

Many of our potash mines were American-owned. Those corporations had mines in the United States as well as in Saskatchewan. When the demand for potash fell off, they tended to keep production in their U.S. mines high and reduce output in their Canadian mines. In fact, the American companies exported much of their unemployment and recession to Saskatchewan.

To combat that situation, we in the provincial government at that time introduced legislation pro-rationing the available potash markets among all of the mines in order to maintain employment and protect our economy. We were told by the United States corporations that this was against the American anti-trust laws, and they refused to participate. It was only when we threatened to close them down that they apparently co-operated—I say “apparently” because we never really knew how many potash orders that should have come to Saskatchewan were diverted to the United States.

The U.S. Department of Justice did, in fact, lay anti-trust charges against some of the mines and actually tried to involve Saskatchewan government officials, none of whom, of course, appeared at the trials.

When the NDP came to power in 1971, their solution was to buy out some of the foreign-owned potash mines and in that way attempt to control the industry. I did not then, and I do not now, agree with that solution, because I feared that a cure might prove to be worse than the disease. I am not a great believer in the government's being in business—any government or any business—but I recognize that sometimes it is inevitable and possibly even necessary. However, I believe there is another way to control our basic industries, and that is to encourage Canadian individuals and companies to invest in and to own as much Canadian industry as is practical.

That is what Bill C-104 endeavours to do. It endeavours to encourage, and that is why I support it and urge passage of the bill through the Senate. The principle of Bill C-104 is simply to help achieve energy security and encourage a greater degree of Canadian ownership and control of the vital oil and gas industry. The principle is simple, although the bill itself is complex. However, it has been under pre-study, and I hope that we will send it to the Standing Senate Committee on Banking, Trade and Commerce for further study in detail, where, I am told, the minister and his officials will be present to assist the committee in its work.

● (2200)

**Hon. G. I. Smith:** Or confuse them.

**Senator Steuart:** Bill C-104 deals with petroleum incentives and Canadian ownership and control determination and amendments to the Foreign Investment Review Act. This bill is an integral part of the National Energy Program, the goals of which are energy security and opportunities for Canadians to share fairly in the development and benefits of their energy resources. The proposed legislation enables the federal government to encourage the growth of Canadian owned and Canadian controlled firms in Canada's oil and gas industry.

Under this proposed legislation, almost \$2 billion in cash incentives will be made available to the oil and gas industry to be applied against exploration and development expenses incurred between January 1, 1981 and the end of the 1982 fiscal year alone. Similar incentives will continue to be available under the Petroleum Incentives Program (PIP).

Bill C-104 consists of three parts. Part I, entitled the “Petroleum Incentives Program Act,” provides for making incentives available in respect of exploration or development expenses incurred. The amount of the incentive varies with the Canadian ownership rate of the recipient. Part II, entitled the “Canadian Ownership Rate and Control Determination Act,” provides a means for determining Canadian ownership rate and control status and for granting a certificate to that effect. This certificate will be used to demonstrate entitlement to a certain level in the Petroleum Incentives Program and to demonstrate the level of Canadian ownership required to obtain a production licence under the Canada Oil and Gas Act. The legislation as a whole ensures that maximum incentives go to Canadian-owned and controlled participants in oil and gas exploration and development. This will encourage Canadian participation in the energy sector and thus assist in achieving an overall level of Canadian ownership of the oil and gas industry of 50 per cent by 1990. Part III of the bill amends, in a technical way, two provisions of the Foreign Investment Review Act.

I will now deal in more detail with the provisions of Parts I and II. Part I, entitled the “Petroleum Incentives Program Act,” provides cash incentives to eligible persons. “Persons” in the act refers to individuals, companies or other entities engaged in the oil and gas industry who incur eligible exploration and development expenditures. Without the Petroleum Incentives Program, the major incentives available for exploration and development are delivered through the income tax system. Under this tax-based incentive system, only a person with a taxable income is able to make immediate use of these incentives. Therefore, this system unintentionally discriminated against the small, new investor with no taxable income. However, by virtue of the Petroleum Incentives Program, a system of direct incentives will be made available to an explorer and developer of oil and gas resources in Canada regardless of its tax position.

Generally, as outlined in the Petroleum Incentives Program Act, the entitlement to an incentive will be dependent on the person satisfying the following three conditions: one, the applicant must be a qualified person; two, the applicant must own a prescribed interest; and, three, the applicant must have incurred an eligible cost or expense. The percentage of an incentive will depend on some or all of the following factors: the Canadian ownership rate of the applicant; the control status of the applicant; and the type, location and year of the expenditure.

Part I provides for two types of incentives; namely, the crown share incentive, and other than the crown share incentive, or “higher level” incentives. The crown share is an interest retained by the Crown in respect of our production