

the government. Therefore, it was given preference shares, non-cumulative dividends, priority to get land as compared to the private companies, of which there are over 700 in this country competing and trying to find gas and oil.

● (1620)

Petro-Canada had to have a further advantage. If any private company found oil anywhere in Canada, Petro-Canada could buy it. This was the famous back-in clause. Many of us opposed that. We felt that one should not get something for nothing. We felt the company should not get the right to buy a 25 per cent share unless it found the oil. That was government wisdom, and I will come back to that.

At the end of 1977 we have the company earning some \$9.5 million on a government investment of about \$540 million, a return of about one half of 1 per cent. No money is actually paid because it is running into more trouble. In 1978, away it goes again. It is out on the frontier, but not finding any new oil. The government has to buy more shares. Petro-Canada thought it had to have more help. Because it could not find any more oil, the government kicked in \$239.4 million.

Was Petro-Canada developing any research and development? Not one bit. Was it developing a new seismic method to find oil where the old test could not? There was not one bit of technology. Was it developing better distributing systems? No, it was not doing any of that. The multinational corporations of which substantial shares are owned by Canadians were doing that, but not our own Petro-Canada.

What did it do in 1978? It did not find anything new so it went out and bought Pacific Petroleum. Remember, Pacific Petroleum was trading on the market at \$65 a share. The total price was \$1.4 billion. Petro-Canada had no money, so what did it do? It used the tax act. Very neat. It borrowed the money from Canadian banks that are operating overseas. Those banks took preference shares, exactly the same type of general share which the government had. However, the bank shares have cumulative dividends as compared to the government preference shares that are non-cumulative. At the end of the year, even if a dividend is not declared, the fixed rate accumulates so that the amount of money owing by Petro-Canada to the banks goes up and up.

In order to sweeten the deal even further so the banks would lend this \$1.4 billion to Petro-Canada, they were told that under the tax act, if they lent the money they would not have to pay income tax on the interest. The banks lent the \$1.4 billion. It is a good deal for them. They get cumulative preference shares, a guarantee of payment and they do not have to pay income tax on the interest.

That deal closed on November 10, 1978, and the income tax loophole was closed on November 17. Do you know what that meant? It meant that the other 700 oil and gas companies could not take advantage of that provision, just the national Crown corporation. You wonder how they could have got in under the deadline. You find that a director on the national state oil company is also in the finance department. The most recent example of a member of Petro-Canada being on the

Canada Oil and Gas Act

staff of the Minister of Energy, Mines and Resources (Mr. Lalonde) was just a reincarnation of past wrongs. We know that a staff member of Petro-Canada actually wrote the budget that gave Petro-Canada all of these incredible advantages over the other 600 and some companies trying to find oil for Canadians.

Another aspect of that deal with Pacific Petroleum that was very sour was the situation where the government was able to use the Canada Business Corporations Act to force the sale of \$430 million worth of shares owned by Canadians to Petro-Canada. That is why we in this party want to have in our Constitution the entrenched right to own property. If we had that right, the government could not force people to sell shares to it; it would have to buy them on the open market. That is why our friends on the left and the Liberals oppose that right to own property. They do not want Canadian citizens to own those assets and to have a direct benefit for themselves and their children. That is the secret behind that.

We now get to the end of 1978. By this time the company has taken over two existing companies, both of which operated in Canada, both of which had some Canadian shareholders. These companies were trying to find oil and gas for us and our descendants. They are now all part of one company. Incidentally, those companies were paying income tax. One paid something like \$77 million. Petro-Canada does not pay income tax. When you take the interest we have lost on money we have invested and the lost income tax, it far exceeds the amount of money those companies would have paid to their foreign shareholders by way of dividends.

I have been told by the hon. member for Calgary Centre (Mr. Andre) that historically the amount of those dividends in the oil industry amounts to something like 2 to 3 per cent. We have now borrowed \$1.5 billion, put it into Petro-Canada and got back non-cumulative preference shares. The interest cost on that \$1.5 billion at 19.38 per cent, which is the last Canada Savings Bonds interest, far exceeds any dividends that used to leave this country.

By the end of 1978 there were net earnings of about \$13.7 million and a government investment of \$778 million, a return on paper of about 1.5 per cent. Most of that income came from companies that were existing because Petro-Canada had not by the end of 1978 found oil on its own.

In 1979 and 1980 when the Conservative government was in power we put no money into Petro-Canada. We felt it ought to be able to get along on its own. Canadians had already invested over a billion dollars in it. In fact, we wanted to give share ownership to individual Canadians so that at the end of the year the directors and officers of Petro-Canada would have to stand up and give a daily or yearly accounting to their shareholders, the men and women in this country who would have had 15 or 20 shares, the widows who count on their dividends. These people would have been able to look the president in the eye and say, "Where are my dividends? What have you been doing with my money? You are in a trust situation."