

Product and crude markets are, at times, quite independent. Over some periods, according to EMR, product prices can move in an opposite direction to crude prices. The oil companies maintain that prices vary in many cases because of local competitive marketing conditions, not because of crude price levels. They have been criticized for not passing on to consumers the full benefit of the 1986 drop in international oil prices.

The Government of Canada does not have jurisdiction over consumer prices of petroleum products but as recently as last year, it completed a five-year study into gasoline pricing practices. The Restrictive Trade Practices Commission in fact found no price collusion. In Manitoba, a commission of inquiry is expected to report shortly on variations in gasoline prices. Nova Scotia and P.E.I. regulate some aspects of product pricing and now Quebec has announced it will be controlling prices in outlying areas. Other provinces are similarly examining taking steps to regulate gasoline prices.

According to the United Grain Growers, the open border between Canada and the U.S. maintains a check on retailers' pricing practices. Pump prices tend to be lower along the U.S. border as a result of competition from the U.S. which has a greater number of oil companies, less regulation and lower taxes. As well, more independents operate near the border and can buy refined product at the cheaper location. In April 1987, while the crude oil prices were comparable in Canada and in the U.S., the differential between average Canadian and U.S. prices was 15.1 cents per litre, of which more than half was accounted for by higher taxes in Canada as shown in Figure 6.2. The bar charts illustrate the components of the average pump price in each country using the most current data available. Taxes are the average of all grades. The graph represents average urban retail prices for all grades of gasoline as published by Statistics Canada and the U.S. Department of Energy.

The two inquiries mentioned are only the latest by provincial and federal governments into alleged imperfections in the pricing of motor fuels, including gasoline and diesel fuel. The Committee believes such vigilance needs to be maintained and has made a general recommendation in Chapter 8 of this report that input prices including fuel prices should be monitored and reported.

### **C. Leaded Fuel Substitutes**

The federal government intends to ban the use of leaded fuels after 1992. Unifarm argued, however, that the large number of self-propelled machines using leaded fuels would make it necessary to have leaded fuel available after that date.

In the aftermath of the Arab oil embargo in 1973 and the onset of real increases in energy prices, improving the productivity of existing energy inputs and finding lower-cost substitutes became important. There was a drop in total fuel usage and a noticeable shift from gasoline to diesel fuel.

Agriculture Canada estimates that between 1981 and 1986, the proportion of gasoline-powered tractors dropped from 34% of the inventory to 25%. Diesel tractors use up to 25% less fuel than gasoline tractors per working hour and offer considerable potential for fuel savings. Since 1981 all new tractor purchases, the most important farm machinery, have been diesel-powered as is most of the other new farm machinery, but there are still a number of older vehicles that are gasoline-powered. There will also continue to remain a preference for gasoline in the passenger vehicle market.

Prices of leaded gas used in this market have generally remained more favourable over those of unleaded gasoline, presenting no incentive to shift. Recently, provinces have been altering this pricing practice and in the recent budget the federal sales tax on leaded gasoline was raised as of April 1, 1987 to match that applicable to unleaded gasoline. The Committee is optimistic that as the price gap closes between these two fuels as unleaded gas takes a larger share of the market, there will be less opposition