

Energy

are changed in this country so that Canadians truly have the opportunity to deal with this in a financial way? This has nothing to do with high risk areas where he is saying they will be forced into accepting 25 per cent in the Arctic areas.

Perhaps at the same time he can advise whether this new petroleum revenue tax will be a deductible expense for those companies that ultimately end up paying it. Will it be deductible for tax purposes, as was adjusted in the last budget, or will it not be deductible unless it is a very serious disincentive to expenditure?

Mr. Gillespie: Mr. Speaker, I again ask the hon. member to look at the document. I realize he has not had much time to do so. He might be very interested in seeing Canadian ownership. If he looks at that he will also see how far back these permits go. It is pretty darn hard to make the argument that Canadians would have invested when there is no way they had a chance because somebody already held their acreage. He seems to have a major blind spot there. As to his second question with respect to the PIR, I am informed that would not be a deductible expense for calculating corporate income tax.

Mr. Douglas (Nanaimo-Cowichan-The Islands): Mr. Speaker, the new regulations propose to set up new work requirements which those holding permits must perform. If these regulations were to come into effect tomorrow, what percentage of the companies operating in the Arctic would qualify as having met those requirements, and what percentage would not?

Mr. Gillespie: Mr. Speaker, I cannot give the hon. member the percentage of the companies because there is a large number, some with very small holdings. If the hon. member looks at the acreage on the permit he will find that only 35 per cent of the acreage under permit would now qualify under that 25 per cent rule.

Perhaps I might make another point while on my feet. It deals with the question of corridor acreage about which the hon. member for Nanaimo-Cowichan-The Islands made a great deal. I thought he would have known, because I tried to emphasize it in my remarks, that the Crown does not have a completely unencumbered right to the 50 per cent under the old checkerboard system. Indeed the company had the option to possess that additional 50 per cent by paying a higher royalty. That is an important point. Quite clearly, if it was very attractive, the company would do that.

There is a second point worth noting. Generally speaking that corridor acreage was worth between 15 and 20 per cent in terms of the producibility of the area. It is again not accurate to convey that was 50 per cent of the asset.

Third, if you consider the application of the corridor and checkerboard system to the Arctic and Arctic Islands, you have to acknowledge that the situation there is very different from the kind of situation we have with land in a province like Alberta. There is a whole series of points that needs to be made with respect to corridor acreage. The main one I want to make is that the government is giving up 50 per cent of a producing asset under the new system.

[Mr. Bawden.]

Mr. Douglas (Nanaimo-Cowichan-The Islands): Mr. Speaker, I do not want to argue again with the minister. I am only allowed to ask a question. Since he is changing many of the existing agreements I thought he would have changed this one as well to give the government 50 per cent, as does the province of Alberta and the province of Saskatchewan, should they allow a permit to go to lease. In view of the statement he made that Petro-Canada will be given the first shot at any areas which are not under permit, may I ask what acreage that would involve in the Arctic at the present time—what proportion of the total acreage?

● (1800)

Mr. Gillespie: There are hundreds of millions of acres still available and not under permit. I do not want to make a judgment as to the quality of that acreage. But there are vast tracts.

Mr. Douglas (Nanaimo-Cowichan-The Islands): My information is that of some 960 million acres about 827 million acres are already under permit, or controlled in some way, that is, about 80 per cent. But I will leave that point and discuss it with the minister at some other time.

The minister said Petro-Canada will also have the option to acquire a working interest of up to 25 per cent in permits which are granted special renewal by the minister. Why should there be a limitation of 25 per cent? I keep noticing that Petro-Canada always gets in at the tail end—they are only allowed in when nobody else is interested, or when the government has ordered them in. Now, in the case of special renewal, they are to get an equity of only 25 per cent, which gives them no control, and unless they are in the marketing business the oil is not of much use to them.

Mr. Gillespie: That is the kind of figure I would have to put down as a judgment call, one which balances a number of factors involved. The point which needs to be made is that Petro-Canada would have an option to get in at no cost to itself for any previous work which had been done. It would, of course, be obliged to pay its way in all future developments.

Mr. Neil: Mr. Speaker, my question also has to do with the 25 per cent level of minimum Canadian ownership. In the news release the minister handed out reference is made to this requirement before production is allowed. In response to the hon. member for Calgary South (Mr. Bawden) the hon. gentleman indicated that this also referred to permits. Can the minister advise us what period of time will be allowed a company to qualify under this requirement of 25 per cent Canadian ownership? Will this be set by regulation, will it be part of the act, or will it be up to the discretion of the minister? I should further like to ask whether or not there have been discussions with the industry as far as this provision is concerned, and whether any problems are envisaged by the industry itself.

Mr. Gillespie: This is a discretionary item as far as the minister is concerned; there is discretion for working out what might be considered a reasonable period, particularly during the transition stage. As to the reaction of the industry to this proposal I can say that in general terms this