

*Oil and Gas*

The government's tax policy has led to increased corporate profits. For example, corporate profits increased by over 21 per cent in 1972, by 35.7 per cent in 1973 and by 33 per cent in the first three quarters of 1974 over the same period the previous year. Having permitted the corporations to make those fantastic profits, the minister met with groups in industry, business and farming and asked labour to show restraint. When the corporations were making their greatly increasing profits, the minister remained silent, but now that workers are trying to recoup some of their losses brought about by inflation, now that workers are saying to the corporations, "We want a share of your increased profits," the minister is saying to the workers, "Unless you show restraint, this country will be in great trouble." Why did the Minister of Finance and the Prime Minister (Mr. Trudeau) not lecture the corporations when they were making their dramatically increasing profits? Why did they not ask them to restrain price increases which led to the increased profits I have described?

We know that we need a strong federal government with power to bring about a more equitable distribution of income as between individuals and regions of Canada? We do not think the federal government should be excluded from the resource tax field. On the other hand, we also think the provinces which derive substantial revenues from their resources should be entitled to go on receiving such returns. We are selling vast quantities of oil, natural gas and minerals at high prices, and we think that provincial governments and the people of the provinces have the right to the major part of the benefit of those sales.

This country is governed by a federal system of government. No one has been a more eloquent supporter of our federal system and constitution than our Prime Minister. After all, under the federal system and constitution, natural resources belong to the provinces. We do not think, therefore, that the federal government has the moral or legal right to arrogate unto itself unilaterally the greater part of the benefits derived from the sale of resources. In addition, we see no evidence of the federal government's willingness to promote more balanced economic and industrial expansion in the have-not areas such as the Atlantic region and the western provinces. An analysis of the geographic distribution of industries such as the petrochemical, aerospace, steel and other industries indicates a definite regional imbalance favouring the central provinces. Federal policies are leading to further regional imbalance in favour of Quebec and Ontario, provinces which already contain the bulk of our manufacturing industries.

Since the days of the western economic opportunities conference, during which the Prime Minister and the Minister of Transport (Mr. Marchand) made such glowing promises, we have seen little evidence of improvement in transportation. Inequitable transportation rates continue. The freight rate freeze has been lifted and the Crowsnest pass rates threatened. The Minister of Transport says one thing about the Crowsnest pass rates and the Minister of Justice (Mr. Lang), who has responsibility for the Wheat Board, says another. The programs of the Department of Industry, Trade and Commerce continue to be weighted heavily in favour of central Canada. We say that major changes in policy are needed in all these fields, but there

[Mr. Orlikow.]

is little evidence to show that the federal government intends to change its policies. The promises which members of the government made at the western economic opportunities conference when the government was in a minority position are being ignored: the government now does not need to worry about being defeated.

I have raised matters which concern us. We are concerned about government proposals being brought forward against the opposition of every province of Canada. I contrast the government's present proposal with something the President of the Privy Council (Mr. Sharp) said when he was minister of finance. In 1967, when speaking on the subject we are now discussing, he said:

We should seek in the future to measure the whole revenue or fiscal capacity of the provinces—to develop a comprehensive "prosperity index" if you will—in place of the partial measure now in use. Instead of selecting certain taxes and equalizing them to the level of the top two provinces, we should take into account all of a province's revenues and equalize them to the national average. This would be a good deal more expensive to the federal treasury, but far more equitable.

● (1600)

That was a very sound statement of principle. It seems to have been forgotten by the present Minister of Finance, but it is just as sound today as it was then. That kind of policy would not only help the western provinces, but the maritime provinces which have suffered the slowest rate of growth of any region in Canada almost since confederation, and very markedly in the past 20 to 25 years.

We were told by the Minister of Finance that if all the oil and gas revenues received by producing provinces were to be included in the equalization formula, as would have been done up to the time of the last proposals and policies being adopted unilaterally, the extra cost to the federal government for equalization could approach \$2 billion, if not more. The government of Manitoba and the governments of the other western provinces completely rejected that calculation.

In December, 1974, the Manitoba minister of finance called on the federal minister of finance to put on record the assumptions which underlay his estimate, because their calculations did not produce such dramatic results. Their estimates suggested that for 1974-75, at least, the extra cost to the federal government of equalizing all provincial oil royalties would be about \$200 million more than Ottawa proposed to pay under its plan to include only one-third of additional oil revenues in equalization. Of course, that \$200 million figure did not include any allowance for cushioning the negative impact on Saskatchewan's equalization; nor did it include allowance for the addition of extra natural gas revenues, but these latter amounts did not appear to be as large as the totals for oil.

To my knowledge—I tried to check this with officials of the government of Manitoba—the federal minister of finance never took up that proposal of the Manitoba minister of finance. Without putting it into words, in effect he said, "I have the power. I have the authority. I am going to impose this unilaterally. There is nothing the provinces can do about it." It is for that reason and others that we intend to vote against this proposal. It is nothing more than a unilateral decision.

I say to the parliamentary secretary, as we have said to the Minister of Finance, that in implementing these pro-