

Oral Questions

reassured, let me say that our delegation in going to Geneva with a firm mandate to negotiate hard on behalf of Canada.

Mr. Carter: A supplementary question, Mr. Speaker. Will the minister or his colleague, the Secretary of State for External Affairs, outline on motions and put up on public record the position which this government will take at the Law of the Sea Conference which is to begin in Geneva on March 17.

Hon. Allan J. MacEachen (Secretary of State for External Affairs): Mr. Speaker, I appeared before the Standing Committee on External Affairs and National Defence last night, and in my opening statement set out once again the position which Canada will take at the Law of the Sea Conference. As the deliberations proceed, I will be prepared to answer questions on the details of our presentation at the conference. I assure my hon. friend that the position which is well known as the Canadian position will be upheld at the conference.

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INDUSTRY**SHIPBUILDING SUBSIDY PROGRAM—AMOUNT DUE TO MARINE INDUSTRIES LIMITED**

Hon. Alastair Gillespie (Minister of Industry, Trade and Commerce): Mr. Speaker, I rise on a point of order. The hon. member for Northumberland-Durham asked me how much the subsidy payment is outstanding under our commitments under the subsidy program when he put his question on the relationship of subsidy payments and the dredging contracts. I have just been informed that payments totalling \$1,190,000 with respect to Marine Industries Limited under the shipbuilding subsidy agreements are due.

MICROSYSTEMS INTERNATIONAL—AMOUNT OF CONDITIONAL AND UNCONDITIONAL GRANTS

Hon. Alastair Gillespie (Minister of Industry, Trade and Commerce): Mr. Speaker, while I am on my feet, may I clarify an answer I gave the member for Winnipeg North to do with grants to Microsystems International. I had indicated that \$13 million, of the total of close to \$30 million in grants was conditional, and \$16 million was unconditional. On checking, I find that the grants totalling \$30.4 million were all conditional grants.

Mr. Lawrence: Mr. Speaker, I rise on the same point of order. I assume, since Your Honour allowed the minister to get up and partially answer a question on the basis of knowledge he must have had when the question was asked in the first place, that you will permit me to ask a supplementary question arising from that answer. My point of order is this: I wonder if the minister would be good enough, at the same time, to indicate to us the total amount owing under both the income tax charges and the fraud and conspiracy charges, as indicated in the indictments relating to Marine Industries Limited, and whether these actually cover the amounts he is now talking about.

[Mr. LeBlanc (Westmorland-Kent).]

If he cannot answer that, I wonder if the Solicitor General can.

Mr. Speaker: Order, please. Orders of the day.

GOVERNMENT ORDERS

[English]

PETRO-CANADA ACT**MEASURE TO ESTABLISH CROWN CORPORATION**

Hon. Donald S. Macdonald (Minister of Energy, Mines and Resources) moved that Bill C-8, to establish a national petroleum company, be read the second time and referred to the Standing Committee on National Resources and Public Works.

He said: Mr. Speaker, it is my pleasure today to rise and move that Bill C-8, to establish a national petroleum company, be read the second time and referred to the Standing Committee on National Resources and Public Works. This bill is a most important element in the government's long-term planning to secure adequate supplies of energy to meet our national needs. It is firmly rooted in the basic objectives of our energy and resource policies which are, to ensure for Canadians adequate and reliable supplies at reasonable prices, as well as a direct share in the wealth which development of our resources generates.

My emphasis on long-term planning is deliberate and necessary. We harbour no illusions that establishment of a national petroleum company is likely to lead to early and spectacular results in terms of massive energy development or financial success. I want the House to know that we are going into this venture in full realization of the fact that the hazards of exploration risk, technical and commercial uncertainty await this venture. We are nevertheless convinced that the national interests now require a significant degree of federal public enterprise in the oil and natural gas area. This enterprise will complement other federal efforts in the uranium and nuclear sectors, and reinforce provincial activities in electric power.

The vehicle we have chosen to carry out this function is a national petroleum company. Its organization, structure, objects, powers and duties are described in the bill and summarized in the Administrator's recommendation attached to it. The bill is neither lengthy nor complex, and detailed discussion of its provisions should be held for the committee stage. I do wish to spend some time, however, explaining to the House why this legislation has been brought forward.

[Translation]

Mr. Speaker, hon. members will recall that the energy policy review which I published nearly two years ago included extensive description of the role of state participation in the energy industry in Canada and abroad together with a careful analysis of the benefits and drawbacks which might stem from the creation of a Canadian national petroleum company. The advantages and disadvantages as represented in the review appeared to balance

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out, and no conclusion was drawn one way or the other. I think that this fairly reflected the government's position at the time.

I need hardly remind the House how much things have changed since then. The physical limitations of commercially-accessible energy resources in southern Canada have become even clearer. The economic, technical and environmental problems of developing the energy resources in our geographical and technical frontiers—the north, the oil sands and the offshore—have if anything been magnified by the passage of time. The terms and channels of access to overseas oil and energy supplies to meet deficiencies in our domestic resources have sharply changed. Fresh uncertainties have arisen as to the physical security of those supplies in certain circumstances. And we have experienced, and still face, huge increases in the real cost of our energy supplies, whether from the domestic frontiers or from abroad.

[English]

Our published analysis of the pros and cons of public enterprise in the petroleum industry was carried out towards the end of a long period of tranquillity, and apparent stability, in domestic and international energy affairs. The changes since then in circumstances and outlooks have been radical and, for the most part, permanent. It is the extent and nature of these changes which have in our view tipped the balance decisively in favour of federal entrepreneurship in the oil and energy industries.

This does not mean that the government finds that Canada has not been well served by private enterprise in the petroleum industry. Private companies, whether Canadian or foreign-owned, have generally worked vigorously to develop our oil and gas resources, to create transportation systems for them, and to refine and distribute efficiently oil products. The privately-owned Canadian oil industry has a good record of technical and managerial innovation.

