investment to get the more viscous crudes migrating, and therefore make them available for pumping.

Clause agreed to.

Clause 8 agreed to.

On clause 9—*Just and reasonable price to be reported.*

Mr. Andre: Mr. Chairman, I have a question for the minister about the National Energy Board fulfilling its duties regarding section 83 of the National Energy Board Act in terms of establishing a just and reasonable price in relation to the public interest for oil in the export market for any given month. My question relates to the different qualities of crude oil that might be exported. Should there be a schedule of prices along the lines of clause 7? Will the National Energy Board be reporting a schedule of prices for the various grades of crude, or will it just be reporting one price, and to what type of crude would this one price refer?

● (2020)

Mr. Macdonald (Rosedale): Mr. Chairman, what the board has been doing is in fact what the hon. member suggests and, indeed, as I suggested in my response, that is, indicating a range for the different qualities. This would likely take light-medium as the standard, and a standard qualitative differential would be applied on each side of the light-medium.

Mr. Andre: Would it improve that clause to indicate that in fact it is a schedule of price, and the board is following along the lines of the wording used in Clause 7?

Mr. Macdonald (Rosedale): The schedule, or the range, is set out in subclause (3) of Clause 9, and represents the tariff that would be recommended by the minister to the governor in council. Subclause (1) really draws on the expertise of the National Energy Board in this regard, and on the basis of that we would then recommend the tariff to the governor in council. This indicates a quality of judgment involved as in the kind of questions referred to by the hon. member for Dauphin. This involves not only the question of what is a just and reasonable price in the United States, but also whether there should be an adjustment in the price in the interest of keeping that particular crude flowing, perhaps because of a high inventory in Minnesota and other points.

Mr. Baldwin: Mr. Chairman, I know the government realizes this is a very important clause as it is one of the main mechanisms for the establishment of the charge. This is important to the government in the sense of determining what funds it will have available for the purposes of the equalization plan. The machinery is fairly simple, but I imagine a lot of thinking goes into it. The recommendation from the minister to the governor in council in respect of charges is to be taken in the first instance from the department and from the board for the purpose of determining what is a just and reasonable price.

Anyone who has had any dealings with the National Energy Board will know the reason for that clause, and how these just and reasonable prices are determined. What really interests me are the other two subclauses which refer to the public interest of Canada generally, and all the circumstances that appear to the minister to be relevant. I know the minister cannot advise us on the monthly price until his advisers go through it and make the recommendations, but this is going to be of some importance in the future. Precisely what are the basic guidelines that animate the minister in making these recommendations in the public interest of Canada generally, and particularly with reference to all the circumstances that appear to the minister to be relevant? Are there circumstances above and beyond the public interest, or what are the guidelines that the minister will adopt?

Mr. Macdonald (Rosedale): Just by way of an example, this would involve a judgment we would have to make with regard to the heavier crudes. Because of the nature of the reservoirs, the heavy crudes are the most difficult to move. If the demand for crude is down in a particular month it has been the practice in western Canada over the years to use the light crude for the purpose of a surge tank, which goes up and down, leaving the volume of heavy crude relatively static, so far as that is possible. In that sense I think that would be a relevant circumstance to be taken into account. I think it can fairly be said that this would not be in the public interest of Canada so much as being a relevant circumstance which would perhaps cause one to set a differential to make sure that the heavier crude was kept moving, rather than to have a pro rated reduction of all crude types.

Mr. Baldwin: This is sort of like the belt, suspenders and safety pin aspect. You are taking all the safety precautions you can to allow yourself the fullest freedom possible in setting the price.

There is another clause in respect of which we might raise an issue, as it will have to be dealt with either here now, or later. Could the minister give some idea at this stage, and it can only be an estimate, of what he views as the situation during the ensuing six to 12 months in relation to the amount that will be raised? What will be the extent of the charge, and how is that charge to be applied in respect of the forecast of the number of barrels of oil exported that will be required to recover the revenue necessary to meet the equalization process? What is the minister's judgment in this area? Can he say how much may be required to supplement the charge in order to provide for those importing areas in the eastern part of the country?

Mr. Macdonald (Rosedale): It is difficult to be precise, but perhaps I might suggest some round figures that could be the basis for an instant calculation. If one goes on the assumption that between May 1 and the end of December, 1975, the average throughput will be 650,000 barrels a day, and of course between January 1 and June 30, 1976, that will be down to 550,000 barrels a day, the average tax per barrel might be in the neighbourhood of $5. Perhaps that calculation can be made while I continue talking. One also has to make certain round assumptions as to what the season of the year will be like and what the demand will be.

Mr. Baldwin: Celsius.

Mr. Macdonald (Rosedale): Celsius will have a major impact on it. We would estimate that between July, 1975, and July, 1976, the necessary supplement from the Consolidated Revenue Fund would be somewhere in the range of $300 million to $500 million for the 12-month period. This would be the case if there were an agreement between the provinces and the federal government in respect of the change in price. I am recalling the figure from memory, but I think that if there is an assumption that the