refore profit,
n producer who rebelled could be easily

about his price being undercut because
ternational market is equally controlled.
nies play the game, they are prosperous
tries to buck the game, he faces price
nd supplies.
-control system, coupled with the US
production, already lies a continental

United States in order to placate the independent Alberta producers. Clearly, the 1961 policy left Canada vulnerable to US whims and wishes, since Washington could, and did, impose quotas on our oil anytime it felt like it.

But this set of policies in the two countries--the oil import policy in the US and the national oil policy in Canada--has begun to show a number of very large cracks. Powerful interest groups and forces in the United States are aligning themselves against the oil producers, in a confrontation between the Northeast and the Southwest.

New York Democrat Bertram Podell finished off the picture by releasing figures showing that 13 major oil companies have been paying federal taxes at a rate lower than that of taxpayers earning $4,000 per year. Of the 13 companies, with net incomes ranging as high as $2.3 billion per year, Sinclair and Atlantic Richfield paid no taxes at all; Gulf Oil paid less than one per cent in federal taxes and Standard Oil of New Jersey paid less than 10 per cent of its $2.3 billion net income to the Federal Treasury.

The US oil interests have found themselves desparately looking for an answer, but necessarily one which will not fundamentally

fuel for the American Dream

extends even beyond this.
rection of a quota wall around the US,
out the cheaper foreign oil. By thus
et, it was able to stabilize prices and, of
industry.
shrined in diverse pieces of legislation
enhower administration, was achieved
f the independent domestic producers
if their expensive production facilities

The quota wall has raised US prices domestically and created such a disparity in petroleum costs between domestic and foreign crude that the heavily industrial US Northeast is beginning to rebel agains the prices set by the oil producers of the Southwest.

New England senators and congressmen, representing Northeastern industry, have been pressing for a policy which would allow foreign imports to come in at a controlled rate, thus providing cheaper oil.

The wide-spread lobbying power of the industry--particularly in its home territory, the South--has enabled oilmen to shrug off

petition of cheaper world oil. (These
Texas oil lobbies controlling a large
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et than the international Majors, since
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ntries they could control 60 to 70 per

adian government to the same crisis in
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d in the national oil policy established

also been a battle between the
terests and the International Majors,
stronger here than in the US. The bid
the same kind of security as the US
failed.
1961 policy was the division of the
o parts -- all of Canadian oil markets
ley were to be served by domestic
east were to be served by imported
voluntary policy, rather than the
nce at the time it was the policy, the
uld be surprised that it was effectively
until material conditions began to

ts somewhat out in the cold, since the
is not profitable enough, so a natural
y was that the federal government had
larger markets for Alberta oil in the

the liberal gadflies for the last 43 years, since the profitable depletion allowance tax provision was voted in.

New England consumers have focussed their demands on a request to build a refinery at Machiasport, Maine, and are demanding for it an import allocation of 100,000 barrels a day.

The low-cost oil which would come out of such a refinery would be sufficient to undermine northern oil prices. But even worse, in Southern minds, this break in the 11-year-long import quota program would set a precedent very likely to lead eventually to the total destruction of the program itself, and with it the vast protected market which has guaranteed high profits for so many years.

The US oil interests would much rather compromise on a continental oil scheme which would bring comparatively high cost Canadian oil into the market.

The main battlefront for the fight between the producers and consumers in the US has been a series of hearings on the petroleum industry held by Michigan senator Philip A. Hart's Antitrust and Monopoly Subcommittee, as well as hearings conducted by a special task force to review US oil policy.

Together these investigations have brought forth a caricature of a monopolistic, profit-grabbing industry that oilmen would rather had not seen the light.

Since the same companies that dominate the US market also own the Canadian one, and tactics and policies are virtually indistinguishable, that picture parallels with our own.

As a result, estimated Sen. William Proxmire, in 1968 oil refineries averaged only 11 per cent federal tax on their earnings while other manufacturing firms averaged nearly 41 per cent.

shake their privileged position.

Casting their eyes about for some sign of relief, they see it on the northern horizon, just over the 49th parallel--Joe Greene's "invisible border".

There was something pathetic about Joe Greene thumping a nationalist fist before the oil men in Denver warning them that Canada will not stand for this or sit idly by for that. Only Canadians might have really believed what he said, and the hollow posture he assumed, because they would like to believe what he said is possible. But the men he spoke to in Denver must have viewed the performance with amusement.

The fundamental choices were made years ago, when we geared our resource policy to the United States' needs, when we set no national goals on energy exploitation

Canada's first mass oil export was born of California's energy shortage in the time of the Korean War. The basis of the co-operation was, from the beginning, not economics, but political and military security. The initiative was American, not Canadian.

The United States Petroleum Administration for Defense decided in 1951 that California needed more oil, the west's traditional oil shortage having been aggravated by the war. A safe source of oil was required; for strategic reasons Canada was chosen to be the supplier.

A pipeline from Alberta to California was constructed, and a $65 million tab was picked up mostly by the major American oil companies.

The framework for this first exercise in continental energy planning had been set out in a joint agreement in 1950, which in effect established a sort of economic NATO or NORAD for scarce resources in time of emergency. It gives us a view of what a continental energy policy would be. That agreement declared that the two governments agree to "co-operate in all respects practicable . . . to the end that the economic efforts of the two countries be co-ordinated for the common defense, and that the production and resources of the two countries be used for the best combined results . . ."

Canadian oil is too expensive to sell abroad--almost three times more expensive than Middle East oil. So we have a commodity that is unmarketable overseas. But we allowed it to be developed and a sector of our economy and country to become dependent on it.

If our American markets are lost, a massive recession will hit the West. Our economy is, then, controlled by the economic vicissitudes and political decisions of a foreign country.

The American offer today is a simple exchange--yield what political control you have over your energy production, provide for our needs, and reap the economic benefits. Don't, and reap the economic consequences.

It is uneconomic for Canada to have become the ninth largest oil producer in the world. Our oil is only marketable in one market, because of the high fixed and controlled prices.

Canadian producers are getting steadily frozen out of the American market because of such developments as Alaska oil finds, and the building of a pipeline to Illinois that speeds Texas oil to the Northeastern US industries.

The Ottawa Valley line has already begun to crumble, and the big Ontario market has begun to fall to foreign oil. Golden Eagle (Canada) Ltd., Petrofine (Canada) Ltd., Newfoundland Refining Co. Ltd., Gulf Oil (Canada) Ltd. all announced refinery building programs, signalling an impending influx of foreign oil.

In the short run, the US can dry up the Canadian oil industry without suffering any setbacks. But in the longer run, we will be a crucial supplementary source of supply. The long-run thirst that will develop in the US explains Washington's pushing for the continental policy. The short run security of the US market is the club with which it can clout us into that continental scheme.

And these are the choices we have allowed ourselves to be faced with:

* agree to a continental energy scheme and pay the political price of taking a giant step towards further economic and political domination by the United States,

* face the fact that our oil is uneconomic and get out of the oil business, causing a massive recession in the West,

* or make the decision we refused to make over ten years ago (under pressure from the US Majors) and build the Alberta to Montreal pipeline.

The last choice may end up being the least of three evils, but it's no easy way out.

Gordon Cleveland was formerly with the Department of Industry, Trade and Commerce.