present, a strong case cannot be made to put what is equivalent to a surtax on the petroleum companies. This would be inconsistent with current government policy. Also, with petroleum prices declining and industry profits deteriorating, refining is often the least profitable operation in the oil industry.

4. Provincial Incentives

The Manitoba fuel tax on unleaded gasoline is 8 cents per litre, effective April 1, 1985. Gasoline blended with ethanol receives a 2.5 cents-per-litre exemption from the normal gasoline tax. This reduction is made at the pump. The exemption was intended to eliminate the price gap between regular gasolines and the 10% ethanol blend being produced from Manitoba grains by Mohawk.

Unique among Canadian provinces is the Manitoba surcharge of 0.9 cents per litre on leaded gasoline, intended to narrow the price difference between leaded and unleaded gasolines. Taken together, these measures are designed to remove any disincentive for the public to purchase unleaded gasoline in general, and ethanol-blended gasoline in particular.

In Ontario, there is a modest degree of assistance for alcohol blends. The 8.3 cents-per-litre provincial tax levied at the pump is reduced by the proportion of alcohol in the gasoline.

5. Answer Lies in Better Technology

A large drop in the price of ethanol is the only solution to the dilemma. To this end, the Committee supports subsidies for research and development, so that more efficient technologies for ethanol production can be developed. Should such innovation occur, it should be vigorously promoted as a Canadian export in order that the Canadian economy gains maximum benefits from this investment of public money.

One of the uncertainties that must be acknowledged, however, is that corn may not be the preferred feedstock when the research results are known. While "corn technology" may be improved, a comprehensive research program should explore all possibilities, with decisions made on the basis of long-run efficiency and reliability. Ethanol blends should be promoted on their merits of performance and cost; they should not be justified primarily on the basis of the spinoff benefits to corn growers or the agricultural industry as a whole.

Yet there is great potential for the agricultural industry and corn growers especially. With corn prices depressed, farm incomes can only be increased by the marketplace if there is an increase in demand. This new use for corn provides an opportunity for higher sales volumes and higher farm revenues, with the added benefit that even low-grade corn, undesirable for most uses, is satisfactory for the production of ethanol. While such an increase in demand would raise crop sales, it would not be large enough to affect price in most cases, given the large size of the market.

Because corn prices are already at low levels, any reduction in the cost of ethanol production from corn will have to be accomplished in the realm of technological innovation, not input costs.