

The Budget—Mr. Trudeau

almost certainly be a smaller factor than has been the case under the current agreement.

On that latter point, Mr. Speaker, I repudiate the suggestion that the Minister of Finance misled the public by not including the yield from the export tax in his calculation of the current federal share of resource production profits. The export tax is a unique, short-term and disappearing phenomenon. It is a device designed to make possible the federal-provincial agreement that there should be a single domestic price for oil lower than the world price. Benefits derived from the export tax do not remain with the federal government; they are transferred to the provinces east of the Ottawa Valley line so that consumers and industry there may pay roughly the same price as those west of the line.

Some hon. Members: Hear, hear!

Mr. Trudeau: So the export tax does not belong in any discussion of the long-term sharing of production profits. Indeed, those who include it are themselves distorting the real picture.

I would like, now, to take a few moments to deal with a question of special importance to the province of Saskatchewan. Premier Blakeney has reacted unfavourably to the budget proposals on equalization. I should like to discuss this question in particular, because Premier Blakeney has been quoted in the press as saying that the proposed equalization arrangements appear to be a clear, direct and specific violation of both the spirit and letter of the March agreement of first ministers. He is also reported to have said, "Saskatchewan would get \$40 million less this year than if the oil pricing agreement had continued to be honoured by Ottawa".

In my view, Mr. Speaker, the budget proposals on equalization are clearly in accord with the spirit of the arrangements which were accepted in a general way at the March meeting. Moreover, there is no doubt in my mind that Premier Blakeney is mistaken in implying that the oil pricing agreement would fully protect Saskatchewan from any reduction of equalization in respect of oil. I would like to recall for hon. members the nature of the understanding which was reached by first ministers last March. On March 28 I reported to Parliament on the effect of the new provincial oil revenues on federal equalization payments to the provinces as follows:

The House may wish to note that Saskatchewan intends to place most of its added oil revenues in a capital fund for energy development. Alberta proposes to handle a high proportion of its added revenues in the same manner. While the revenues taken into their capital funds would not be subject to equalization the federal government will, of course, pay equalization respecting any oil revenues that go into general funds. We calculate our added equalization payments will likely be something over \$100 million.

This is very vital to the agreement that was reached between the first ministers, because on the one hand those provinces which are consumers of oil and not producers were saying that Alberta and Saskatchewan are getting rich, and asked whether this means that the equalization payments would correspond to that added wealth, as in other instances added wealth has meant increased equalization payments. Of course, the producing provinces did not have the same point of view. Nor did we. We did not want the totality of the added revenues to go into equali-

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zation, because the way we calculated it, we would have ended up in a short time even having to pay equalization to Ontario. This would have made a mockery of the whole system of helping the poor provinces. So we reached this compromise of a fund. Everything put into the fund would not be subject to equalization, and everything that went into general revenue would be subject to equalization. This is the principle. Now, let us see how it applies if we follow the letter of the March agreement and the letter of the budget or the spirit of either. Let us see how it applies, because this statement makes clear our understanding, and I repeat here that our additional revenue would be treated in two ways for purposes of equalization.

The understanding did not go so far as to specify the specific proportion of additional oil revenues that would be placed in general and capital funds by each of the producing provinces. However, it did indicate that this proportion would be high in the case of both Alberta and Saskatchewan. In making calculations of equalization for 1974-75, since last March—the federal government has made the following assumptions: First, that Saskatchewan would place all of its additional revenues from oil into capital funds. I think this would satisfy the interruption of a moment ago by the NDP. Second, that Alberta would place 65 per cent of its additional revenues from oil royalties into capital funds, but none of its additional revenues from other kinds of levies on oil. Third, that none of the other producing provinces would place any of their additional revenues into capital funds, referring of course to revenues from oil. Over-all, we expected that this would have the effect of excluding from equalization approximately two-thirds of the additional revenues from oil.

The Minister of Finance has already referred to the difficulties which would be encountered if the equalization calculations were to be dependent on provincial decisions from time to time respecting sequestering of oil revenues in capital funds. Therefore, an alternative method of implementing the intent of the March understanding has been developed and will be discussed with provincial finance ministers next week when the federal Minister of Finance meets with the provincial ministers of finance. He will put the alternatives before them. However, it might be interesting for the House to know the results and to know of the two systems.

Mr. Baldwin: They had better take along a Bible: they will want a Bible at that meeting in order to have someone sworn.

● (1640)

Mr. Trudeau: I think the hon. member opposite has really elevated his mind. I remember a few years ago when his authority was the Canada Year Book. Now it is the Bible.

Some hon. Members: Hear, hear!

Mr. Trudeau: Do you remember that time, Mr. Speaker, when you were a backbencher and the hon. member, in the debate on the rules, quoted the Canada Year Book as his authority? But now the Bible may give him something to think about.