

Presently, Petro-Canada has a 25 per cent interest in Hibernia. With the 25 per cent carried interest announced in the National Energy Program, the federal government would have a 25 per cent interest in the balance, which would be, in real terms, an additional 18¾ per cent. This, plus the 25 per cent, could amount to a 44 per cent interest in the project.

The federal government's position has been that no compensation is required. With the incentive offered by the federal government to encourage exploration and development on Canada Lands, exploration costs in many cases have been supported up to 93 per cent by Canadian taxpayers. In addition, the government has taken the position that the 25 per cent grant for exploration and development on Canada Lands for all companies, including those with less than 50 per cent Canadian ownership, is sufficient to offset the 25 per cent carried interest by the federal government.

With reference to the honourable senator's specific concern for the Hibernia project, one of the reasons for Petro-Canada's involvement is to ensure that the project will go ahead. While the federal government has not had detailed discussions with Newfoundland, I am sure that the province is as anxious as the federal government to support and encourage any incentives which will promote the development of Hibernia.

#### THE BUDGET—POLICY RESPECTING CANADIAN OWNERSHIP OF OIL COMPANIES

**Hon. H. A. Olson (Minister of State for Economic Development):** Honourable senators, I have a delayed answer to a question asked by Senator Doody on November 6 which concerns Petro-Canada's financing. It is not a long answer, but perhaps it could go in the same category and be taken as read. *(The answer follows:)*

Honourable senators will know that Petro-Canada is a schedule D crown corporation. There are provisions in the Petro-Canada legislation whereby the government may agree to purchase shares and thereby provide equity to the corporation. Petro-Canada annually submits a capital budget, which sets out its budgetary requirements and its plans for investment in future years.

#### THE BUDGET—EFFECT ON ENERGY INDUSTRY IN WESTERN CANADA

**Hon. H. A. Olson (Minister of State for Economic Development):** Honourable senators, I would like to respond to a question asked on October 29 by Senator Balfour which concerned the effect of the budget on the energy industry. Part of this answer deals with what Senator Roblin asked about the Petroleum Monitoring Agency monitoring the shifts in expenditures by industry.

I suggest that this answer be taken as read. It will appear in today's *Hansard*. *(The answer follows:)*

As honourable senators can appreciate, at the present time it is difficult to determine how many, if indeed any, companies will be leaving Canada to go to the U.S. or other countries. The federal government in its National Energy Program provided a wide range of incentives to encourage exploration and development of Canada's energy resources to investors interested in the energy industry.

I might add, for the honourable senator's information, that the Petroleum Monitoring Agency will be monitoring shifts in expenditures by industry so that if there is any movement these figures will be available to us.

#### PROPOSED TAX ON NATURAL GAS—FEDERAL REVENUE

**Hon. H. A. Olson (Minister of State for Economic Development):** Honourable senators, I would like to respond to a question asked on October 31 by Senator Roblin concerning natural gas revenues.

Honourable senators may know that licensed gas exports for 1980 are 1.35 trillion cubic feet. Presently the domestic demand stands at about 1.65 trillion cubic feet per year; therefore, exports represent approximately 45 per cent of the total demand.

Based on licensed levels the ratio between domestic and export sales is 55-45. However, exports this year have been below the licensed levels. If this situation continues the export versus domestic tax revenue in 1981-82, would also be somewhat less than the present 45 per cent rate. I would caution honourable senators, however, that we do not know for sure what these levels will be, particularly when that gas market strengthens, which is fully expected.

#### POST OFFICE

##### THE BUDGET—REVENUES AND EXPENDITURES

**Hon. Raymond J. Perrault (Leader of the Government):** Honourable senators, I have a delayed answer to a question asked by Senator Doody on October 29 concerning possible postage rate increases, and I am pleased to confirm what I stated in the Senate on that day. There will be no postage rate increase over the Christmas season.

The Postmaster General told the Commons Committee on Miscellaneous Estimates that there will be a letter rate increase in 1981. This should come as no surprise as the former Postmaster General indicated, while in office, that an increase was warranted. There has not been an increase since 1979, and the general practice has been to adjust rates approximately every two years.

The rate increase will be reasonable and will be in line with those in other comparable industrial nations.

On the general question of balancing Post Office books, I would like to point out that the deficit has been consistently reduced each year for the past three years. Many factors are involved. Rates are one factor. The completion of the modernization plan with the opening of new plants in Halifax and