

Oil and Petroleum

Based on this bill and government's intention to have even greater control of our petroleum industry, the Canadian consumer can soon expect the same result that has been occasioned in other areas where government has taken control.

We have seen the disastrous effects of government sponsored marketing boards and, in spite of government's attempts otherwise, we are looking at the highest prices for eggs in our history.

The federal government got into the food industry and appointed Beryl Plumptre to the Food Prices Review Board. What a waste that was.

If the people in this country are prepared to pay a dollar to a dollar and a half for a gallon of gasoline, or if they are prepared to anticipate major shortages during our energy crisis, then by all means let us continue with the confrontation, let us continue to detract exploration capital from Canada, and let us continue to press for even greater federal control of our economy.

If, however, we are to have a truly viable resource industry, which will provide not only for our own immediate needs as well as our long term needs, but assist in supplying some of the needs of our American neighbours, then stability and encouragement must be returned to this industry. The very future of our own industrial expansion is at stake.

I should like to read into the record an extract from a press release I issued during the last election campaign. It concerns something about which I felt very strongly, as I think did a lot of people in western Canada. The results of the election in that part of the country endorse this. In the second paragraph of this release, dated May 13, I said:

One of two things is painfully apparent in Finance Minister Turner's proposed taxation changes for the resource industry.

1. His preparation was based on absolutely no investigation into this area (which one can assume is doubtful) or
2. He is deliberately encroaching into an area which is primarily a private taxation reserve of the province.

If one disregards the first point, then one must assume that a select group of senior civil servants have taken it upon themselves to invade an area of provincial domain and have convinced their minister that such action would be beneficial to increasing the ever-growing federal power base and pressuring those provinces into reducing their royalties if their resource industries are to remain even slightly economically sound and they are to provide substantial employment opportunities.

Under the new budget proposals, by not allowing the deduction of provincial royalties before computing federal tax, confusion in the resource field to companies both large and small will result, and the resource industries will find themselves forced into a system of double taxation, economic chaos and eventual closure.

● (2130)

Consider, for example, Company X, which should net \$18 million in 1974, pay a basic royalty of 2.5 per cent on their gross, amounting to \$1.025 million and pay a subsequent super royalty of \$6.805 million and 50 per cent federal and provincial tax of \$9 million profit. Total taxes and royalties then would amount to \$16.83 million, leaving a profit of \$1.17 million on an original investment of \$63 million. The effective rate of return would be 1.85 per cent.

Consider Company Y, which should net \$38 million in 1974. Their basic royalty on 2.5 per cent of the gross would be \$2.3 million, the super royalty would amount to \$21.025

[Mr. Reynolds.]

million, and federal and provincial tax on profit would be \$19 million. The total tax and royalty would be \$42.35 million, or \$4.35 million more than they net. Therefore, on an original investment of \$138 million they would be operating at a \$4.35 million loss.

I point out that companies X and Y actually exist and operate in Canada.

Now consider the oil industry in Saskatchewan. Oil is sold for \$3.08 a barrel by the company concerned. There is an additional \$3.42 royalty to the province concerned, to bring the total to the agreed price of \$6.50 per barrel. The cost to the company to produce this barrel is roughly \$2.50, representing a profit of 58 cents per barrel. Add to this the royalty of \$3.42, which under the new budget will not be deductible, and you arrive at a figure of \$4. At a 50 per cent tax rate the federal government will collect \$2 for every barrel produced from a company which is only making 58 cents per barrel. The net loss to the company, therefore, will be \$1.42 per barrel. Surely this must pose some very serious questions to the provincial premiers and to the people of this country.

With thousands upon thousands of jobs involved and millions upon millions of dollars being invested in our exploration provinces, how long will it be, under the proposed budget, before these companies simply cease to produce, or until the provincial governments are forced to adjust or cancel the royalties which are one of their main tax bases?

Let me close by saying that members of this House representing provinces of western Canada think of Canada as a unified country. They always have Madam Chairman.

Some hon. Members: Hear, hear!

Mr. Reynolds: For years western Canada has paid more than its share in making sure that the provinces of central and eastern Canada can get oil. Year after year we have helped in this way. We did not object last year when the government introduced a bill to ensure that all Canada could get oil at a preferred price. But we do object to the fact that the people in British Columbia, Alberta, Saskatchewan and Manitoba must pay more for automobiles and manufactured goods than the people of central or eastern Canada. And, by introducing this bill, the government is saying it will not allow the western provinces to make the money which is necessary to make the west strong and to allow it to establish secondary industry. Such industry is necessary if we are to survive, if we are to remain a strong force in Canada in years to come.

Mr. Nystrom: Let me begin by saying that, as a western Canadian, I want to see this country stay united. Maintaining national unity is important, as we all agree. If it were not for certain portions of the budget I suggest that much of Bill C-32 would not be controversial.

An hon. Member: Who are you kidding?

Mr. Nystrom: I suggest that we shall find in Bill C-32 many principles which all parties can accept, as two or three Conservative members suggested earlier this afternoon. I think we all support the idea of a single, domestic price for oil across Canada, transportation and handling