

*Exploration and Development*

program is being taken away from them without any advance notice whatsoever.

The Petroleum Services Association told us that although there will be 100 rigs operating in the second quarter, they need 200 rigs for there to be any kind of profit margin for the petroleum services industry. Only 50 per cent of the rigs required for a profitable period are in operation. That is incredible.

The petroleum services industry and the drillers are also telling us that they need between 40 per cent and 60 per cent activity on the rigs, yet these 100 rigs only represent 20 per cent of the rigs that are available for use in the western sedimentary basin.

The Government would have us believe everything is hunky dory with respect to the conventional oil and gas industry. That is not true. The Government is talking about megaprojects. It is allowing and in some cases even encouraging the mergers of these companies. Yet it is walking away from one of the best employers in Canada, the conventional oil and gas industry. It is doing this without any regard whatsoever for the people involved or the companies involved. Some of the companies involved have been in business for decades, have been handed down from one generation to another. These companies are in trouble. The companies in the drilling industry and the service industry, the small explorers and developers, are the companies that are in difficulty. Jobs are continually being lost. In the last two and half years, 20,000 jobs were lost and thousands more could be lost before the end of 1989.

What has the Government done? It brought forward a program called the Canadian Exploration and Development Incentive Program, mainly for mining companies. It provides good incentives for mining companies, but because of the retroactive provisions of the exploration definition clause under the Tax Act, the oil and gas industry will not be able to take advantage of this program. A company could drill a well, find oil, receive funds under CEDIP and then have to pay those funds back later on when another well is drilled and it is determined by the Government that the well for which they got the funds was not an exploration well. Not only would the company have to repay the money but it would have to pay interest on the money received.

The Government has levelled a large corporation tax against small companies in the oil and gas sector. I think a large corporation tax has benefits and there is a need for it, but not one imposed on small companies that are not operating. These companies have to pay the tax whether they are operating or not, whether or not they are making a profit. As long as they have assets of over \$10,000, they have to pay a tax. This is an asset tax which the small producers have said is much more despicable than the PGRT ever was.

Let us return to the program at hand, the Canadian Exploration and Development Incentive Program. When the Minister of Energy, Mines and Resources (Mr. Epp) was in Calgary on April 5, he said that this program would extend to the end of the year. On April 17 in the House of Commons he said that date would not change. Yet on April 26, the Minister of Finance (Mr. Wilson) cancelled this program immediately without any notice whatsoever, even though the Act itself contains a stipulation that any change in the rate of pay would require six months' notice. Not only was the rate of pay changed from 25 per cent to zero per cent, but the whole program was cancelled. However, no notice was given.

The small producers, drillers and those in the service industry had been planning on using this program until the end of the year. This is immoral. Just because the law allows the Government to do this, there is no way it is justified in cancelling a program without any notice when the Act says it has to give six months' notice. This is the treatment that is being given to the oil and gas sector. This is the treatment that is being given to the western sedimentary basin and to the western part of Canada when thousands of jobs are being lost.

We are losing six months of the program and I think that has to be rectified. For that reason, I would like to propose a motion. With respect to the motion for third reading of this Bill, I move, seconded by the Hon. Member for Ottawa—Vanier (Mr. Gauthier):

That all the words in the motion after the word "that" be deleted, and the following substituted therefor:

"Bill C-19, an Act to amend the Canadian Exploration and Development Incentive Program Act, be not now read a third time but that it be read a third time this day six months hence".

**The Acting Speaker (Mr. Paproski):** The Chair finds the motion acceptable.