admission of the Minister of Finance last night we discover that during the tax regime that applies to the oil company partners in Syncrude, the public in the end will be paying most of the cost of this project through tax concessions and write-offs in return for only 30 per cent of the action.

Let me review what we have discovered. The project is to cost $2 billion. There has been a fantastic escalation in the price from around $800 million to $1.2 billion to $2 billion, and there is some suspicion it may go even higher. Of that $2 billion we learn that $600 million will be put up by the three governments involved: $300 million by the federal government, $200 million by the Government of Alberta and $100 million by Ontario. That is $600 million for 30 per cent ownership of Syncrude.

In addition, the government of Alberta is putting up another $200 million in loans to the oil companies in the Syncrude project and providing $600 million toward the construction of a power plant and a pipeline, besides a further $230 million for building roads and supplying town services. The federal government gave a commitment as well that it would assume 15 per cent of the cost of the project or, more important, of any future cost escalation. Already we find that the cost estimate has risen by some $200 million since the government committed itself in principle to becoming a partner in the Syncrude project.

Having put up $600 million in direct financing of the Syncrude project, the governments concerned have been telling the people that the rest of the Syncrude partners will be putting up the remaining $1.4 billion in return for 70 per cent ownership. But last night we learned that because of the tax regime applicable to the Syncrude project the oil companies will not, in fact, be putting up $1.4 billion. It will be the public. Mr. Chairman, the public will be financing the bulk of the cost. Let me explain.

We learned last night that Syncrude will be able to deduct the royalties paid to the province from any income which is liable to federal taxation. This will mean a tax saving of vast sums of money. No other oil company in Canada now has the privilege of being able to deduct the royalties paid to the provinces.

The second concession on tax allowance is that the Syncrude oil company partners will be able to claim depletion allowances in respect to the oil taken out of the oil sands. The allowance will have to be earned and it will be up to 25 per cent of production costs. We also know that the Syncrude partners will be able to write off against their tax 30 per cent of the cost of building the mining plant to get oil out of the sands. Again this is worth vast amounts of money to the companies.

The fourth, and perhaps the most important aspect of the tax concessions affecting Syncrude, is that since it is a joint venture any investment can be written off against taxable income gained through other operations. The oil companies, which are making profits through selling gasoline or home heating fuel from conventional reserves, can use their profits in that area for tax concession purposes as a means of offsetting the cost of the Syncrude project. The significance of this aspect of the deal is staggering because it means that their investment of $1.4 billion in Syncrude can be written off against profits on other operations carried out by the oil companies. This is why I say that in the end the public will be financing all the costs of the Syncrude project, not the private companies.

The other concession going to the other oil company partners is that they will be able to charge world prices for the tar sands oil.

● (1550)

We have one oil sands plant already in production, namely, the Great Canadian Oil Sands Plant. It is making a profit now on oil that is selling at $6.50 a barrel. The oil barons of the Syncrude deal twisted the government's arm to get the concession of not charging $6.50 per barrel but being allowed to charge anywhere from $13 to $15, that is to say, the world price. One can just imagine the fantastic kind of profits that Imperial, Gulf and Cities Service will be making under that pricing regime, especially in light of the tax concessions I have described.

It is interesting to note that the Foster economic consultants' report on Syncrude operating costs prior to this sudden escalation of the price of oil estimated that over the 25-year life of the project the operating costs would total $5.6 billion, or $5.45 a barrel. Syncrude will be getting anywhere from $13 to $15 a barrel for this oil.

We should also remember that the Syncrude oil is a synthetic oil, that is to say, it is in a semi-refined state and therefore its real value is greater than the value of the average crude since it is in a higher processed state. That raises the question as to whether Syncrude really needs the world price for its oil in order to make a profit. I maintain that they have misrepresented the real value of the oil, and have exaggerated the costs in order to get the commitment from this government to be able to charge the world price.

I should like to elaborate on how this has been allowed to take place by using, as a comparison, the procedure of the Great Canadian Oil Sands Company that is already in production in the oil sands. Let me refer to an article by Joseph Yanchula in the "Canadian Forum" of December, 1974. The article is headed "The Politics of Petroleum". He outlines the very interesting accounting procedure that Great Canadian Oil Sands used to fool the government as to the real value of that oil the company was producing, and its actual profit picture. I quote from the article as follows:

> Undoubtedly the defence for the giveaway of the tar sands will be the high cost of exploration and the so-called losses of the G.C.O.S. project which were supposed to total $88 million to the end of 1972. During 1972 this company was supposed to have a loss of $680,000. Examination of the 1972 annual report shows an income of $62,284,000 and an operating cost of $48,713,000 which leaves an operating profit of $13,571,000. The loss is manufactured by deducting allowances totalling $14,251,000 for amortization, interest and depreciation. Corporate accounting is an art invented to demonstrate how it is possible to lose money and still grow rich.
>
> There is a growing suspicion that G.C.O.S. profits are actually far greater and that they are being deliberately transferred to Sun Oil Co., the parent corporation, by underpricing the synthetic crude. G.C.O.S. claims to produce three liquids which are blended together before being shipped to Edmonton.

As a result the actual oil is of higher value than stated by the company. So we see that when the minister talks about real market value he certainly has not been applying that to the existing oil sands company, Great Canadi-