● (1530)

The concerns which have led the government to propose establishment of a national petroleum company have much more to do with the future than with the past. These concerns relate principally to matters of energy supply, particularly the supply of oil and gas.

The government does not feel assured that the private sector can be relied upon to mobilize all of the enormous amounts of capital which will be required to secure energy development consonant with Canadian needs over the longer term. Nor can it be certain that, faced with attractive investment opportunities and geological possibilities abroad, the private oil industry will be able to concentrate as much effort on our own petroleum prospective areas over the next decades as our needs require.

There are uncertainties, too, in respect of arrangements to import the oil which we need to supply consumers in the eastern part of our country. Oil resources in overseas exporting countries are quickly coming under the ownership and control of state-owned petroleum companies. As I will elaborate later in these remarks, circumstances could well develop, in such a way that oil imports could more advantageously be made by a nationally-owned Canadian

corporation than by the private companies which have so far served us in this area.

The compelling reasons for creation of a national petroleum company relate therefore primarily to security of supply—from our domestic resources and also possibly from abroad. Besides providing a new focus for mobilizing capital and skills in the service of necessary resource development, the company will bring to the petroleum sector the social benefit to Canadians of the pride, satisfaction and confidence of owning a portion of this critically important Canadian industry. I firmly believe that a majority of Canadians desire such a presence and a broadening of Canadian ownership in this industry.

As this enterprise develops, we can reasonably expect to reap a number of side benefits. A degree of knowledge and insight will be available which simply cannot be acquired by other means. This insight will extend to a first-hand experience of the effects of our own and provincial government's policies, and thereby to the appropriate design of those policies to the benefit of all parties. The national petroleum company may also be able to play an important role in regional development. Also within what might be regarded in part as a "social function", the company will be expected to pay special attention to education and training of native peoples in the petroleum sector. Finally, the company would be expected to carry out research into problems of petroleum development which are peculiar to Canadian circumstances.

Let me now exemplify how we envisage the company will be able to serve the national interest in terms of expanding our domestic supply potential, improving our access to overseas resources, and reaping a number of other benefits for the country as a whole.

We have chosen to set the national petroleum company in a corporate business framework as a means to better achieve our goals. In its organization and business methods, the company will be subject to the basic disciplines of an operating statement and balance sheet. The corporation will be responsible to its shareholders, the people of Canada. I think the directors of the company may from time to time judge that short-term profit maximization is not in the interests of these shareholders, all of whom stand to be affected directly or indirectly by the corporation's actions. That criterion may properly be modified in the interests of long-term future energy supply for Canada, and in terms of job opportunities or the development of particular parts of Canada.

The company will be able to mobilize capital on an important scale, even by the standards of those large private enterprises which characterize the energy business in Canada. The initial capitalization of \$500 million can be supplemented by debt-raising to \$1 billion. I would expect that the federal government would stand behind the company when it seeks to raise debt capital. The capital resources which the company will thereby be able to command are substantial and will enable it to play a significant role in our total petroleum investment picture at a relatively early stage in its life.

The government expects that the most important function of this enterprise will lie in the area of oil and gas exploration and development, particularly in our frontier areas. Private investment, both Canadian and foreign-con-

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trolled, will continue to play an important role in this area. However, we are looking to the company to increase the Canadian presence in a sector which is of critical importance to assuring future energy supplies. Where possible, the company would seek to operate jointly with both Canadian and foreign firms in development activity.

As the House knows, the federal government holds a 45 per cent interest in Panarctic Oils Ltd. For the past eight years this company has carried out an extensive exploration program in the Arctic Islands. The national petroleum company would co-ordinate government interests and objectives in relation to Panarctic's future activities.

There may be areas of exploration which are not undertaken by the private sector, either because commercial returns are not easily defined by the corporations involved or because they are deemed to be too far distant. There may also be areas of exploration which are not pursued by the private sector because of the financial burdens involved. These are cases where the company would carry out exploration activities of its own.

[Translation]

Mr. Speaker, this public enterprise will not be restricted to exploration for conventional hydrocarbons. Considerable technological advances remain to be achieved in the field of synthetic oil and gas production. Syncrude is a case in point. This important undertaking, which may become the first investment of our new petroleum company, is a large-scale step towards the commercial development of the oil sands.

The road ahead is a long and difficult one. The mining technology, which is more developed than the unproved in situ technique, can sustain access to more than 20 billion barrels of much needed reserves. The investment requirements are, however, very large—and probably beyond the capability of any single corporation or even group of companies operating in our country. Also, the largest private entities which may be potential participants in oil sands projects are necessarily the foreign controlled internationals. The best way to secure a Canadian presence a rate of development consistent with our national interest, a proper share of the income generated by such activity and full access to new technology, is by a direct government involvement in key ventures through a corporation which can develop the necessary expertise. Our national petroleum company would then be in a position to act as a catalyst for succeeding projects, assisting in their planning and financing as well as participating ultimately in their revenues.

About four-fifths of the immense resources of the oil sands can only be unlocked by successful development of in situ technology. It is clearly a matter of prime national interest to foster research in this area. Our national petroleum company should be the vehicle through which this federal participation in research is supported and monitored. It would thereby secure for the country the technology and access to patents needed for in situ commercial exploitation of the oil sands.

[English]

Exploration, development and associated research are but the first important steps toward commercial development of our frontier oil resources. To bring them to market will involve the construction and operation of transporta-

[Mr. Macdonald (Rosedale).]

tion systems of unprecedented size, complexity and cost. To bring these facilities on-stream threatens to strain the financial resources of private industry and capital markets. An alternative to even heavier reliance on foreign investment to finance these projects would be participation in them by a national petroleum company. This would seem a natural extension to its efforts, by assuring that the energy resources it helped to find and develop are brought to the Canadian consumer without undue delay and at least cost.

