

HOUSE OF COMMONS

Thursday, July 3, 1975

The House met at 11 a.m.

GOVERNMENT ORDERS

[English]

PETRO-CANADA ACT

MEASURE TO ESTABLISH CROWN CORPORATION

The House resumed, from Wednesday, July 2, consideration of Bill C-8, to establish a national petroleum company, as reported (with amendments) from the Standing Committee on National Resources and Public Works, and motion No. 4 (Mr. Stevens).

Mr. Eldon M. Woolliams (Calgary North): Mr. Speaker, at the adjournment yesterday I was discussing the amendment to Bill C-8, which, of course, is to establish a national petroleum company, Petro-Can. The amendment is to clause 22, which briefly provides that the government may advance money out of the Consolidated Revenue Fund by way of loans for the financing of Petro-Can, such advance to be free of interest. If I may put the amendment on the record, it is to amend clause 22 in the following way:

—by striking out line 34 at page 15 and substituting therefor the following:

“determine,

and any amount so advanced by way of loan on purchase shall bear interest at a rate that is not less than the rate approved by the Minister of Finance for that quarter of the year in which such amount is advanced as the standard rate of interest for loans to Crown corporations that are repayable within a period not exceeding twelve months.”

Having heard the hon. member for York-Simcoe (Mr. Stevens) move the amendment last night, I then listened to the minister, who of course opposed the amendment. He took the position that Petro-Can should have a favoured and privileged position in that money should be advanced to it out of the Consolidated Revenue Fund—which is taxpayers' money—without interest. As I said last night, I am going to speak in favour of the hon. member's amendment.

This bill seeks to advance to Petro-Can \$1.5 billion of taxpayers' money by way of loan free of interest. I was rather shocked last night to hear the minister, in opposing the amendment, say that private corporations do not pay interest on money advanced on the purchase of shares. Although this is correct, money that is advanced to any private corporation, in the oil business or in any other business, must bear the going rate of interest. The minister ought to know that in many cases money raised by the sale of shares is but a small portion of the capital required by a company for the purpose of exploration and development, in this business or any other.

The private sector raises money by dividends, bonds and debentures. On that money, the going market rate of interest must be paid. In many cases today, as I am sure the minister, who should have some knowledge of business, knows, companies in the oil business are forced to pay a higher rate of interest because they are competing with other endeavours in which the risk is less. Therefore, my first question is: Why the discrimination in this case? Why should this company be put in a favoured position and get capital from the people of Canada without payment of any interest at all? This company will be a charge upon the taxpayers of Canada.

It was my understanding from listening to what the minister said in committee that Petro-Can was being set up as a Crown corporation for two reasons, and I think it is essential that we examine those two reasons in view of the fact that we are advancing such a large sum of money. The minister's first reason for setting up this company, outside of his liking for statism, is to encourage exploration and development. His second reason is to assure that the price of gasoline to the consumers of Canada is kept down.

I guess a third reason which he gave is that the resource industry is foreign-owned and controlled. I think there is a mistake in the thinking of a lot of people in this regard. When a corporation drills a well, whether a gas well or an oil well, it drills on leased land, land that is owned by the Crown and that is subject to regulations and rules contained in the leases. So, in fact, none of these private or international companies ever really control the resources of Canada in the sense of owning them. They may be able to make agreements with the Crown, but as we have seen over the last two years both the federal government and some provincial governments have torn up contracts existing between the Crown and the business community and have started all over again. Their security of tenure is not very great as far as these leases are concerned.

● (1110)

One must ask himself immediately what effect this interest-free money in the amount of \$1.5 billion will have on the objectives of the minister. Let us deal with the first objective, to encourage and stimulate exploration and development. It would appear now that the great new fields to be found in Canada are in the north and Petro-Can, a taxpayers' liability, will be asked to compete against the private sector which is forced to pay high rates of interest, partly due to the policies of this government. Hence the long-term picture in my opinion will be one of discouragement to the private sector from the continuation of exploration and development in Canada because of the unfair and unreasonable cost of risk capital to them in competing against a company that does not have to pay any interest on this amount of \$1.5 billion. The uncertainty created and the disadvantages imposed on the private