

*Energy Supplies Emergency Act*

billion in exploration. During the same period, the extent of producers' sales was \$18.3 billion. One can see from those figures that since 1947 there has been more expended in the exploration and finding of oil reserves than has been received as a result of production. While 1973 probably will see total revenues exceed expenditures, it has taken 25 years for that position to be reached. This is before taking into account significant income taxes which have been paid.

● (1720)

If I might digress for a moment, I would point out that when speaking about taxes, the Minister of Finance (Mr. Turner) made some interesting comments when he testified before the committee on miscellaneous estimates on December 4 this year. Many people have said that this so-called export tax is a means of making sure that larger windfall profits do not fall into the hands of the large corporations. Of course, they conveniently forget the very efficient tax collecting machine we have in this country to make sure that these huge profits do not automatically fall into the pockets of the large oil companies, or into any other pocket for that matter. We really have quite a machine in order to make sure that there are not these huge profits. At that committee meeting the Minister of Finance was questioned by the hon. member for Dauphin (Mr. Ritchie). He was asked about what would happen to these large windfall profits, so-called, if they were left to the companies and not taken by the government under the export tax. As reported at page 5845 of the committee proceedings, the Minister of Finance said:

Alberta would have taken 22.5 per cent of that, and the federal government would have taken about 50 per cent; 49 or 48 per cent, or whatever it is.

So if you take 22.5 per cent off the top, and have the federal government take 50 per cent of the remainder, you have made quite a dint into this so-called huge windfall profit. The minister went on to say:

Oh yes, we would get roughly 50 per cent corporate tax on their profit on that increase of price. Mind you, that 22.5 per cent royalty is deductible for federal corporate tax purposes. Then, of course, Alberta is entitled to 10 per cent of that corporate tax, of the corporate tax against companies with head offices and doing business in Alberta. Roughly that is how it would have worked.

Then, speaking of the fact that some of the money not used for reinvestment in exploration for more oil might end up in the hands of the shareholders by way of profits or dividends, the minister said:

Some of it might well have gone into exploration; some of it might have gone into dividends; some of it might have been allocated as a cost factor that the parent company undergoes at its expense as opposed to the subsidiary expense, or the subsidiary might have taken some of the cost figures into its own calculating. We are dealing hypothetically here.

Mr. Speaker, it becomes quite obvious that if it did not go into exploration or otherwise it would go by way of dividends, which on the average probably would be around 33 per cent. So if the rest of it is taxed through income tax on a personal basis, there will not be much left in the form of windfall profits.

I think it is interesting to note that while the industry is just reaching a point where revenue exceeds expenditure, during this same period the taxes paid to government by

[Mr. Schumacher.]

way of royalties, rentals and other taxes, not including income tax, amounted to \$5.5 billion. The petroleum industry has a reputation for being highly profitable. The reasons for this probably are attributed to the spectacular profits some companies make when a major pool is discovered, the volatility of petroleum stocks in the stock market due to investors speculating on prospects, the fact that the industry employs highly-paid, highly-skilled personnel and the large bonus payments made to government. But it would not appear that the market anticipated huge profits for the petroleum or energy side of our industrial endeavours, because it appears that while some oil companies have held up reasonably well, this has not been the rule. I should like to refer to an article by W. L. Dack which appeared in the *Financial Post* for December 8, 1973. He wrote:

Fast-breaking energy events are keeping Canadian oil and gas investors on a perpetual hot seat. Oil stock prices tumbled almost 12 per cent during November for one of the steepest monthly declines on record by the Toronto stock exchange western oils index.

The drop reflects the investment community's pessimistic view of government's increasing industry controls and the particularly poor performance turned in by Mackenzie delta stocks. This, plus the sweeping general market decline, has knocked the index down 35 points.

Later in the article the author quotes a Toronto oil analyst and says:

What about government controls, the issue that stalled a strongly rising uptrend in oil share prices and now threatens to undermine what should be bright industry prospects?

"Very soon governments are going to have to start stressing exploration and development incentives. The industry investment attractions in other parts of the world and particularly in the U.S. where sweeping new exploration incentives are being set up, are going to force such a move."

This articles depicts in graph form the performance of selected companies. It indicates that companies that are active in Canada, particularly in the Mackenzie delta frontier area where our best prospects are, suffer the greatest. Those which have a sure source of supply, like the Great Canadian Oil Sands Company or those which have North Sea interests like Home Oil, or an independent producer with refining capacity like Husky Oil, have withstood the onslaught better. There is a lesson to be learned from those people who have put us in the position of 100 per cent self-sufficiency in respect of what is going on in this country. We will not maintain that happy position unless things straighten out quickly.

I should also like to point out that a recent study has shown that if the industry stopped all exploration and merely reduced present reserves to exhaustion, the before-tax rate of return would be only 13.3 per cent, with after-tax being probably around 10 per cent. Obviously, there is not a windfall profit in this industry, particularly in view of the risk nature of the investment. All the time we hear comments from members of the NDP about the terrible collection of people who are involved in the petroleum industry and how they are making such great windfall profits at the expense of ordinary citizens. I think it is useful to put some of the facts on the record instead of listening to these irresponsible claims from people who have an axe to grind.