● (1540)

However successful our domestic resource development is, over the next few years we are likely to remain dependent on foreign sources for petroleum supply to eastern Canada. The government has acted to reduce this dependence by promoting the construction of pipeline facilities to bring western Canadian oil to Montreal. It is also taking steps domestically, and in conjunction with other countries, to minimize the risks and consequences of overseas supply dislocation. And it has, of course, cushioned the eastern Canadian consumer from the effects of recent overseas oil price increases. The basic element of supply for eastern Canada, namely, the importation of foreign crude oil for refining here, nevertheless remains in the hands of private companies.

It is a striking fact that every one of the dozen countries from which we import significant quantities of crude oil has its own state oil company and is progressively increasing the role of that company in relation to international transactions. If circumstances continue to develop in this direction, it could be that it will be more advantageous for us to import some of our crude oil through a public enterprise rather than entirely by means of private companies. The national corporation will be ready to take part in petroleum importing activities if it is clearly in the national interest for it to do so. The obvious interest to be served is that of importing at lower cost than the private companies are able to.

It is conceivable as well that a national company might be able to enter into arrangements with a foreign state petroleum company which would offer greater assurance of supply continuity than could be provided by arrangements effected by private importers. In a general way the corporation might well be a most effective vehicle for the implementation of constructive political and trade relations with the oil exporting countries.

I would like now to turn to the matter of the domestic ownership of Canadian energy resources. Phase I of the energy policy studies revealed that the extent of foreign ownership or control of the petroleum industry is in excess of 90 per cent. One way in which Canadians can assert their presence in this heavily dominated sector of our economy is by having a nationally-owned company which could bring together smaller Canadian companies into a larger, more competitive entity through joint ventures and the forming of various consortia. I should emphasize here that the development of the north will require capital of a magnitude not normally available to most Canadian-owned companies. The national corporation can play a decisive role in the formation of joint ventures in an attempt to alleviate this problem. Such partnerships may offer viable alternatives to the small

Canadian operators who, in the past, have had to sell out to the internationals when they ran short of risk capital.

[Translation]

Mr. Speaker, this leads me to a most important aspect of the operation of the company, that of staff and manpower training. People are a company's most important resource and the Canadian petroleum industry has developed over the years a highly competent group of professionals who have become experts in all phases of industry operations including its management. The majority of these are employed by foreign-owned companies. The corporation will offer opportunities which are commensurate in challenge and scope, and as its role may ultimately be just as diverse as those of some large international companies; it will provide a good training ground for Canadians wishing to link their careers with the oil industry in the service of Canada.

Much of the activities of the company will take place in frontier areas inhabited by our native peoples and I look to the company to play an important role in training Canadians of Inuit and Indian origin. It could in this way make an effective contribution to the social as well as the economic development of the north.

The bill before us provides powers for the company to engage in "downstream" activities of the petroleum industry such as oil refining and marketing. While the government intends thereby to keep our options open and enable us to respond to future needs and opportunities, it is our present view that this sector of the industry is well provided for by private companies. Moreover, the costs of entering this phase of the business are extremely high and might not immediately be justified in relation to the more pressing need for development of the basic resources.

[English]

The House is aware that the economic growth and social progress of our country have taken place in an economic framework characterized by both public and private enterprise. Examples of successful public entrepreneurship in the fields of civil aviation, electric power generation, particularly in development of the CANDU nuclear reactor, the country's most successful energy project, railway transportation and petrochemicals are too numerous to mention here. Until recently our fuel industries have been characterized by almost complete private ownership. I want it to be clearly understood that the national petroleum company which we propose will not replace private industry or private entrepreneurship. We look to the private sector to continue to find, develop, transport and deliver the bulk of our fuel energy needs. The national petroleum company is intended to supplement and stimulate the efforts of the private sector in a co-operative atmosphere to the benefit of all Canadians.

Whether under public or private direction, a significant part of the Canadian economic activity is located in energy producing activities. The largest part of this production is vital to other Canadian industrial activities and to the support of the Canadian lifestyle. The climate of Canada and the standard of living to which we aspire, combine to make this sector of the economy one of the most important. The government has always recognized the special status of this industry. The creation of the national corporation will add to the instruments available

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to the Government of Canada to advance Canadian interest in secure and adequate energy supplies and in the sharing of the wealth which Canadian resource endowments make possible.

I trust the House will give Bill C-8 the careful consideration and prompt passage which it deserves. I can promise that, upon its enactment, the government will move equally quickly to set up the company and put it to work. The establishment of a national petroleum company is not a venture for the short-sighted or for the timid.

Mr. Bawden: What about the taxpayer?

Mr. Macdonald (Rosedale): Speaking about being shortsighted, I think the best example is the hon. member for Calgary South (Mr. Bawden)—or is he the member for Houston? I really don't know.

Mr. Bawden: Now your prejudices are coming out!

Mr. Macdonald (Rosedale): That great Canadian, the member from Houston!

Mr. Bawden: Where are you from?

Mr. Macdonald (Rosedale): I would ask the House, by passing this legislation, to show its confidence in the reality of our energy potential, its recognition of the magnitude of our needs, and its belief that the time is ripe for a bold step which will give public enterprise a significant role in this critically important industry.

Some hon. Members: Hear, hear!

Mr. James Gillies (Don Valley): Mr. Speaker, I do agree with one thing the Minister of Energy, Mines and Resources (Mr. Macdonald) has said—this is an important debate, for the government's proposal marks a milestone in the development of the Canadian economy; it indicates the direction the government wants the country to take in the future, and suggests the kind of society it wants to create.

● (1550)

We have a proposal today made by the federal government that it move further into the private sector, without there being any demonstration that there is a need for it to do so. The bill is so broad that it is clear the government is taking the position that the private sector can no longer be counted upon to develop natural resources in this country. However, most of the Canadian people believe we should have an economy that basically is operated through the initiative of its citizens, not its governments.

