Oil and Petroleum

Clearly the national oil company will not be set up for the purpose of making us self-sufficient. Rather, it will be the mechanism by which we can buy off-shore oil for lower prices. The Shah of Iran has said that he would be willing to sell oil to a government agency at a lower price. He is not in favour of oil companies collecting any extra profit. If a government agency buys, he is prepared to make oil available at a 3 per cent or 4 per cent discount.

I find this interesting. The government, under the guise of creating a mechanism to bring about a greater degree of Canadian self sufficiency, is actually creating a mechanism which could help to destroy our petroleum industry. That does not say much for the Canadianism of those who support this idea. They are willing to sell out our native industry for a 3.5 per cent discount from the Arabs. That, again, shows the attitude of the government. The Minister of Energy for Ontario, Hon. Darcy McKeough, about one year ago also came out in favour of a national oil company and proposed the building of a reversible pipeline. He wanted the best bargain for oil, but was happy to sell his province's products to what some call the hinterland of this country at exorbitantly inflated prices.

Allow me to quote from the column of the syndicated columnist Bruce Whitestone who, in an article entitled "Apportioning the Blame", written last September, said:

As the energy crisis fades as a topic of popular concern, the public is left not only with sharply higher gasoline prices but also with a distinctly jaundiced view of the oil industry and its relationship with the government.

During the crisis last winter, the public blamed the oil companies—

Largely at the instigation of the Minister of Energy, Mines and Resources, let me add:

—the producer nations, and their governments for the problems.

A significant section of the public believes that the fuel shortage was contrived. The oil companies raised their prices, and their profits soared, and critics contend that the energy crisis was sponsored by the industry with the co-operation of governments both provincial and federal.

As a result of these developments, many oil companies and government officials say that one of the most difficult problems is convincing the public, as it digs into its pocket to pay record prices for gasoline and fuel oil, that profit is not a dirty word.

While most accept the idea of sacrifice, they want to be assured that it is needed and that no one is profiting from the energy problems.

Others question why, with consumers bearing the brunt of the crisis, were the oil companies allowed to reap some of the highest profits in their history. Actually, the public should have had another reaction: with profits soaring, the public could have recognized that the 'shortage' of oil would be ending soon. High profits would ensure that it would be profitable to produce more crude and process it as well. High profits, which guarantee that companies will work aggressively to take advantage of the high rewards that now exist, have two functions. They provide a ready source of capital for investment and serve to attract capital from the outside. Thus, it is not surprising to learn that oil companies are now planning to increase significantly their refining capacity and their drilling activity.

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The job of mollifying the public is made more difficult by the misconception of shortages as such. In purely economic terms, in the natural world there never can be a "shortage": the problem is only one of price. If there were free taxicab rides, insufficient taxis would be available for hire. Similarly, free medical service entails an apparent shortage of medical personnel and facilities. Hence, there appeared to be an oil shortage because prices were not at levels to balance demand.

Others could argue that an oil cartel could be artificially boosting prices. However, a monopoly complete or partial, cannot impose higher prices regardless of the consequences. Prices greatly in excess of market price levels would curb demand and adversely affect prices. Not only would the public cut back on its use of petroleum products, but substitutes would be utilized more extensively. People could use more coal, insulating materials, or even foot power!

It must be acknowledged that some of the actions of the oil companies have been detrimental to their own image and long-range interest. Not too long ago, one of the major oil companies paid a bonus of one month's salary to its non-union employees. Some oil companies have made large acquisitions, such as the purchase of Montgomery Ward.

I believe the writer is referring to the actions of Mobil Oil in the United States. In passing, I suggest the recent announcement of Imperial Oil to contribute several hundred thousand dollars to save the so-called magazine *Saturday Night* is an example that maybe they are not being taxed high enough. If they have that kind of money to support a magazine like that, perhaps there is something wrong with the taxation policy of this country. However, that is a decision they want to make. Probably my friends to the left applaud the decision of Imperial Oil to do that. It was probably being done with some political motive. I continue the quotation:

As for complaints that the magnitude of the increase was not necessary, that a smaller increase in crude oil would have produced plenty of funds to accomplish the goals of the oil industry, there is no accurate way to assess this claim. However, if the price rise were excessive, it would either attract more producers and greater supplies to the market, or it would curb demand so much that oil companies would have to modify the increase in order to maximize their production facilities.

When the oil producer nations virtually quadrupled oil prices last year, many assumed that these countries were acting like highway brigands. Actually, the sudden rise represented a catch-up as oil prices were level for 15 years, except for a five cent per barrel increase last year and a rise of 10 cents per barrel the year previous. Oil producer nations should not be compelled to shoulder a disproportionate share of the blame for our oil problems, therefore.

Then, cries of government unpreparedness ignore the real difficulties that were interposed whenever a new oil policy was suggested. Only now, when Canadian crude is fixed below the cost of imports is a national pipeline acceptable in eastern Canada.

One area that can be criticized is the effort of the federal government to intrude its presence in the controversy. Neither the arbitrary establishment of a price of $6.50 per barrel of oil, nor the effort to tax "excessive" oil profits in the May budget, could be justified on economic grounds.

It is apparent that if the policies of the government are allowed to continue there will be an oil shortage by 1983. A proper policy of the government should be to allow the price of oil to increase so that the oil sands can become viable. Surely it is in the interest of this country that we be self-sufficient, and not be at the mercy of other nations. It would be better to pay a higher price and have an assured supply than to take the short-run benefit of a lower price and not have a supply. It is better to pay the increased price than not have oil.

This country should be developing the oil sands. To date government policy has been discouraging. We have one plant working, Great Canadian Oil Sands, and another, Syncrude, being built. A third was to be built by Shell Canada Limited and its U.S. counterparts, Shell Explorer Limited. The U.S. part of this deal has been pulled out, and they have gone back to the United States with their money.

We should have a policy that sees further than the tip of the minister's nose. We need a policy to develop our oil sands and have a pipeline from western Canada to Mont-

[Mr. Schumacher.]