

dealing with distribution which would go very much beyond the recommendation and the objective of this legislation. I cannot, therefore, accept the amendment at this time.

Shall clause 22 carry?

Mr. Baldwin: On division.

Clause 22 agreed to on division.

On clause 23—*Prescribing maximum.*

Mr. Douglas (Nanaimo-Cowichan-The Islands): Mr. Chairman, clause 23 seeks to give the federal government power to set the price of crude oil entering into interprovincial and international trade, once the federal government and the producing province have reached an agreement. Of course my party agrees that such a price should be set, particularly in today's chaotic situation respecting petroleum prices around the world. What concerns us, however, is what the price will be. We may agree with the government when it says that the price must be set, but I am not sure we shall agree with the government as to the price which it will eventually set. We may not even agree on the price which the federal government and the provinces may agree to set.

I find the federal government's position with respect to the price of oil difficult to understand. At the first ministers' conference the Prime Minister opened his speech by saying that the price of oil would be going up. Actually he said that the price for the year beginning in July will have to be raised higher than it is now, and how much higher is something we should discuss. That statement seemed to be specific and clear.

When we began discussing Bill C-32 in committee of the whole, the minister surprised me and many committee members by saying that he was not committed to raising the price at the end of June. I have some difficulty reconciling those two statements. The Prime Minister said that beginning in July we must have higher prices. The minister said that he is not committed to raising prices at the end of June.

When I asked if that means that if the producing provinces did not raise prices the price may stay at \$6.50 a barrel, I understood him to suggest that that might be the case. It is difficult to know the government's intentions. I suspect it intends to raise the price. I suspect that the Premiers of Alberta and Ontario and the Minister of Energy, Mines and Resources are doing a black spider mating dance, each wondering who is going to go first, each hoping the other will go first. In spite of the fact the head of the government said the price is going up at the beginning of July, the minister does not want to commit himself to raising the price in the hope that the provinces will raise the price and, if this legislation passes, the federal government will intervene and set a lower price.

● (2130)

This whole thing is a rather shabby sort of exhibition, regardless of what they are going to set the price at. When the minister was speaking the other day, he said that Premier Blakeney of Saskatchewan talked about an increased price of \$2.50 a barrel. The Minister of Energy, Mines and Resources said he had something else in mind. I take it he wants \$2 a barrel. The producing provinces probably want to set a somewhat higher price.

Oil and Petroleum

The position of our party has been made very clear. We do not think any increase in price is justified, either on the basis of increased operating costs or on the basis of earnings of the multinational oil companies. The breakdown of the cost per barrel at \$6.50 a barrel made by the Petroleum Association of Canada last September shows that the actual production costs are very minimal. Certainly on the basis of what it costs to produce a barrel of oil, there is no justification for an increase. There can certainly be no justification on the ground that the oil companies are hard up. Their profits have doubled over the past two years. The only possible justification for raising the price of oil is to get sufficient money to stimulate exploration and development.

If the federal government allows the price to rise, as the major beneficiary it will collect about 80 cents a barrel on a \$2 per barrel increase in taxes. The provinces will collect some royalty. In turn their consumers will have to pay higher prices for oil products. The main beneficiaries will be the oil companies.

The federal government will be saying to the consumers of Canada that they must pay eight cents or more per gallon for their gasoline, more for their farm heating fuels, and more for their diesel fuel, not because it costs more to produce, but because it is hoped that some of this money will be used by the oil industry to find more oil.

An hon. Member: It goes into royalties for Saskatchewan.

Mr. Douglas (Nanaimo-Cowichan-The Islands): If the hon. member will look at the breakdown of the Petroleum Association of Canada of last September he will see that before the new tax system that came in, out of every \$6.50 a barrel they paid operating costs, taxes to the federal government, royalties to the provincial government, 40 cents a barrel for interest on money owed, and there was \$1.55 a barrel for future development. Under the old tax system, they levied \$1.55 a barrel on the \$6.50 price. It will now be cut to \$1.02 a barrel under the new tax system, unless the government changes its mind.

In spite of the exorbitant profits they have made in the past two years, oil drilling has been going down. In the past 12 months 93 drilling rigs left Canada. There is no guarantee that giving the oil industry more money will necessarily result in more exploration.

Mr. Gillies: Why did they leave?

Mr. Douglas (Nanaimo-Cowichan-The Islands): I will tell the hon. member for Don Valley why they left. Nobody knows this better than he because he has had contacts with the business community for a good many years and is a very learned man in the field of business administration. I wish to quote from an article in the 1973 edition of the *Globe and Mail*. In an appearance before the National Energy Board, Mr. John Hardie of Gulf Oil Canada Limited is quoted as having said the following:

It must be remembered that the oil business is not confined to Canada. To keep the people interested in exploring for and producing oil in Canada, the investment climate and the prospect of returns on investments in Canada will have to be competitive with oil investment opportunities elsewhere in the world, he said.