We in Canada have evolved over time a modern, contemporary view of economy policy. No one today objects to the proposition that it is the government's responsibility to provide a level of full employment, to keep prices stable, to do something about regional disparities and to lessen disparity of income among individuals in different parts of the nation. We all believe that this is an essential part of government's responsibilities.

Associated with that, however, is the proposition that the best way to do this is through general monetary and fiscal policy, and the application of regulations where

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there are natural monopolies in the system. The best way to assure a high standard of living is not for the government to move directly into the production and distribution of goods and services. The evidence is all too clear that in those areas where the government moves in directly the efficiency of operation is something less than maximum. One need do no more than to point to the post office and all its difficulties to illustrate this point; but evidence from around the world also demonstrates that those countries with the highest standard of living are basically those that depend upon the private sector to produce and distribute resources.

The government is bringing in a bill dealing with a major area affecting the future of this country, a bill proposing measures that are bound to replace the private sector to a considerable degree. The government clearly demonstrates by this legislation that it no longer has confidence that the private sector can operate effectively in this country.

What we should have in these days of runaway inflation is efficiency and effectiveness in the use of our resources, yet we have staggering statistics coming forward showing that in area after area, and particularly in the government sector, there is no increase in productivity at all. Yet the government wants to move even further into the economy than it has gone in the past. Surely if ever there was a time when we should pause and reflect upon expanding government activities, it is now.

What will the proposed company do? It will explore, develop and exploit our hydrocarbon deposits both within and without the country. It is interesting to note that the company will operate outside as well as within the country. It will carry out research and development, engage in the marketing of fuels, and will negotiate and acquire petroleum products necessary to maintain Canadian supplies from abroad.

Why does the government think that a new corporation to implement these measures is necessary? First of all on the question of exploration, presumably the creation of this company is an indication that the government believes there is inadequate exploration by the oil industry today. I say that the majority of informed people involved in natural resource development in Canada would agree with that. But they would point out that the reason there has been a decline in exploration activity in this country is precisely because the government has interfered. The government has evolved policies that make it impossible for the private sector to operate and explore in the way it has in the past. The oil and petroleum industry has never lived with such uncertainty as it has experienced the past two or three years. We have had a hodge-podge of tax legislation and confrontation making it impossible for the oil industry to operate in the normal way.

Most important, Mr. Speaker, the government has formulated no rules or regulations regarding exploration for oil in the vast northern areas of the country that still need to be explored. There is something very peculiar and paradoxical, about the fact that at a time when we are concerned about supply, about exploration and getting more oil on-stream, there is a whole series of activities on

[Mr. Gillies.]

the part of the government that make it impossible for exploration to go ahead.

To suggest, for even one moment, that by the creation of another government entity we will automatically get more oil is a false assumption. If the government is really concerned about security of oil supply for this country, what it should do—something it could do immediately—is lay down regulations for exploration in the northern territories and set a tax structure that will enable the industry to go ahead and explore.

The problem the industry in this nation has been facing as we have moved from exploration to development is that it has not known just what the government is asking from it. Whenever the government has passed a series of laws or set a tax structure, we have witnessed a positive and effective response from the private sector. But once the government begins to change the tax laws and introduces uncertainty, this response falters.

One really wonders just what is in the back of the government's mind. It enacted a series of proposals that made it impossible for the industry to operate effectively, and now it wants to create a government company to take the place of private industry. Surely the thing to do before taking such a step is to work out a set of regulations and laws making it possible for the industry to operate, and then we will have a reasonable test and time to determine whether or not there is any need for some sort of direct government intervention of the kind proposed in the legislation before us today.

Additional clauses of the bill call for the distribution and refining of fuels. Does anyone really believe that we in the parliament of Canada need legislation today allowing the federal government to get into the business of refining? Does anyone really believe there is a need for the establishment of a corporation to distribute refined gas in this country? So far as refined products are concerned, a visit to any city, town, village or crossroads will indicate that the last thing that the government needs to invest money in at this time, if ever, is the establishment of a distribution system for petroleum products. Obviously the distribution system that we have is operating effectively; the government does not need to take the taxpayers' money to become involved in this kind of operation.

In addition, the bill calls for powers to negotiate and acquire petroleum products from abroad. Again I ask, do we need a new company, paid for by the taxpayers, to do this sort of thing? As some of my colleagues have suggested during the course of the speech of the minister, this is something that could be done by the Department of Supply and Services. This should give us cause to pause, because the one time that the Department of Supply and Services went to the market to acquire oil it acquired it at probably the highest price paid for oil at any time, certainly in the history of Canada.

It is very difficult to find any need for the establishment of such a corporation as is proposed. I am sure we all applaud the development by the government of agencies, institutions and other bodies that help solve the problems facing the country. But there is nothing that suggests that we need this particular corporation to do things the Canadian people want done. It will not produce one extra barrel of oil for Canada.

Surely we do not need to have the government enter the refining business. It is obvious we do not need the government in the distribution business. No legislation is required to enable us to deal with other foreign countries; existing departments can carry out this function. So why introduce the legislation at all? Why spend the taxpayers' money on the establishment of such a company, particularly at a time when we should be very much concerned about expanding the economy, and about the inflationary impact of increasing government intervention? Why should we go ahead and pass the legislation proposed by the minister today?

• (1600)

Indeed, if you look at other aspects of the legislation such as those in clause 7(1)(d)(c) and (e) you will see that this company will have almost unlimited power in respect to acquiring and lending money to other companies. This legislation will give power to the government to do anything it wants in so far as the petroleum industry is concerned. I think it is wrong in principle to pass legislation that gives this sort of unlimited power to any government. It may be all very well for the minister and his colleagues to say they do not intend to get into the distribution business or to acquire other companies, and so on and so forth, but the fact is that in this legislation we are giving the power to the government which will allow it, if it so desires, to move in and literally take over the entire petroleum industry in Canada.

