One glaring example is tax imposed on gasoline, an absolute necessity for mine exploration. Taxes account for half of our Canadian costs for gasoline. This government recently increased that tax by another half a cent per litre. That is a tax that must be paid regardless of whether a mining company is in full or profitable production or merely struggling to complete its first program of diamond drilling.

By contrast, Mexico, our partner in the North American free trade agreement, is far more realistic about what gas taxes can do to their economy. In Canadian cents per Canadian litre of gasoline during 1994, Canada's base price for gasoline was 26 cents, whereas Mexico's base price was 44.5 cents. Yes, that is right, Mexican gasoline, excluding tax, was nearly 20 cents a litre more than our price. The Mexican government taxes gasoline like the essential commodity it is, rather than following the wrong headed policy of the Canadian government, which zaps consumers and businesses by doubling the price by the time it reaches the gas pump.

• (1810)

The final result for 1994 was that our NAFTA partner had gasoline prices of 48.9 cents a litre versus the Canadian average of 52.2 cents a litre. That is a big difference.

The federal government for the past many years has taxed gasoline like it was champagne in order to pay for high spending federal programs that allow the federal government to meddle in every sector of our economy, including direct grants to businesses and industry, which still cannot make Canadian costs competitive. Compared to our new NAFTA partner, that is the kind of thing I mean when I say that it is the muddle headed contrary federal government policies that have stopped mining exploration in Canada.

Another example of outrageous taxation is the application of the large corporation tax to mining companies that may have only one mine they are struggling to bring into production. Still another tax I believe is wrong taxes the interest on money that mining companies must place in trust to ensure proper clean–up of the environment in the form of mine reclamation funds. When a mine starts up the principal has to raise a fortune in preproduction costs. Part of that cost is setting aside sufficient funds to ensure that the environment is returned to a safe and useable condition when the mine shuts down. Creation of the mine reclamation trust fund is being legislated by the provinces, but the federal government is requiring even single mining operations just getting started to treat the interest from the mine reclamation fund as annual income and to pay tax on it right from the first year. Instead, I believe mine reclamation funds should be treated like an RRSP.

Another way in which the present tax system is unfair to mining development lies in the treatment of shares. I am very much in favour of flow through shares, especially for non–diversified or junior mining companies, which may not have revenue against which they can use the deductions available. It is good to let deductions available at the front end flow through the investor who just buys the shares, but I see no justification for requiring that the adjusted cost base of those same flow-through shares must be regarded as zero, whereas the adjusted cost base for other shares is the actual cost of those shares.

The hon. member from the Bloc Quebecois has looked at the national mining industry, which despite these awful federal policies managed to create $16.34 billion of total mineral production in the year of 1992, $15 billion for 1993, and $16.29 billion for 1994. Even though the hon. member claims he wants to get out of Canada, he is proposing that the federal government introduce a new program of mining incentives to encourage prospectors to return from countries such as Chile, Brazil, Indonesia, and wherever else Canadian prospectors have found government policies they can live with.

The last thing a prospector wants is yet another batch of federal red tape to try to figure out. What is basically wrong with government starting such an incentive program? For one thing, governments cannot predict very accurately when the international price of gold or any other mineral may suddenly climb substantially.

In 1983 the price of gold was $350 U.S. per troy ounce, and mining exploration was relatively flat. In 1985 the Tory government introduced the $100,000 lifetime capital gains deduction. In 1987 gold was selling for $500 U.S. per troy ounce. Throw in the additional government incentives like the mining exploration depletion allowance, and small wonder that in 1987 over $1.2 billion was poured into mining and mineral exploration here in Canada. It went predominantly to precious metals rather than the base metals, which are more essential to our economy.

Who can say whether the policies of flow through shares, the lifetime capital gains deduction, the increased price of gold, or the MEDA program was responsible for the influx of the exploration dollars in the mid–1980s?

Government programs are by their very nature crude tools. Communist countries learned that they cannot entrust management of their economies to some central brain trust. It is far better to make as few government rules as is consistent with ensuring sustainable resource development and generally leave the field of natural resources to provincial jurisdiction.

• (1815)

Another significant factor preventing people from investing in Canada today is our many conflicting rules, especially regarding the environment. The Reform Party believes that environmental concerns must be part of sustainable resource development right from the initial planning stages. We see absolutely no valid reason that federal and provincial regulations should not be harmonized right across Canada. Instead, the present federal Minister of the Environment has scuttled harmonization negotiations with the Council of Canadian Min-