energy needs. No other single commodity penetrates so directly or so widely into so many aspects of our daily existence—fuel to heat our homes, to operate our productive industries, to provide essential motive power across the whole range of transportation services. That is why the government has felt it necessary to ask for very broad powers to deal with possible physical shortages, even if these are confined to only part of the country. By the same token, a steep and sudden jump in price can have gravely disruptive and distorting effects across the whole economic system.

● (1520)

Secondly, it is relevant to note the cause of these steep and sudden jumps in price. Normal competitive forces of supply and demand have not been responsible. Rather, these disruptions have been brought about by a deliberate monopoly pricing decision on the part of the main oil exporting nations. As is the case with all other countries affected by this deliberately concerted jacking up of price, we are compelled as a national government to adopt a national policy to protect the broad public interest.

Third, and as a reflection of the great importance of oil as an economic commodity, we must have regard for the staggering financial dimensions of sharp increases in its price. With total domestic production approximating two million barrels per day, and the most recent increases in international prices driving these prices up about $6 to $7 per barrel above present restraint levels, the potential sum involved in higher revenues to producers from higher prices to consumers approaches $5 billion on an annual basis. That sum represents about 4 per cent of the gross national product—not far short of a normal year's total national growth. To my mind, the sheer magnitude of the sums involved in the present oil situation compels a wide ranging assessment of public finance policies by the federal government to maintain stability, balance and equity across the country.

As the Prime Minister (Mr. Trudeau) has indicated, a comprehensive oil policy for Canada in the near term, and certainly in the longer run, is predicated upon the development and use of Canadian petroleum resources for the benefit of all Canadians. Immediately, this means greater dependence upon the known resources of the western provinces. It underlines the importance of specific programs to accelerate exploration, research and development of those resources. We must recognize, however, that these resources are mainly within provincial jurisdiction. Consequently, an acceptable national policy can only be developed on the basis of accommodation with the provinces and due respect for their legitimate interests.

The producing provinces, Alberta and Saskatchewan in particular, rightly make the point that so far as established conventional reserves of oil are concerned, these are depleting assets of relatively short life. It is unfortunate that in recent years the search to add to these reserves has not been very successful. However, up until the year-end the provinces have been co-operating fully in maintaining the price restraint program and full supply, and I am confident that all Canadians appreciate that fact. I am hopeful that the provinces will continue in this co-operative way to share with all other Canadians the obligations of confederation as well as its benefits.

[*Translation*]

Tax equalization payments paid to the provinces by the federal government could create a special problem. As the House will recall, only four weeks ago, we were examining a bill to improve the equalization system which would integrate property taxes for school purposes, and we also noted that total federal payments will reach close to $1.4 billion this year. However, if domestic oil prices were to increase to the level of those prevailing on the international market and if the provinces would accept only half of the resulting increases in producers' profits, provincial treasuries would collect about $2.5 billion annually, in addition to current regular royalties and other oil revenues.

Mr. Stanfield: What prices exactly do you mean?

Mr. Turner (Ottawa-Carleton): As it is now, that amounts to $7 or $8 a barrel.

Nearly 84 per cent of the total amount would accrue to the Alberta treasury. However, since the federal equalization formula resets receipts of provinces at an average national level the federal government would be faced with a rise in equalization commitments of over $800 million, an onus which would be cast upon the Canadian taxpayer. In those conditions we could be forced into considering appropriate amendments to the equalization formula.

We must also seek to find the most effective means of having closely equivalent prices across this country in a way which would be fair to producers, consumers and different areas. That will be one of the major items on the agenda at the first ministers' conference which is to be held in three weeks.

However, what is apparent at this time is that the very recent doubling of international prices by major exporting countries threatens to widen beyond the level of acceptability the spread between prices east and west of the Ottawa valley. Notwithstanding consumer discriminations the disparities in fuel and energy costs seriously weaken the competitive position of industry and trade in the Atlantic provinces and Quebec. Unless those disparities are reduced all the efforts made at the national level to stimulate regional developments in those provinces will be subject to a major setback. Consequently, to the extent in which domestic prices are limited it would seem more reasonable to offset the greater part of the sudden rise in imported oil prices through the comparable increase in export prices rather than tax provisions of general application to finance the required measures of relief. The imposition of a general tax would hit precisely those consumers and areas we are trying to help. That is why I propose to seek a solution that would not result in a burden for taxpayers of this country as a whole.

[*English*]

The government has also expressed the firm view that under a unified pricing and market system the price of domestically produced oil must be allowed to rise. This will be necessary to ensure an accelerated program of exploration and development in the frontier and offshore areas and to bring into commercial production the tar sands and heavy oil resources of Alberta and Saskatchewan. Higher prices will also help to meet immediate needs