The minister has made it clear he is counting on the private sector to be the chief element in the development of resources and for providing for the oil needs of this country in the future. If that is the case why does he need legislation of this sort? If he is going to count on the private sector he does not need clause 7 in order to do some of the things he thinks are essential. Many countries got into trouble by passing legislation allowing for blanket operations on the part of government, when the government itself did not specify why it needed that sort of legislation. We are very opposed to that sort of broad right being given to the government at this particular time. We do not believe it is appropriate that the government be given the power under this legislation to take over the entire petroleum development industry in this country, if it wants to do so. It seems to me far from clear why this legislation is needed.

We cannot see that any of the proposals which have been put forward in the bill will really answer the energy problems facing this country. We do not really believe that the government will have much impact on total pricing in the country through the development of a \$500 million corporation, or that it will have much influence on the industry as a whole. When you realize that Imperial Oil has revenue of \$2.6 billion, and Exxon with much greater sales, it is clear that a \$500 million company will not have much effect.

The argument is made that the government needs this legislation in order that it may have a marginal effect on pricing by the OPEC countries, but it seems to me that this sort of influence will be quite ineffective. I doubt very much whether a government controlled company will have any more opportunity to buy oil cheaper from OPEC countries, or other suppliers, than the people who are

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buying that oil now. Certainly if it happens that the selling countries will not deal with anything except a government agency, we have the opportunity through various departments of the government to meet that particular requirement. As has been often suggested, we do not need a national petroleum company simply to buy oil from suppliers, and to suggest that this would allow us to buy oil cheaper I think is stretching our credibility a long way.

In addition, the minister says it is important to have federal government presence in the energy field. I suggest we already have a presence in that field through Panarctic. I think the government's case is far from made in this respect, because if it feels it should expand its position in this area why cannot it do so through Panarctic? Panarctic has the power to explore in the Arctic, and certainly if there is a need for further expansion of government into the private sector in this area then why not stay with Panarctic? Why is it necessary to start up a totally new corporation? It is this type of duplication that causes the government to grow so rapidly.

It is absolutely wrong for the government to suggest that Canadians cannot be protected in respect to their resources unless we have a national petroleum company. Canadians are protected now through the leasing and ownership arrangements that prevail in respect of all or much of the land where exploration is taking place.

Having regard to the minister's observation about foreign Control of the petroleum industry, one is well aware of this, but surely the suggestion is not seriously made that by establishing a national oil company to the tune of \$500 million we are making an adequate response to this situation. This does nothing about the total question of control. If the government is serious about the proposition that there is too much control of the petroleum industry in Canada in foreign hands, surely the answer is to change the tax laws to make it more attractive to Canadians to invest in the industry, and more attractive for the companies which own the shares to divest them to Canadians.

The suggestion that because we are going to have a \$500 million oil company and a greater national presence in the petroleum industry, this will really solve the problems, seems to me to be rather ludicrous. The argument that we should establish a national oil company in order to get better information about the petroleum industries can only be an indication of the failure on the part of the government to utilize its existing powers. It is suggested that the government cannot get the information it needs, or that the National Energy Board does not have the information. Surely the Department of Energy, Mines and Resources and the National Energy Board can get the information required to make appropriate decisions in respect of the development of our resources and the petroleum industry in general, if they are determined to do so.

Finally, it seems to me that during a period when there is a scarcity of resources, a tight market in respect of labour and a scarcity of trained geologists and other people needed to expand the petroleum industry, this is not the time for the federal government to compete with private industry for those resources, and I am sure the minister knows well the situation in the western prov-

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inces. To do so will only make what is a serious situation even more serious.

People have wondered when this proposed company would get under way. The best estimate is that it will be five or ten years, perhaps even longer, before it will have any impact. There is no indication by the minister that the company will produce one extra barrel of oil for the Canadian people. The only thing we know is that it will use more of the taxpayers' money, and will mean an even greater expansion of government into the private sector.

There is every indication that the establishment of this company will cost the taxpayers a lot more money through the expansion of government, at a time of chaotic conditions in the industry, most of which have been created by the government itself. It is impossible to assess really what will be fulfilled by the corporation proposed by the minister. We feel very strongly on this side of the House that there is no need for this institution. We believe that the things the minister thinks have to be done, such as the management of Syncrude, exploration, and other things of that sort, are being appropriately handled without this legislation by the private sector, which is the vehicle in force today, and to that extent it should be allowed to continue. We believe that by granting the broad powers that are proposed for a corporation of this sort we are embarking on a totally new approach in this country to the development of energy and resources, an approach that will not lead to more efficient use or to the quicker development of our resources, and an approach that will not benefit the Canadian people in general. That is the reason why we are going to oppose, as strenuously as we can, the establishment of this corporation and the passage of this bill.

• (1610)

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands): Mr. Speaker, Bill C-8 proposes to set up a Crown corporation which will be known as Petro-Canada. It gives wide and sweeping powers to the proposed Crown corporation, operating under a board of directors responsible to a designated minister and subject to the approval of the governor in council.

Clause 3 of the bill sets forth the purpose of the corporation, and that purpose is sufficiently wide to cover any activity in the field of exploration, development, refining or marketing of petroleum products. Let me put on the record Clause 3 of the bill which sets forth the purpose of the legislation. It reads:

The purpose of this act is to establish within the energy industries in Canada a Crown owned company with authority to explore for hydrocarbon deposits, to negotiate for and acquire petroleum products from abroad to assure a continuity of supply for the needs of Canada, to develop and exploit deposits of hydrocarbons within and without Canada in the interests of Canada, to carry out research and development projects in relation to hydrocarbons and other fuels, and to engage in exploration for, and the production, distribution, refining and marketing of, fuels.

