Oil and Petroleum

Mr. Macdonald (Rosedale): The hon. member for Peace River always tries to be fair, and I appreciate that. To deal with some of his procedural suggestions, he says the objectives have been met in the past by a ways and means resolution. But a ways and means resolution providing, as it does, by constitutional practice authority to collect the tax in advance of action by parliament, has to be followed in due course by a tax bill. From this standpoint, the tax is now being paid by the companies as a result of a ways and means resolution and will, presumably, continue to be paid until that resolution expires either by the enactment of a bill or the ending of the session. There is, therefore, a legal basis for it.

Then the hon. member suggests a supplementary estimate so that adequate funds can be provided up to the end of the fiscal year. That is a procedure I would have to take into account along with my colleagues. I would have to raise some question with regard to the vehicle he suggests, the Import and Export Permits Act. To make what is, perhaps, a judgment from the saddle on the matter, my recollection is that the act does not apply to crude oil, which is dealt with specifically by the National Energy Board Act.

Mr. Baldwin: It does. When I first looked up the act, I had some doubt myself, but there has been an amendment to the regulations by which the definition of high energy fuels has been expanded to include petroleum products.

Mr. Macdonald (Rosedale): Well, Mr. Chairman, I guess that before expounding any more legal opinions I had better look up the law. At least we see the hon. gentleman's viewpoint. There is at least the prospect that we shall not find ourselves in a situation early in the New Year, in the depth of winter, where we find oil prices will have to rise in eastern Canada because of the failure of parliament to enact this bill.

I think it is worth while going back again to basic principles when looking at this legislation. The hon. gentleman has, in a manner of speaking, summed up the debate from his party's point of view. May I just do the same for a few minutes from the point of view of the government? As the House knows, the government wishes to continue to be in the position to cushion the impact of high oil prices in eastern Canada. It was on this basis that we proposed the measure which is now before the committee. The view of the government with regard to oil prices is that they should move in due course to a level high enough to attract the incremental investment necessary for the production of oil in Canada, but that they should not necessarily move to world levels.

Of course, it is not easy to say what incentive is required at any particular time to bring on this additional production. At the moment, however, we are not inclined to believe that the price should rise to world levels in order to achieve this result in Canada. While, therefore, we think the ultimate level may be below the world price we recognize that, if it must go higher in time, the adjustment to a higher price should come by a series of stages which cushion as far as possible the consumers of petroleum and petroleum products against the economic impact—not consumers in eastern Canada alone but in the whole of

[Mr. Baldwin.]

Canada, including Alberta itself—because of our decision to adopt a single price.

Mr. Benjamin: There is no argument about that.

Mr. Macdonald (Rosedale): Somebody says there's no argument about that. On the contrary, there seems to be a great deal of argument about it. There is a suggestion from Alberta that the price should be $10 a barrel. I would point out that an additional $2 a barrel is equivalent to one percentage point on the consumer price index, and hon. members know that at a time of grave concern about inflation, nationally and internationally, we would be well advised to cushion the effect of such increases in Canada to whatever extent is possible. This is a fundamental position taken by the government. We do not feel consumers should be obliged to bear the full impact of any cost increases in one shot.

Mr. Stanfield: Would the minister permit a question?

Mr. Macdonald (Rosedale): Certainly.

Mr. Stanfield: With regard to the one price system and the forecast that Canada will enter into a deficit position perhaps as early as 1975, is the minister in possession of any forecast showing to what extent exports will exceed imports in 1975-76? And can he tell us what this will mean in terms of cost to the federal treasury when it comes to preserving the one price system across Canada?

Mr. Macdonald (Rosedale): Yes, Mr. Chairman. Current levels of imports are around 750,000 or 800,000 barrels a day. The level of exports as of January 1 will be at about 800,000 barrels a day. But taking into consideration the higher quality of Canadian oil, even on the basis of this net balance there would be a surplus in the account in Canada's favour.

If exports of Canadian oil to the United States declined to 650,000, as I have proposed—and I may say I have discussed this proposal with both the producing provinces, and while there has been no final conclusion, the matter is now under consideration by them—there would then be a deficit of 150,000 barrels a day and there would, therefore, be a deficit in the taxation account, a lessening of the ability to find the compensation payments from the oil export tax receipts. Also worthy of note in this connection is that some time between now and July 1 we expect to meet with the provincial governments to determine what the price level should be. The exact exposure of the consolidated revenue fund at that time will depend upon the gap between the domestic price and the international price. For this reason I cannot be precise, but in principle there would be a deficit of some kind if we went down in mid-year. If we did not go down in mid-year, the problem would present itself at year-end, assuming the National Energy Board recommendations are being followed.

Mr. Stanfield: I wonder whether the minister could give us a forecast of the deficit position in the year 1976. I think he is assuming that imports will remain constant at 800,000 barrels a day. Does he have a forecast for 1976 of imports per day, on average, for the year and of exports per day, on average, for the year? I ask him this because it sounds as though this will be an expensive burden for the