

Oral Questions

money on that side. While they may appear to be making some in the short run on this one, as I said they are forced to pay income tax on it, and they claim this particular arrangement is very detrimental to them. When a reduction of imports is to take place, those companies will find themselves in the situation where they will have to reduce immediately the price to the consumer while they will have paid the petroleum compensation charge on everything they have in inventory too, so they will end up losing at the other end.

● (1120)

MECHANISM TO AVOID WINDFALL PROFITS

Right Hon. Joe Clark (Leader of the Opposition): Madam Speaker, we have here a brand new principle introduced by the government that windfall profits are okay so long as you pay income tax on them. That is what he is telling us. He has admitted there has been a windfall profit that, by our calculation, is in the neighbourhood of \$172 million, and he claims that is all right because it was done before and because they pay income tax on it. He says that the companies will be complaining; well, it is not the companies which are complaining, it is the consumers of Canada paying the \$172 million who should be complaining.

The minister indicated there is a delay of 60 days before wellhead price increases are passed on, agreed to by the companies as a result of the minister exercising moral suasion. Why was a similar mechanism for a delay not put in place with regard to this situation to avoid that \$172 million windfall profit?

Hon. Marc Lalonde (Minister of Energy, Mines and Resources): Madam Speaker, the Right Hon. Leader of the Opposition gets very excited over purely paper or book value profits. There is absolutely no real profit as such here, while the taxes are quite real. The companies are required to pay up to 46 per cent taxes—

An hon. Member: When? What oil company pays 46 per cent taxes?

Mr. Lalonde:—every year, on the basis of the real value added to their income but, as I said, it is purely a paper profit. There is no windfall profit as such, as indicated by the Leader of the Opposition.

NATURE OF PROFITS MADE BY OIL COMPANIES—REQUEST FOR CHANGE IN GOVERNMENT'S TAXING PRACTICE

Hon. Michael Wilson (Etobicoke Centre): Madam Speaker, my question is directed to the Minister of Energy, Mines and Resources. He is clearly shielding his own inaction and lack of concern for the consumer by calling this a paper profit.

Would the minister please explain to me what a paper profit is? How can he describe a transaction involving a \$2.50 price increase in real dollars on 70 million barrels of real oil, a total of \$172 million which is paid by the consumers—how can he explain those real profits as paper profits?

Hon. Marc Lalonde (Minister of Energy, Mines and Resources): Madam Speaker, for the simple reason that that so-called profit is made on the inventory they are required to maintain, and for every barrel of oil they sell out of inventory they have to replenish it at a higher price, so it is a purely book value profit. There is no real additional money coming into the corporations.

Mr. Baker (Nepean-Carleton): Don't try to sell that nonsense at the gas pumps.

Mr. Wilson: Madam Speaker, I think the minister missed the point. The industry is not paying any more for the oil that they are replacing in inventory. The additional price increase is flowed through entirely to the government on the replacement of those inventories. The paper profit that he refers to is a real profit taken on the inventories in place prior to December 31, on which the industry levied those increases following December 31, and on which there is no petroleum compensation charge paid to the Government of Canada. Would he explain that and, while on his feet, would he make a commitment to this House that he will change this practice so that there will not be unearned windfall profits taken by the industry on the backs of the consumers?

Mr. Lalonde: Madam Speaker, we examined this matter very carefully several months ago and, as I indicated before, this has been the practice followed during the last few years, which includes the administration of my friend. Taking every factor into account, this was found to be the simplest and best way of doing this. If a better way can be found to manage the program we will certainly implement it, but at the present time under this administration, and the two previous ones, it is felt this is still the fairest way of doing it.

As to the first part of my friend's question, he knows that the refineries in this case act as tax collectors for the federal government. That \$2.50 surcharge is money collected for the federal government—

Mr. Clark: That is not true.

Mr. Lalonde:—by the companies.

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● (1125)

BANKS AND BANKING

SPREAD BETWEEN INTEREST PAYMENTS AND CHARGES OF CHARTERED BANKS

Mr. Bob Rae (Broadview-Greenwood): Madam Speaker, my question is directed to the Minister of Finance, and it concerns another industry which has been experiencing some paper profits. I am referring to the banking industry, and the profits are in the form of bank notes.

I would like to ask the minister whether he thinks it is appropriate that our chartered banks should be making windfall profits from the interest rate policy of the government. I