In clauses 6 and 7 the powers of the corporation are set forth, and I notice that the hon. member for Don Valley (Mr. Gillies) was expressing some horror about the sweeping nature of these powers. I want to say that so far as the members of this party are concerned, we think that the powers set forth in clauses 6 and 7 are absolutely neces-

[Mr. Gillies.]

sary if Petro-Canada is to play an effective role in an economic area which has too long been occupied and dominated by the multi-national giants.

The powers conferred on the corporation are wide powers and I think they would gladden the heart of any advocate of public ownership, but even if these powers are used, and even if Petro-Canada becomes a very powerful force in the oil industry of this country, it will still be a pigmy compared with the members of the world's oil cartel.

Petro-Canada, under this legislation, will have 100 common shares at a par value of \$5 million each, to be held by the Government of Canada. The corporation will have authority to borrow up to \$1 billion, subject to cabinet approval. It will have authority to set up subsidiaries to carry out economic activities provided they are related to the objectives for which Petro-Canada is being established by parliament.

I want to make it perfectly clear that we in the NDP not only do not object but we welcome the wide powers and the financial investments which are authorized by the passage of this legislation. It should be remembered that the people of Canada have paid billions of dollars to enlarge and enrich foreign oil companies, and only now, belatedly, are we setting up an economic vehicle to develop our petroleum resources for the benefit of Canadians.

There are some changes that we hope might be made when the bill is before the Standing Committee on National Resources and Public Works, and I will not take time to elaborate on them here except to say that one of the matters which I think should be considered by the committee and the House is a defect which we think represents a lack of adequate parliamentary control over the financial operations of the proposed corporation. I think the legislation should at least require that the annual report of this corporation and the appropriation for it should be reviewed each year by a standing committee, and that the report of that committee should be dealt with in the House before the House recesses.

Personally I am appalled at the extent to which Crown corporations and government agencies operate with only a token control by parliament. We do not think for a moment that parliament can interfere on a daily basis with the operation of a Crown corporation, but neither do we think that parliament should be asked to launch a corporation that is not responsible to the people through their elected representatives. After all, it is the people who pay the shot and it is supposedly for their benefit that the corporation is being established.

I want to turn now to ask the House to give some thought to the question of the role of Petro-Canada. As I have said, we welcome the legislation and we agree with the powers and the financial capacity which this legislation will give to Petro-Canada. But this measure can mean a great deal, or it can mean nothing at all.

The words in the bill are very inspiring, but until we hear the music we will not know whether or not we have a song on our hands. I have seen many bills passed with great fanfare, only to turn out to be a terrible disappointment. After all, it is the results that will count and not the

words in the bill or the rhetoric in the speech which the minister made today. I must say, on the basis of past performance in some of the ventures that the government has made into the field of public ownership, that I am not very optimistic.

This House must recognize that passing this bill will mean nothing at all unless Petro-Canada is given a real role in the oil industry of this country. This Crown corporation is an economic tool, and nothing more. It can be used effectively, or it can lie idle and hardly be used at all.

What is the role that the corporation is to play in the oil industry? It has the powers, as set out in the legislation, to assert the Canadian people's sovereignty and to grant them the right to enjoy the benefits of their natural legacy. But will these powers be used effectively and, if so, how will they be used? In the final analysis we cannot determine the role of Petro-Canada until the government has decided upon a clear and definitive national oil policy.

• (1620)

What is the thrust of the government's program for developing oil resources? Will we continue to leave control in the hands of the multinational corporations? Considering the Syncrude arrangement, I gather that we will. Are the Canadian people in the future to have oil prices determined by the OPEC countries which set the international price? Judging by the agreement with Syncrude that would seem to be the case because the government is assuring the companies in Syncrude that they will get the international price. The international price on which they base their financial estimated returns is \$13.45 a barrel in 1978, \$15 a barrel in 1984, and running up to \$35 a barrel at the end of the project. What makes me skeptical is that my experience over a number of years shows that the Liberal party has never had the courage to grasp the nettle and face up to its responsibility for public intervention in the economy.

Mr. Gillies: They have done too much.

Mr. Douglas (Nanaimo-Cowichan-The Islands): The Liberal party has always tried to be on both sides, so that we end up with two railroads, two airlines, and two broadcasting systems. When we go into oil development we take 45 per cent of Panarctic and 50 per cent of Syncrude.

If the hon. member for Don Valley (Mr. Gillies) will wait, I will refer in a few minutes to one kind of oil company which will really be doing something and not merely going through the motions. My fear is that if the government follows in the future the policies it has in the past, Petro-Canada will be nothing more than a sophisticated method of subsidizing the oil industry by joint-ventures, by taking over projects the private sector does not want to take over, and by drilling in areas the private sector thinks are too risky or too difficult. Petro-Canada will be nothing more than a means of subsidy. This, of course, has already been done with the Syncrude agreement, and in the agreement the government will be entering into with Interprovincial Pipeline.

What is Petro-Canada going to do? The minister's words were—I cannot quote him accurately, but he can correct me if I am wrong—that the work will be mainly exploratory work in areas which are too distant for the private

Petro-Canada

sector. Will the role of Petro-Canada be to drill in the Arctic, up in the Beaufort Sea, and out in the icebound areas of Canada where no one else wants to go? The major promising geological formations have already been leased, both in the Arctic and in the southern part of Canada, by the major oil companies, so what is Petro-Canada going to do? Will it simply be a bird dog for the private sector? Will it go out looking for oil in unpromising, costly and discouraging areas, and if it finds something then turn it over to the private sector?

An hon. Member: It will be a haven for old Liberal politicians.

Mr. Knowles (Winnipeg North Centre): They will all be in jail.

