

QUESTION PERIOD

[English]

ENERGY

OIL IMPORT COMPENSATION PROGRAM—COMPLAINTS OF CANADIAN PRODUCERS

Hon. Duff Roblin (Deputy Leader of the Opposition): Honourable senators, I cannot let this item go by without asking a question of my honourable friend, the Minister of State for Economic Development, who is so gracious in his replies to the questions I ask in my search for knowledge.

I wonder if the minister could explain to me why the oil import compensation program is subsidizing certain foreign heavy crude oil imports into Canada, at the rate of some \$9 to \$12 per barrel, to the detriment of producers of that commodity within the country, who are complaining that because of that subsidy they have been forced to shut down some of their supply points for this type of crude oil.

Hon. H. A. Olson (Minister of State for Economic Development): Well, honourable senators, there is far more to it than that, although I will try to answer that part of the question briefly now and get more specific detail later as to the amounts of the import compensation, as well as the time frame in which they apply.

We recognize that there are some improvements that ought to be made in the regime set out in this program. The oil import compensation payments for a certain quality and grade of oil are set for x number of days, and if there are price fluctuations along the way you obviously get distortions. We know that there have been price fluctuations, almost all downwards.

There is, however, a little more to it than that, as I say, and that is that we are in the process of getting through the arrangements that obviously had to be made when one of the major oil producing provinces decided to restrict the flow of oil into the consuming area of Canada in the amount of something like 180,000 barrels a day at the peak, although I am advised that there were some days when the restriction was even higher than that. Of course, the refiners had to make alternate arrangements to have crude or fuel oil supplied to them. Though some of the refiners had contracts, some of their supplies were in the form of spot oil. There were, however, contracts, for that period of time, that seemed reasonable under the circumstances. Those contracts are not nearly exhausted yet.

Senator Roblin: Honourable senators, I would ask the minister if he would look a little further into the matter for me on this particular point, namely, that Canada has had a surplus of heavy oil. We have, in fact, been exporting heavy oil all through this period to the United States, so I do not really understand, on the face of it, why we would be importing

heavy oil at a subsidy of \$9 to \$12 a barrel, as compared to the cost available to Canadian producers for a similar commodity. I recognize that there are several complications here that the minister might deal with when he answers, such as the question of transportation, for example, with oil coming to eastern Canada from the production sites in the west, and so forth. He may be able to deal with that point.

● (1415)

I would also ask the minister whether the heavy oil situation with respect to imports is related to contracts with foreign suppliers, such as Mexico, or whether we have had to take so much heavy crude in order to get other supplies? I appreciate that it is a complicated matter. I am sure that the minister could deal with those various points in order to clarify it for me.

Senator Olson: Honourable senators, I will try to do just that. My honourable friend will have to take into account that many of these arrangements were made when there was a very different set of circumstances surrounding the availability of crude oil supplies, whether they took the form of light oil or larger quantities of heavier oil. Another complicating factor is that some oil refiners are not able to accommodate a wide variety of grades of crude oil unless they make some modification to the refining process, which involves added costs.

I will try to provide a more detailed answer. I would simply ask the indulgence of my friend, because I know that he is a very fair-minded person. The arrangements that were made may not appear to be the most sensible, in the light of the circumstances today when oil is, first of all, at a lower price and there is an availability of almost all grades and qualities. I would ask him to keep in mind that that was not the case when some of the contracts were made.

Hon. Guy Charbonneau: Honourable senators, I have a supplementary question for the minister. Would he not think that, when these negotiations were taking place, the possibility of the change in the situation that he has just described should have been foreseen?

Senator Olson: Honourable senators, I have always believed that the Liberals' foresight is as good as the Conservatives' hindsight.

Hon. Jacques Flynn (Leader of the Opposition): That is why you make mistakes.

Senator Olson: We do not usually score exactly 20-20 both ways.

PARLIAMENT BUILDINGS

CENTRE BLOCK—INSTALLATION OF STEEL DOORS IN CORRIDORS

Hon. Henry D. Hicks: Honourable senators, my question is directed to the Leader of the Government in the Senate and has to do with the unsightly, unattractive metal and glass partitions that are being installed in the beautiful marbled corridors of this building.