives a certain portion. The oil companies receive a certain portion of the increase in value by way of increased profits, but I suggest that the principle involved here is that a federal government which is inclined to exercise its authority in that area could very well shut out a province, effectively taxing the mineral resources contained within the boundaries of the province.

This is a very serious problem. Are we going to have the concept of mineral resources being owned by the provinces, as we have understood over the years? We now have this decision staring us in the face, and if the federal government insists on exercising or flexing its muscles with respect to the provinces, one can only expect a sense of alienation on the part of the provinces. That is why I called upon the minister at the time I raised this matter to consider, on an immediate basis, a proposition that there should be some consensus as to what is involved in mineral resource ownership. In this way we could avoid a very serious confrontation between the provinces and the federal government. At a time when we have many things in dispute between the federal government and the provinces, this is one very important area which, I think, demands immediate attention.

The final point I want to make is that, judging by the way the government of Saskatchewan is talking, it may well be that it will take the option nationalizing the oil industry and the resource industry generally. Then the federal government will have to consider its position with respect to taxing Crown corporations within the provinces or taxing the provinces themselves with respect to mineral resources. However, that will be another question in another debate.

**Mr. Roger Young (Parliamentary Secretary to Minister of Justice):** Mr. Speaker, just briefly to recapitulate, in his remarks in this House on November 24, and again this evening, the hon. member for Saskatoon-Biggar (Mr. Hnatyshyn) suggested that the Supreme Court decision in the CIGOL case had far-reaching implications for the ownership of mineral resources within the provinces. With respect, I do not see such import in the decision of the court. The question of ownership of these natural resources was not in issue.

By an agreement made in 1930 between the governments of Saskatchewan and Canada, Saskatchewan was given the ownership of all public lands, mines and minerals, and the power to administer and control natural resources within the province. The agreement was in the following terms:

... in order that the province may be in the same position as the original provinces of Confederation are in virtue of section one hundred and nine of the British North America Act, 1867, the interest of the Crown in all Crown lands, mines, minerals (precious and base) and royalties derived therefrom within the