Mr. Douglas (Nanaimo-Cowichan-The Islands): The hon. member for Don Valley when he spoke suggested that if the government really wants to get into the oil business it could take a larger share of Panarctic instead of the 45 per cent it has now. That is part of the same mental attitude, that if the government is going to get into the oil business, then for God's sake it should go to some part of Canada where it is less likely to get oil, where it will be more costly to get oil, where less profit will be made, and the profitable areas should be left to the private sector which has already milked those areas and the people of Canada to the very limit.

What will be the role of Petro-Canada? Does the government really mean to use this economic tool, which is a good tool? If so, I congratulate the minister and those responsible for drafting it. What is the government going to do with Petro-Canada? Will it be an effective means of assuring the Canadian people a surety of supply of oil at reasonable prices? Or is it simply a charade to soothe the public indignation which is felt all across this country against the major oil corporations that have been gypping the public for decades?

If the government is really serious about setting up this Crown corporation, the minister should tell us and define clearly for us what its role will be, and outline for us the scenario within which it will perform some useful function.

I suggest to the House, and to the Minister of Energy, Mines and Resources (Mr. Macdonald), that Petro-Canada can be a very useful economic instrument. It can be used to break the economic stranglehold of the foreign oil cartel which, as the minister said this afternoon, controls over 90 per cent of our oil production, and some 99 per cent of our oil refining. This international oligarchy has squandered our Canadian resources, fleeced the Canadian public, and now it stands ready to hold the government and the people of Canada to ransom to compel us to accept its terms in order to get the economic development we need to meet our oil and gas needs.

I respect the hon. member for Don Valley as a member of parliament, and I respect his right to have his own views. He said—and he can correct me if I am not quoting him accurately—that this bill represents a lack of confidence in the private sector. I agree with that statement. I think most Canadians have lost confidence in the private

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sector with regard to the oil and gas industry in this country.

The poll taken last year proved conclusively that the bulk of the Canadian people feel that the foreign controlled multinational corporations have fleeced them. They have shipped 50 per cent to 60 per cent of our oil and gas out of the country at low prices. They have brought us to the point where today we face dwindling resources and the possibility of being unable to meet our needs, and they have now put the gun to our heads and said that we must come across on their terms or they will not help us out of the mess in which we find ourselves. If Petro-Canada is going to have an effective role in meeting this situation, this will not be done by giving it some peripheral role up in the Arctic, or in a joint venture in which it has 10 per cent or 15 per cent or 25 per cent equity.

● (1630)

There are at least two things which Petro-Canada must do if it is not going to be merely a farce and a charade. First of all Petro-Canada should take over one of the major oil companies and operate it. That is the only way it is going to get into the promising oil bearing formations. It is the only way it is going to get refining facilities. The company which would be most logical is Imperial Oil, which has had generous leases given to it in the Arctic and the southern part of Canada by this and other governments. It has the refineries, and it controls interprovincial pipelines which could transport the oil.

If the government is really serious it should get Petro-Canada to take over one of the major oil companies and give the oil industry some competition. It could guarantee to the Canadian people that there would be oil produced and distributed in this country on the basis of the well-being of Canada, and not on the basis of making profits for Exxon or any of the large multinational giants.

Instead of taking over a large company the government keeps on subsidizing. We subsidize Imperial, Gulf and Cities Service by tax concessions and guaranteeing them an international oil price, and by putting up part of the equity capital. We subsidize the Interprovincial Oil Pipeline Company by guaranteeing it against loss if it builds a pipeline from Sarnia to Montreal.

The country is getting a little fed up with these entrepreneurs who read us lectures about "standing on your own feet", "no government intervention", "no government subsidies", "welfare bums", and "unemployment rip-off" in the unemployment insurance plan, but the moment there is an election in the offing they are the first people to the trough wanting subsidies, tax concessions, protective tariffs, quotas—

Mr. Gillies: They should not get it.

Mr. Douglas (Nanaimo-Cowichan-The Islands): But they do get it, and have got it from successive governments, decade after decade. If the private enterprise sector of the economy is anxious to develop the oil and gas resources of this country, then the people in it should not be asking for the concessions they get. If they are not prepared to do it they should get out of the way and let the people of Canada do it for themselves. That is why I say that if Petro-Canada is going to have any effect at all, if it

[Mr. Douglas (Nanaimo-Cowichan-The Islands).]

is going to change the picture in Canada with respect to the discovery, development, refining and distribution of oil, and natural gas, it has got to nationalize one of the major companies.

After listening to the hon. member for Saint-Hyacinthe (Mr. Wagner) asking the government to nationalize the dredging industry in Canada I can say that maybe the Conservative Party would not think it is such a terrible thing to talk about nationalizing the oil industry.

The second thing which I think Petro-Canada must do, if it is going to be of value to the Canadian people, is become the sole importer of oil in this country. There is no reason at all why it cannot be the sole purchaser of oil. It would, of course, have to distribute it through the channels which at the present time are in the hands of private companies, but the oil should be imported through a Crown corporation.

The tragedy is when the government, in the interests of the people of Canada, tries to help the people and calls upon the private sector to co-operate in doing so, and the private sector rips them off. There is a very good example of that in this morning's newspaper, and it has been apparent to many of us for weeks. Ever since the government initiated the compensation payments program the major oil companies have been shifting their purchases from Venezuela, which was one of the best sources of supply over to Middle Eastern countries. They can get \$1.30 more per barrel by taking oil from the Middle East rather than Venezuela.

An hon. Member: Another example of government incompetence.

Mr. Douglas (Nanaimo-Cowichan-The Islands): It is another example of the greed of the oil industry.

Mr. Clarke (Vancouver Quadra): It is commonsense.

Mr. Douglas (Nanaimo-Cowichan-The Islands): To rip off the Treasury of Canada to the tune of \$1.30 a barrel on millions of barrels of oil is commonsense? If that is commonsense, then God help us.

