

on the deal with Saudi Arabia than the government was able to get from Mexico?

I remind the minister that the contract with Mexico did not provide Canada with any control over timing, price, volume or quality. All these elements were under the control of the Mexican government. Has the minister given instructions to Petro-Canada so that this situation does not arise again?

[Translation]

**Hon. Marc Lalonde (Minister of Energy, Mines and Resources):** Madam Speaker, my officials are reviewing the situation. We have already discussed that, and I will have other discussions with them. I will meet the chairman of Petro-Canada in the coming weeks and at that time I will have the opportunity to tell him what conclusions my department has reached about that offer from Saudi Arabia concerning oil products.

Meanwhile, there are no ongoing negotiations, no representations are being made to Saudi Arabia, but if such representations were to be made later on, we should obviously see to it that the contract is really negotiated in the best interest of Canada.

[English]

**Mr. Wilson:** Madam Speaker, my supplementary question is for the same minister. The minister has forced eastern Canadian refiners to take the Mexican oil, somewhat to their reluctance, because it is more costly and more difficult to refine. At the same time there are 50,000 barrels of shut-in heavy oil in western Canada, which is the same amount we have agreed to purchase from Mexico. Why has the minister forced these eastern Canadian refiners to take this oil from Mexico when the government has done nothing to seek assurance from those refiners to take similar qualities and quantities of oil from western Canada? Surely if we had done that, our balance of payments, our costs and our security would be much better under control than they are from buying this oil from Mexico.

● (1450)

[Translation]

**Mr. Lalonde:** Madam Speaker, my hon. friend seems to be rather ill-informed about the situation, especially with regard to western heavy oil. In the last two years, eastern Canada has increased quite considerably its consumption of western heavy oil. But the fact remains that there is a problem, which my colleague is doubtless aware of, because of the difficulties encountered in the transportation of western oil to eastern Canada. Very often, an exchange must be made whereby oil is shipped from Saskatchewan to the United States, while eastern Canada takes in American products. With regard to the decrease in the American demand for heavy oil in the last few months, we have taken steps to reduce the Canadian tax on heavy oil in order to restore American demand, and according to my conversations with western producers in this regard the results are most encouraging.

### Oral Questions

[English]

#### MEXICAN OIL IMPORTS—AVAILABILITY OF CHEAPER CANADIAN CRUDE

**Hon. Bill Jarvis (Perth):** Madam Speaker, my supplementary question is addressed to the same minister. He indicates a problem in which the government has had to reduce its tax in order to try to firm up very weak, or lack of, markets for Canadian heavy oils, much of which is locked in the ground in Saskatchewan and Alberta. As the minister knows, these oils are of the same quantity and quality as the Mexican Maya oil that we are now importing. As a point of clarification, can the minister explain to the House what benefits there are to Canada in paying approximately \$38 per barrel for inferior Mexican crude, when at the same time we have a Canadian source of supply at less than half the price?

[Translation]

**Hon. Marc Lalonde (Minister of Energy, Mines and Resources):** Madam Speaker, again my colleague seems to be badly informed. The oil we import from Mexico includes some heavy oil but also a considerable amount of light oil of the same quality as that imported from other countries. Concerning western heavy oil in particular, I would remind him that the transportation systems for this product are limited: it is not easy to transport it economically by pipeline or other means to eastern refineries. So, at this time, it is erroneous to claim that western heavy oil producers are suffering because we are importing oil from Mexico. Once again, I remind him that a hefty proportion of the imports from Mexico include light oil.

[English]

**Mr. Jarvis:** Madam Speaker, my supplementary question is for the same minister. I agree with part of his answer. However, he will remember that originally with respect to the Mexican contract we anticipated 80 per cent would be isthmus crude of a quality which is acceptable and comparable to other imported crudes, and only 20 per cent would be the inferior Maya oil. Now it appears that those proportions will be almost exactly reversed and we will be getting up to about 80 per cent of the inferior crude, even up to 100 per cent because we have no control over that contract.

In view of the fact that we are going to get all of this inferior crude, does the minister not agree that that will act to weaken already soft markets, as he pointed out, for Canadian heavy oils, and does he not think it time to instruct Petro-Canada to renegotiate the Mexican contract?

**Mr. Lalonde:** Madam Speaker, I do not know exactly to what anticipation my hon. friend is referring. There was no such anticipation on the part of this particular government. I know that when his party was in office for six months it did not bother to talk to the Mexicans.

**Mr. Baker (Nepean-Carleton):** Wrong.