

**Mr. McKnight:** I have some comments that many members of the NDP understand. I am referring to the co-op movement.

I come from the province of Saskatchewan. I am proud of the co-op movement in my province. But what is wrong with the co-op movement is that people have decided it is associated with the New Democratic Party. That is what is wrong with it. It is not right. I see one of my colleagues from Ontario on the other side. In Ontario the co-op is a strong movement, but it is not associated with the New Democratic Party there.

**Mr. Waddell:** Yes, it is.

**Mr. McKnight:** We had the ability to form a Canadian co-op, as was proposed in the budget presented by the hon. member for St. John's West (Mr. Crosbie). He offered to the people of Canada the opportunity to buy shares in Petro-Canada. We said that we would help people buy shares in a company, that it would be a co-op and the people of Canada would own it. However, members of the New Democratic Party voted against that.

● (2040)

The only thing that is different between a co-op and a company such as we have now is that you and I as shareholders cannot sit on the board of directors and we cannot control the minister who is responsible for Petro-Canada, the Minister of Energy, Mines and Resources (Mr. Lalonde) in this House. We cannot control an administration that says it is going to provide a window for the world on our oil industry, and administration that states that it is going to create rules and instil faith in our country so the people will invest, and be the referee as well. The government says it is going to be fair. Mind you, it is going to steal 25 per cent of what the companies already have, but on top of that, the government has an adviser to the referee, namely, the minister, a player from PetroCan. Anyone who is familiar with any kind of refereeing or sports knows you cannot play and referee at the same time. That is what this government is doing with Mr. Phelps.

Having regard to the 25 per cent back-in, this may have been as a result of advice given by the PetroCan employee who advises the minister. It is no wonder that corporations involved in the energy field become just a little reluctant to share information with the government. PetroCan, now one of their largest competitors, has an employee sitting beside the minister who is making up the rules for playing the game. This is incredible.

The minister was asked in the House about the agreement with Mr. Phelps which provided for his being hired on June 16, 1980, by Petro-Canada, to be seconded to the political staff of the minister on the same day. That was a long term of employment by PetroCan. He has not worked for PetroCan yet, but the company is paying him a salary to supplement the \$35,000 he gets as a government employee so he can have a little bit over and above the average. The company provided him with two interest-free mortgages to the tune of \$35,000 to purchase his home in Ottawa. Talking about conflict of interest, the minister was asked in the House about the appoint-

### *Canada Oil and Gas Act*

ment of Mr. Phelps as his executive assistant. He said there was nothing strange about this, it is something that is done all the time.

**An hon. Member:** They do it all the time.

**Mr. McKnight:** My colleague, the hon. member for Esquimalt-Saanich (Mr. Munro) says they do it all the time. They may do it, but this is one of the few times we have found out about it. The minister says it is common with the executive exchange program. The Phelps arrangement had nothing to do with the program which allows executives to exchange jobs temporarily with the public service. He is not a public servant, and the exchange program, quite properly, does not apply to executive assistants who are members of a minister's political staff.

The 25 per cent back-in provision is bad enough. The government has presented a policy which will probably take millions of dollars from companies which have invested in this country in good faith. I would like to suggest that no one in his right mind could say we could have developed our energy resources or any part of this country to the state of sophistication we now enjoy had we not had outside foreign investment. There is nothing wrong with foreign investment, just as there is nothing wrong with Canadian investment in our own country. However, if you are going to change the rules, you should not change them in the middle of the game.

**An hon. Member:** Oh?

**Mr. McKnight:** As an accepted practice, governments should not change the rules in the middle of the game. In the province of Saskatchewan where I come from it is done quite commonly. This has also shown up in Saskatchewan in the exploration holes drilled in that province and also in the finds of natural gas, but that is another matter.

Let me use the example of Hibernia developed by the Chevron people. PetroCan has by legislation already acquired a 25 per cent interest in this field. Through this bill, the Crown reserves to itself a 10 per cent royalty, plus a 40 per cent progressive increment. The royalties, together with a federal 8 per cent petroleum revenue tax, should surely provide the government with more than a fair return on the people's investment in Hibernia. That is a fair share of those revenues. Other revenues would also be derived from production from this discovery, without the outright theft by this government, at a cost to the company, of an additional 25 per cent interest. It is more than difficult, it is impossible to continue to explore for oil and gas in frontier areas with this kind of set-up.

This company originally had no idea it would make a discovery and be able to pay a return to those investors who had confidence in the directorship of the company. This government says that on behalf of the people of Canada it needs a return on investment. I suggest companies also need a return on their investment. Let me say to my friends in the NDP, so do co-ops need a return on investment. Some co-ops pay out shares all the time. My colleague, the hon. member for Wetaskiwin (Mr. Schellenberger) when he attended the University of Calgary, established a precedent, with the assistance of a