

resulting from energy exploitation, are becoming insupportable; and OPEC will increasingly dominate world oil trade. Canadian policy must be as concerned with modifying energy demand and promoting the efficient use of energy in the future as it has been with promoting energy supply in the past. The Committee's review of the Energy Options report will emphasize this approach to energy policy-making. In this study, the Committee has confined its recommendations to matters directly linked to Petro-Canada and to energy supply.

Petro-Canada – A Review of Operations

The Committee examined Petro-Canada's operations from two perspectives: as an investment compared with Imperial Oil and Shell Canada, and as an instrument of public policy.

As an Investment

The management of Petro-Canada has done a remarkable job in creating a large, competitive, fully integrated petroleum company from an idea in less than 15 years. A cohesive and leading corporation has been assembled from five major acquisitions – an impressive accomplishment by any standard.

When assessed by accepted financial tests, however, Petro-Canada's success as an investment has been less notable. In terms of corporate efficiency, shareholder efficiency and creditor efficiency, Petro-Canada has generally under-performed when compared with the two private-sector competitors against which it has been judged in this report: Imperial Oil and Shell Canada. Petro-Canada has not only provided its shareholder, the federal government, with poorer rates of return on investment, it has done so while placing its shareholder at greater financial risk than have Imperial and Shell when creditor efficiency tests are considered.

Under-performance as measured by these financial tests worsened significantly in the most recent three-year and five-year periods, calling into question the claims made by Petro-Canada's management in the *1989 Annual Report* that the Corporation's poor financial performance was the result of imposed policy objectives, rapid growth through acquisitions and the necessary integration of predecessor companies, and low oil and gas prices. Five full fiscal years have passed since Petro-Canada was asked to serve any policy purpose and since its major acquisitions were completed, yet no clear improvement in the return relationship relative to Imperial Oil and Shell Canada is apparent.