

*Energy*

of a checkerboard area which belongs to the Crown those areas which the government did not want to put up for a cash bid or royalty bid basis could be used by Petro-Canada.

This afternoon I heard the hon. member for Don Valley make some rather derogatory remarks about the role of Petro-Canada. I want to remind my Progressive Conservative friends that in almost every country of the world today governments of different political stripes have set up government oil companies in order to provide a countervailing power against the oil cartels, whether it is Great Britain, France, West Germany, Japan or Venezuela. Some, of course, have gone further, as in the Middle East, and virtually nationalized the entire oil industry. The only place left where people still do not have a government agency available to provide some countervailing power in the oil industry is the United States and some of the antediluvians who sit in this House.

● (1740)

The second point I wish to make briefly is this. While the minister has abandoned the idea of holding on to 50 per cent of the leases granted, he says this will be made up by virtue of the fact that the government will share in the production from these oil and gas fields through the progressive incremental royalty, which the minister euphemistically called PIR.

It is worth noting, first, that the royalty to be charged will be only 10 per cent, as compared with 20 per cent in Alaska and 21 per cent in Alberta; that the companies will be able to get back, as the minister said, their payments of royalty, their income tax and their costs; and that the first 25 per cent of their net profits will be exempt. Only when their profits have reached 100 per cent of their investment will the incremental royalty exceed 30 per cent. Let me consider the instance of a company which has invested \$100 million. That company will be able to earn, in the last seven years of its ten-year lease, \$25 million a year, on which it will not pay incremental royalty; in seven years it will take in \$175 million on a \$100 million investment. There will be no tax bite, except the 10 per cent royalty which the company will be required to pay.

I began by saying to the minister that I approved the idea of taxing the production of oil and gas companies so that the Crown shares to some extent in the profits made by the oil and gas industry. But this so-called progressive incremental royalty is a farce. A company with \$100 million to invest will be able to make a profit of up to \$100 million before the royalty exceeds 30 per cent; and that 30 per cent will be imposed only on the amount above the first \$25 million of net profit calculated after it has taken into consideration its royalties and income tax.

We shall discuss this matter further when the government brings down the legislation. I appeal to the minister and to the government, to rethink their position seriously on this matter. Future generations will hold us accountable if we turn over 900 million acres in northern Canada, to say nothing of offshore areas, to oil companies, without holding on, as we have the right to do, to 50 per cent of the leases, and without making sure that there is a place for the government-owned oil company to act on behalf of the people of Canada in finding oil and gas. We must make

[Mr. Douglas (Nanaimo-Cowichan-The Islands).]

sure the government-owned company provides sufficient competition in this field, so that the people of Canada are not ripped off by the oil and gas monopoly which has treated our people so badly in years gone by.

**Mr. Stanfield:** Mr. Speaker, as the minister recognizes, many questions come to mind. Did I understand the minister to say that the governor in council if it so decides, may direct Petro-Canada to explore in certain areas and drill in others? Did I understand him to say that the governor in council envisages this as part of his program? If so, who is running Petro-Canada, the directors of the company or the governor in council?

**Mr. Gillespie:** Mr. Speaker, two points need to be made clear. First, the agency, to which I referred as the new, unified resources management agency, will determine if a promising structure should be drilled. The agency would say to the permittee, or owner of that land, "We think it is promising, you should drill. We will give you a reasonable period of time." The time will be based on a number of factors, such as the availability of equipment, climate, and so on. If the private company decides not to accept that particular challenge from the agency, the federal government, through an order in council, will have power to direct Petro-Canada to drill that particular structure. As the hon. member may know, that particular power is written into the act constituting Petro-Canada. A specific section gives the government authority, through order in council, to direct in writing the activities of Petro-Canada.

**Mr. Stanfield:** Mr. Speaker, God help us all. May I ask the minister what the current situation is with regard to the offshore rights claimed by the provinces? Has the Government of Canada reached an understanding with the eastern provinces and British Columbia about offshore rights and leases or, will companies operating in those waters find that they must deal with both the federal government and the provinces? Would the minister in a word or two tell us about the prospects of a solution of that problem?

**Mr. Gillespie:** Mr. Speaker, I expressed the hope last night when answering a question asked by a colleague of the hon. member—and I am much more hopeful now than I was six months ago—that it would be possible to work out reasonably soon a new understanding with the maritime provinces, including Newfoundland, concerning the administration and division of revenues from offshore resources. There have been recent meetings and I am hopeful that we can proceed quickly to some solution.

**Mr. Gillies:** Mr. Speaker, I notice, having perused a copy of the minister's statement, that it says practically nothing about native peoples. Does the government plan to allow the native peoples a proportion of royalty income? Is this to be included in the regulations?

**Mr. Gillespie:** Mr. Speaker, I said in the early part of my remarks this afternoon, these regulations, of course, are conditional upon acceptable environmental and social conditions being met. These, of course, are matters on which the Minister of the Environment (Mr. Marchand) and the Minister of Indian Affairs and Northern Development (Mr. Buchanan) can answer. Undoubtedly, as the hon. member