

### *Borrowing Authority*

industry of central Canada. People would be getting up in the morning anxious to get out and contribute to the development of our country instead of lengthening the lineups at unemployment insurance offices. It would be unbelievable.

We talk about billions of dollars and what they do, but one plant alone would bring an injection into the economy of Ontario of some \$6.5 billion. This would be a direct injection because where are goods and services bought? Where does the industry buy equipment, pumps and pipe? It is all purchased in central Canada. In respect of two plants the injection would be \$12 billion, yet the government puts forward a borrowing bill to give it authority to borrow \$14 billion, as may be required, for public works and general purposes.

This money will be put toward guaranteeing loans for Massey-Ferguson, pulling Chrysler out of the pinch, or whatever, but the one industry which is moving—and moving the rest of the economy with it—the government attacks through the national energy policy. I plead with hon. members opposite to talk with their Minister of Energy, Mines and Resources and tell him how absolutely necessary the energy industry is.

How much time do I have left, Mr. Speaker?

**Mr. Deputy Speaker:** Another seven or eight minutes.

**Mr. Shields:** I will be very brief, Mr. Speaker.

**Mr. Crosbie:** No, no, relax. Take your time.

**Mr. Shields:** I want to read a letter into the record. Hon. members might be interested in this letter. It is from Merland Explorations Limited. It was written to the Minister of Energy, Mines and Resources on December 23. It says:

Dear Sir:

During the past month, the staff of Merland Explorations Limited and our financial consultants have been studying the National Energy Program and the Budget released by the Canadian federal government on October 28, 1980 (and associated "White Papers") with the purpose of determining its effect on the Canadian oil and gas industry in general and upon Merland Explorations Limited in particular. Merland is a member of the Independent Petroleum Association of Canada (IPAC) who have communicated with you previously regarding this subject. During these communications, you have invited further communications with individual companies. This letter is intended to communicate to you what Merland's studies have concluded and present some alternative solutions to the problems.

● (1620)

Before I go into detail concerning the National Energy Program and the budget, I think it would be appropriate to give you some introduction to Merland Explorations Limited.

Merland was incorporated in 1926 as a federal company and is now listed on the Toronto and Montreal Stock Exchanges. Merland has experienced very rapid growth in the last four or five years from activities in the Canadian oil and gas industry. We are involved in oil and gas activities in the United States to a much lesser extent.

We are very proud of the fact that our cash flow and net earnings have increased substantially over the past few years, however, it should be noted that our investment in oil and gas exploration has increased at an equal rate. Merland has funded its exploration and development activities over the past several years from its cash flow and production loans from the Royal Bank. In each of the past several years we have invested considerably more in industry capital expenditures than our cash flow.

From the information that I have available to me, I believe that Merland is approximately 90–95 per cent owned by Canadian citizens or Canadian corporations. Our eight members of the Board of Directors are all Canadian citizens and residents of Canada. All of our officers and employees are Canadian citizens.

Merland is a hyper-active, highly motivated and very successful company whose success is due primarily to a very competent Canadian staff with excellent guidance from our Board of Directors. Merland is, or was, certainly one of the brightest stars in the Canadian Oil and Gas Industry of which every Canadian and the Canadian government could be proud.

The federal budget and Canadian Energy Program introduced by the Canadian government on October 28, 1980 has introduced a number of measures which will surely have a negative effect on Merland Explorations Limited, hundreds of other Canadian owned oil and gas exploration companies and the whole oil and gas industry in general.

I don't believe there is a Canadian who would disagree with your stated objectives of the new Canadian energy policy being as follows:

1. Canadian self-sufficiency in crude oil and natural gas supplies.
2. An increase in Canadian ownership and control of the oil and gas industry.
3. More appropriate and fairer sharing of oil and gas revenues.

However it is doubtful that the Energy Program and the Budget introduced by your government recently will accomplish any of the stated objectives but will throw the oil and gas industry into complete chaos and confusion thus reducing exploration and development activity. This slowdown in activity will by necessity cause a ripple effect which in turn will hurt all or most other Canadian industries. If Merland Explorations Limited is a typical negatively-affected company, the Canadian automotive industry, the steel industry and hundreds of smaller manufacturing industries will be hurt. The majority of these manufacturing industries are located in Ontario and Quebec.

There is no doubt also that the negative effects caused by your new program will cause Merland and many other companies to move ever-increasing amounts of investment capital to the United States and other countries where financial returns are better and government policy is more stable and receptive. As far as Merland Explorations Limited is concerned, we now estimate that our cash flow and net earnings will be reduced by approximately 12 per cent and 25 per cent respectively in 1981 because of your new program and these lower values will continue into the foreseeable future.

One therefore has to question whether the objectives of your Canadian energy policy are in fact as you have represented or are there other unspecified objectives in mind.

To be specific in my feelings toward your new policies, I note that the 8 per cent PGRT tax and the 30-cent MCF petroleum compensation charge are very well defined and industry and consumers are expected to begin paying these new taxes in 1980 thereby having the effect of increasing federal income and decreasing industry cash flows immediately. Consumer costs will also therefore increase immediately. These new levies and taxes will restrict the ability of Merland Explorations Limited to carry on its business of exploring for oil and gas in Canada as surely as night follows day. This same situation will occur to many other Canadian companies. I have to ask again: Is this one of the objectives of your new energy policy?

Because my time is running out, I will go down to the bottom of the page.

I would also ask you to give the following thoughts some very careful, openminded consideration:

1. It will be a national disaster if the Cold Lake heavy oil project and additional tar sands plants are not preceded with as these projects are essential to our energy needs and to maintain Canada's leadership in this type of technology. Any politician, at whatever level, who is associated with the possible cancellation of these projects will go down in history as an architect of the economic collapse of Canada.

2. The people of Canada still consider Canada as a capitalistic and free enterprise country and are very proud of this in spite of what many politicians are trying to preach and profess.

3. The population of Canada is quite willing and able to pay for higher energy costs as have been experienced in every other western country of the world except Canada. So oil and gas prices should escalate much faster than your program has suggested.