

able price for exports to the United States would, for December, generally be \$1.90 a barrel higher. I am able to announce, therefore, that I shall be seeking authority from Parliament to raise the level of export tax rate from 40 cents a barrel in November to \$1.90 a barrel for December exports. This tax rate of \$1.90 a barrel is a direct measure of the savings to Canadian consumers west of the Ottawa Valley line of the Government's policy of continuing restraint.

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Supply situation

The outbreak of hostilities in the mid-East and the moves by Arab countries to embargo oil deliveries to the United States and the Netherlands and to impose cumulative reductions in their production rates have cast significant uncertainty on the crude oil supply situation for Eastern Canada. It might be that Canada will be affected by the reduction of oil production in Arab countries. Any significant curtailment in our imported crude oil supply is bound to have an unfavourable impact upon the product supply situation in Eastern Canada.

Our ability to deal with shortfalls in crude oil supply to Eastern Canada is under extensive study, both within the Government and in concert with industry.

The Government has established a

Technical Advisory Committee on Petroleum Supply and Demand under the chairmanship of the National Energy Board. The committee, which includes representatives of companies importing and refining foreign crude oil, is to advise as to the outlook for petroleum products supply and measures to bring supply and demand into better balance.

The exact magnitude of the possible oil-import curtailment which we face is uncertain and will remain so for some time.

Prior to the mid-East fighting, stock levels for oil products were generally in a fair position. The supply of heating oil in Ontario and Eastern Canada for the coming winter appeared to be in delicate balance against demand, assuming normal cold weather. If imports of crude oil cannot be maintained at programmed levels, this balance will obviously be disturbed.

The pre-hostilities situation in regard to motor gasoline supply in Eastern Canada was generally satisfactory with a seasonal inventory build-up foreseen. Curtailment of crude oil imports would affect this build-up with a consequent impact on next season's gasoline, even if it were possible to meet winter requirements in full.

The situation is satisfactory in regard to supply of all product categories in the Prairies. Pre-existing concerns about the supply of heavy fuel oils in British Columbia have been heightened because this region normally imports

significant amounts from the United States which now, of course, faces its own oil supply difficulties.

Call for economy

In the light of this over-all supply situation, it seems prudent to consider carefully appropriate means to reduce energy demand throughout Canada but particularly for those products and regions which I have mentioned. A number of provincial governments have already been contacted, and others will be, to outline the nature of the crude oil and product supply situation as it is emerging and to inform them of the price developments which I have just mentioned.

The Government is considering further steps and has an allocation program for application at the wholesale level which will be introduced if a more serious supply situation becomes apparent. Although it is recognized that security of supply for priority users must be protected, the Government is reluctant to interfere at this stage with the normal marketing arrangements of the industry.

At this stage, I am calling upon Canadian consumers, municipalities, heavy industry and provincial governments to study means of reducing consumption on a voluntary basis. We will be in touch with them to exchange ideas, develop plans and provide details of our conservation program.

Energy prices and economic structure

The effects of rising energy costs on Canadian economic arrangements during the next three or four decades will be small and will involve only slow change in our way of life, according to J.H. Dales of the Department of Political Economy, University of Toronto.

In a paper presented to a symposium on energy resources last month in Ottawa, sponsored by the Royal Society of Canada, Mr. Dales says that while deteriorating energy supplies are bound to make us a little poorer in terms of our consumption of goods and services, this check to our affluence promises to be small by comparison with the adverse effects of growing population and rising food costs on *per capita* real incomes. This over-all effect will be the net result of a myriad of small adjust-

ments in consumption and production arrangements.

In general, the paper continues, it seems that there are more opportunities for "small-sacrifice" substitutions in our consumption patterns that in production methods. A check to mechanization of the home is likely to precede a check to mechanization in production.

Curtailment in travel

The effect of higher energy costs on transport costs must surely reduce the currently high amount of recreational travel demanded by consumers, and probably also the amount of expense-account travel by business. We may attend fewer conferences in the future! Some reduction of commuting expenses may also be expected as people move closer to their jobs, and

freight costs may be reduced by changes in intra-regional locational patterns of consuming and production activities that permit a substitution of rail for road transport. On the other hand, interregional freight movements in Canada are now handled mainly by the railways and probably will continue to be. Moreover, given the great benefits of the interregional division of labour, little change is to be expected in this aspect of our economic structure.

Were we to be forced back to a significantly greater degree of regional self-sufficiency, either by increased energy costs, or more probably by misguided governmental policies designed to save us from the effects of increased energy costs, the probable decline in our standard of living could no longer be viewed with equanimity.