and subject to further clarification, it indicates the magnitude of the contribution the Canadian taxpayer has made to the development of the petroleum industry and to those regions of Canada which have benefited directly from petroleum development.

● (2050)

Perhaps our former practices were too generous. As the previous finance minister, the hon. member for St. John's West (Mr. Crosbie) noted last year, "under the current system, high income Canadians can receive tax benefits that are actually larger than the cost of their investment. This is not tolerable." So in some respects was the previous system when it favoured particular regions over the national good or favoured, as I shall point out in a moment, foreign-controlled corporations over Canadian-controlled.

The previous system of tax incentives for the petroleum industry tended to favour foreign-controlled companies because the incentives were in form of write-offs against current profits. Most Canadian companies did not have the necessary large profits to benefit. This has meant that the major oil companies have frequently been able to outbid small Canadian companies at land auctions, farm-ins or on the takeovers of other companies.

We, the national government, and ultimately the Canadian taxpayer have paid 94 per cent of the cost of wells over $5 million. We have paid two-thirds of others costs involved for drilling such as in the case of the Beaufort Sea. We, the national government, and accordingly the taxpayers, have paid over one-half, over 50 cents of every dollar spent on oil sands development.

I cite these statistics to underline the fact that the unwelcome results have occurred. While the big companies, the foreign-controlled companies, have had to spend about 37 cents of every dollar for exploration costs, a small company, typically a small Canadian company, has had to spend about 60 cents for the same exploration effort. Clearly, the time had come for a change.

In the case of federal expenditures, I want to point out that the expenses I have described as write-offs have not been the only claim on federal tax resources. Allow me to develop the argument further. As oil prices rise, the fiscal position of the federal government deteriorated under the previous revenue regime. Why? Because we are committed to maintain a once-price system for oil, whether imported or domestic, so that no Canadian is discriminated against by regional pricing variations.

To maintain this one-price system, we must of course subsidize the price of imported oil at a very great expense. Second, resource revenues distort regional equality. Since the federal government is ultimately responsible for ensuring regional economic equality, we must transfer more directly to the have-not provinces, by way of transfer payments or indirectly, through the efforts, for example, of the Department of Regional Economic Expansion.

I have not mentioned our other important federal government commitments to, for example, medicare, hospital insurance and post-secondary education. As the Minister of Energy, Mines and Resources (Mr. Lalonde) indicated in summing up this approach to our national economy, the federal government receives only about one-third of total government revenue, but is responsible for about one-half the expenditure. Canadians today rightly call upon the national government to promote and stimulate our total economy through a new energy program.

I have touched on the question of supply. I have said a word about the major role of foreign-controlled corporations in our petroleum industry. I have said something about the revenues foregone by the national government, a practice intended to promote the development of the Canadian petroleum industry.

It is our view that the time has come when all Canadians should enjoy the economic benefits accruing from our energy resources, including the technical and industrial benefit spin-offs. But first, before we can obtain the full benefits, we must gain the ownership and control of our total energy sector. The federal government is accordingly committed to a significant shift in the structure of the oil and gas industry. The government has three goals which have been briefly summarized as, first, 50 per cent Canadian ownership of oil and gas production by 1990, second, Canadian control of a significant number of the larger oil and gas firms and, third, an early increase in the share of the oil and gas sector owned by the Government of Canada.

The specific measures designed to meet both our supply requirements and Canadianization goals include incentive programs to encourage all firms, but especially Canadian firms, to grow and expand and play a more active role in our oil and gas sectors.

Over the next three years, the oil and gas industry in Canada will gain more from the petroleum incentive program outlined in the budget than it will lose from the reduction in depletion allowance and changes in the definition of exploration and development expenses. The incentive system in our new program is more generous than the previous one. It is accessible in a meaningful way for the first time to smaller companies which, as I have noted, tend to be Canadian.

Producers will, of course, have to pay the petroleum and gas revenue tax, but even with this tax, the netback before corporate taxes will increase rapidly, from 94 cents per million cubic feet in 1979 to $2.49 per million cubic feet in 1985 for gas and from $6.29 per barrel in 1979 to $11.73 per barrel in 1985 for oil. Over all, the industry's net income, including incentive payments, will double between 1979 and 1983. The phasing out of the depletion allowance for exploration outside Canada lands will give time to oil and gas companies to increase the level of their Canadian ownership and benefit from the incentive program.

● (2100)

The impact on oil and gas companies will vary with the level of their Canadian ownership. Canadian companies will defi-