consideration, clause 4, and in particular this provision:

(5) (a) the amount by which the average per capita natural resources revenues of the province for the three fiscal years immediately preceding the fiscal year exceed the average per capita natural resources revenues of all the provinces for the three fiscal years immediately preceding the fiscal year.

As has been indicated by other speakers in this discussion, we are seeking simply to secure from the minister some undertaking that he will consider the inequity which exists in this clause. Perhaps a provision of this general nature has existed for many years in our tax arrangements with the provinces. But it is not desirable to perpetuate this arrangement if it can be proved there is a fundamental weakness attached to it. My suggestion to the minister tonight is that there is a fundamental weakness here. I would ask him to indicate to the committee that he is prepared to accept the fact that there must be some differentiation between true natural resource income and the sale of a capital asset.

If you are gaining an income from a renewable resource—from a forest resource, for instance, which can be sustained and made to yield a continuing revenue—it can properly be regarded as income. But if you are receiving revenue resulting from the sale of an asset—gold, iron, silver, copper, any of the minerals, which cannot by any policy of management be restored; if you are obtaining revenue derived from the sale of oil or natural gas, which cannot, by any exercise of management be renewed; once it is gone, it is gone for good—an entirely different consideration arises. This is what I ask the Minister of Finance to recognize. I am sure this is what many members who have spoken over the past several days are seeking from him. Just as in the field of federal taxation capital gains are not taxed, we should not take these capital gains into account in an equalization formula, but rather we should recognize that the only income which should be taken into account under such a formula is that which is renewable and can be perpetuated. That is all I ask of the minister. I ask him to take this principle into account.

To summarize: Natural resource income is that income which derives from a resource which can be perpetuated, whereas revenue from the sale of resources which are not renewable amount to the sale of an asset and should be considered as a capital gain.

Mr. Barnett: When I heard the hon. member for Fraser Valley reading an editorial from the *Financial Times* I was tempted to rise on a point of order and suggest to Your Honour that the subject matter of the editorial was one which might more properly be debated in the legislature of the province of British Columbia. So I will attempt to be very brief in the comments I make lest I fall into the same error. I am really rather fond of the hon. member for Fraser Valley, and that may have been one of the reasons I refrained from rising.

I would like to point out that when the hon. member was referring to the question of contingent liabilities and whether the province of British Columbia was debt free, he conveniently mentioned only such things as revenues from crown corporations, and conveniently forgot to mention the contingent liabilities in respect of the debts of the school boards and municipalities of the province. I would just say that within the province of British Columbia there is still a good deal of difference of opinion as to some of the claims the premier of that province makes from time to time on the subject of the public debt.

In reference to the latter part of the hon. member's remarks, in which he took some umbrage at my suggestion that the premier of British Columbia exhibits separatist tendencies, I would remind the hon. member that when I made those references I quoted from the same statement to which he referred. But I find myself less concerned with the fine sounding phrases in the peroration of the submission of the premier of British Columbia than with what I consider to be the meat of the submission. At that earlier stage I pointed out that the premier's statement was to the effect—and I am quoting from page 69—that "British Columbia is opposed to federal equalization grants to the provinces. Equalization does not contribute to national harmony or efficient use of public moneys". In my own view—and I recognize this is a matter of opinion—anyone who holds those views, considering the realities of the Canadian federation, is in fact advocating a policy of separatism as I have come to understand it.

I also made reference to the fact that in my view the premier in his submission has done much as he has done before, namely attempt to distort the constitution as it is contained in the British North America Act. I did not at that time spell out my contention, but the premier in his submission makes the claim that direct taxation is assigned, under the British North America Act, as the exclusive prerogative of the provinces. I sub-