August, 1987, study for the government on whether or not Air Canada should be sold, themselves underwrote that privatization one year later, walking away with over $30 million for their troubles. The total brokerage fees, bonuses and miscellaneous payments on the Petro-Canada sell-off could amount to more than $170 million. Thanks, Canadian taxpayers.

Why are the Tories doing this? Their story is that the company needs capital but cannot assume any more debt. The question that confronts us is: Is Petro-Canada really lumbered with debt to the point where it cannot borrow any more? The answer is, no. As of the end of 1988, Petro-Canada's total debt was about $2 billion, of which about $1 billion was long-term debt. Its shareholder equity was about $4 billion.

In fact, Petro-Canada's long-term debt compares favourably with that of such other notables as TransCanada Pipelines Limited, at $2.4 billion; Amoco Canada Petroleum Company Limited, with a $4 billion long-term debt; Columbia Gas System Incorporated, at $1.3 billion; and one my favourites, Nova Corporation of Alberta, with a $4.2 billion long-term debt. Those are 1988 annual report figures.

More to the point, Petro-Canada's long-term debt to equity ratio, 1 to 4, is well within industry standards. With the exception of long-established multinational subsidiaries like Imperial Oil, with a 1 to 7 ratio, many industry players have ratios similar to or worse than Petro-Canada's. Canadian Oxidental Petroleum Limited at 1 to 3; Alberta Energy Company Limited at 1 to 1.2; Norcen Energy Resources at 1 to 2.3; Total Petroleum North America Limited at 1 to 1.8; and Pan-Canadian Petroleum Limited at 1 to 3.5 remain active participants in the industry. Indeed, one of the oldest, best established multinationals in Canada, Shell Canada Limited, has a long-term debt to equity ratio identical to Petro-Canada's.

So it was no real surprise when, last December, the well-known New York rating agency, Moody's Investor Service Incorporated, gave Petro-Canada a triple A rating on about $400 million of newly filed debt securities.

As the *Toronto Star* observed in its report:

> Such a rating, a shade lower than the highest designation for debts of the federal government, suggests strong borrowing status.

Indeed, "strong borrowing status". It would seem by all standards that Petro-Canada could comfortably assume a great deal more debt than it has now and still remain a healthy and vigorous player in the Canadian petroleum industry. In fact, as the Moody's rating shows, while in the public sector the company can support greater debt, because of lower service costs occasioned by its status as a federal treasury backed Crown corporation, than it could as a private sector player.

But what about the other side of the capitalization coin? What about all that money that can be made for Petro-Canada from the huge stock issue? Sorry. Unless the federal government is willing simply to give away money to the company by continuing to plough the proceeds of share sales back into Petro-Canada as the shares are sold, Petro-Canada will not get that money at all. Again, the taxpayers of Canada have about $4 billion worth of equity in Petro-Canada. If the company is to be sold, those taxpayers are quite reasonably going to want at least that $4 billion back.

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As noted before, the government is already talking about giving back to the company the proceeds of the first offering, that 15 per cent share offering totalling somewhere between $500 million and $700 million. Presumably, the government would have serious political difficulty pursuing such wonderful generosity further, especially at a time when it is cutting back on health care, education and social services because of the fiscal holy crusade.

That leaves the energy equity markets having to absorb a subsequent issue of $3 billion to $3.5 billion, all of which has to go to the federal treasury before Petro-Canada can haul in so much as one more loonie.

The fact of the matter is that dumping Petro-Canada on to the energy equity markets, especially at a time when Imperial Oil will be struggling mightily with the capital task of swallowing Texaco Canada, seems to be just about the worst way one could go about raising the further money the company needs. It will be cumbersome, necessarily long term, and unavoidably entail a raid of some scale on the public purse. There is plenty of corporate elbow room for further debt financing anyway.