Mr. Knowles (Winnipeg North Centre): It is not "cents"—it is dollars.

Mr. Douglas (Nanaimo-Cowichan-The Islands): That is a deplorable attitude. For the oil industry which has had the benefit of these compensation payments to use the loophole of switching its purchases from Venezuela, which has been a good supplier and co-operated with us all through the embargo, over to the Middle Eastern countries for the sake of \$1.30 a barrel, is deplorable. We import 800,000 or 900,000 barrels per day, and some 60 per cent of it comes from the Middle East. In my opinion this is reprehensible.

It is interesting that according to this morning's *Globe and Mail* officials of the Department of Energy, Mines and Resources admitted:

... that the facts as provided by the Energy Supplies Allocations Board, which runs the compensation program, do seem to suggest that not only have some oil companies discovered a profitable loophole in the program, but that they seem increasingly to be taking advantage of it.

The minister has the tool at his hand when we pass this bill. The compensation payments program was designed to see that those who live east of the Ottawa Valley get crude oil at a price uniform with the rest of Canada, and it was a good program. But if the companies are going to take advantage of it to rip off the federal Treasury then the time has come for the minister to say that oil will now be imported not by the private sector of the oil industry but through Petro-Canada.

As the minister said this afternoon, nearly all the oil-producing countries have nationalized their oil industries... in the Middle East and in Africa. I notice that the Prime Minister of Venezuela has notified his parliament that legislation will be introduced within a week or two to nationalize the oil industry in that country. In most of these countries, particularly Iran, Venezuela and Saudi Arabia, they have said publicly that they would prefer to deal on a state to state trading basis. Actually, the Shah of Iran went so far as to say a short time ago that he was prepared to reduce the price of crude oil sold by Iran, on a state to state basis. He will not do this for multinational oil companies because he knows they will stick the difference in their pockets and not pass it on to consumers. But he said he was prepared to reduce the price of oil sold to state trading corporations. Brazil has set up a state trading corporation which is to purchase oil and enter into country to country trading agreements. There is no reason why Canada cannot do it too.

● (1640)

The minister now has the opportunity to establish the Petro-Canada Crown corporation as an oil marketing agency which will handle imported oil, so that we could on the one hand make sure that the compensation payments we are presently making are not part of a rip-off and, on the other hand, make the best possible deals with oil producing countries which are prepared to sell oil on a government to government basis.

Let me close by saying that the situation in this country is far too serious for us to be satisfied with timid measures which are neither fish, fowl nor good red herring. This country faces an energy crisis which, over the next ten or 15 years, can be extremely serious for the people of Canada. I think the crisis can be met successfully, although not easily. But we will not meet it with a Crown corporation which will be stuck up in the Arctic or used merely as a showpiece, to indicate that the government is making the proper genuflections in the direction of public ownership.

If we are to meet this crisis, there must be fundamental changes in the oil industry in Canada. The oil industry in Canada must be restructured. That can only be done if the government is prepared to act boldly, if it is prepared to break the oil cartel which has bled this country almost white, and if it is prepared to step in courageously and follow the trend which is becoming apparent all over the world, the trend which is making the production and distribution of fossil fuels the concern of a public utility.

[Translation]

Mr. Gérard Laprise (Abitibi): Mr. Speaker, some time ago, I was looking through Bill C-8 and I saw that the government wanted to set up a corporation at a cost of

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\$500 millions. I looked into my pocket to check whether I could buy a few shares of that corporation, but when I read a little further the recommendations of His Excellency the Administrator of Canada, I saw that the shares were \$5 millions each. I quickly withdrew my hand out of my pocket and I read further again in the bill to discover what benefits Canada would gain from the establishment of that corporation, which would be called Petro-Canada.

Mr. Speaker, after hearing the previous speakers, members will have understood that this House has before it a bill introduced by the hon. minister of Energy, Mines and Resources (Mr. Macdonald). Their speeches have a strong smell of socialist government.

I was surprised to see the reluctance of the hon. member for Nanaimo-Cowichan-The Islands (Mr. Douglas) towards this bill. It seems that in his opinion, this bill is not quite totalitarian enough.

Mr. Speaker, the thinking underlying this bill is illustrated by the way all the clauses are printed: they are on the left page and this bill is also a leftist bill.

This bill also provides for the potential transfer of the shares of Panarctic Oils limited. The purpose of this bill is to control every oil-related aspect in Canada: research, exploration, production, import and distribution in Canada.

Mr. Speaker, it is like giving a blank cheque to a corporation of 15 people who will control this energy source which, even if it is depleting, is still important for some years to come.

In this bill, I have been surprised that I did not find, as would have been the case if the government had wanted to be sincere, other energy sources the Corporation could research on. It is as if oil were the only energy source which could be found in Canada's underground. We are aware of the fact, Mr. Speaker, that we have already succeeded in developing nuclear energy sources in Canada. We have not done much in the area of solar energy but we know that in the nineteenth century already, fairly conclusive research has been carried out in Europe. This development was not continued, and I do not know why. But now that the main source of energy in the world is drying up I think we must look elsewhere.

● (1650)

We were given a report at the time of the famous oil crisis in the autumn of 1973. Newspapers carried out research and determined that at that time, in 1972, known conventional oil reserves in Canada were about eight billion barrels. Considering the projected increase in consumption, Canada's need could be met for 11 and a half years.

Indeed, Mr. Speaker, a recent report showed the accuracy of the previous one. We are also told that non-conventional reserves, that is tar sands, were estimated at between 300 and 770 billion barrels but that it would cost between \$20 billion and \$30 billion to develop those reserves. That is how things stand.

Mr. Speaker, known oil reserves are not limited only to Canada, and are not depleting only in Canada.

In 1972, known reserves in the United States were good for about ten years which represents world reserves of 5