and allow us to gain greater experience of working within our own fragile environment, especially in the north and offshore. It will enable us to acquire the skills and technology required for massive projects, so that we can sell those Canadians skills and technology to the world.

Previous Liberal governments and the previous Conservative government both recognized the dangers of dependence on foreign oil. The previous government largely ignored the problem inherent in depending on foreign-owned and controlled oil corporations here at home. It offered various contradictory policy positions, but some of their spokesmen, certainly, wished to disband Petro-Canada, and others wished to render it a caricature of its former healthy self.

Other nations, similar to ours, have moved faster to ensure a more active national presence in their petroleum industry. In Britain, for example, the national oil corporation has had first claim on a 51 per cent share of North Sea oil production. In Norway, the public oil corporation called Statoil is authorized to take up to a 50 per cent interest in any field it does not already hold. It makes no payment for past exploration. It has the option to increase its interest to 70 per cent at its own discretion. In Australia, to take another example, only naturalized foreign oil companies can produce oil. A naturalized company in Australia must have 25 per cent of its equity owned by Australians. The board of directors must comprise a majority of Australians, and the company must commit itself to increase its Australian equity to 51 per cent within a given period.

What has been the situation in Canada where the industry has been dominated by foreign-owned corporations? Net oil and gas revenues have risen from $1.2 billion in 1970 to over $11 billion in 1979. Since the volume of oil and gas production has increased about 30 per cent over that same period, price increases have provided the industry with generous profits, largely on reserves discovered before the OPEC cartel inflated world price.

In the first six months of this year, the profits of the five largest oil companies jumped to just over $1 billion. That is a 92 per cent increase over their combined profits of $500 million in the first six months of last year. Moreover, that increase follows a 72 per cent profit increase for the same companies last year to $1.5 billion, compared with something over $800 million in 1978. All companies earning these enormous profits are at least two-thirds controlled by a foreign parent.

What are these companies doing with their Canadian dollars? Last year alone, over $650 million left the top seven foreign-controlled corporations in the petroleum industry in the form of dividend payments and equity reductions. Foreign-controlled firms dominate our energy sector, a sector which is bound in turn to dominate the Canadian economy by the end of this energy decade. In 1979, foreign-controlled firms reported sales of $6.1 billion. A comparable figure for Canadian companies was merely $1.6 billion. In other words, almost three-quarters of industry sales accrued to foreign-controlled firms.

Let me give you another example, Mr. Speaker. Many of the most promising exploration activities occur on "Canada lands", that is, in the north, the high Arctic, and offshore. But of the 290 million acres held by companies under permit, only 110 million are held by Canadian-controlled companies. Without the presence of Petro-Canada, the Canadian role would have been altogether negligible.

In total, there are 19 major oil and gas companies which are 100 per cent foreign-owned. In the last four years alone, the amount of Canadian capital exported by the petroleum industry, including dividends and interest and return of capital, exceeded inflows by $3.7 billion.

Clearly this foreign-dominated sector, the essential sector of our economy today, is healthy. But why has it been so profitable? Internal cash flow in the industry rose in 1979 to more than $7 billion, a yearly gain of some 43 per cent. Total funds available to the industry last year rose to almost $12 billion. After-tax profits in the industry reached $4.7 billion, an increase of more than one-half over the previous year. A remarkably generous regime of resource taxation provided the industry with such profits, and in a significant way contributed to the current federal deficit.

For the purposes of calculating federal income tax, resource income, after operating costs and capital cost allowance, is reduced by a 25 per cent resource allowance. This is a provision which gave recognition to the fact that royalties paid to governments were not deductible for income tax purposes. The most important deductions included exploration costs, which were written off at 100 per cent in the year in which the expense occurred. Development expenses were written off at a 30 per cent rate, and land bonus payments were written off at a 10 per cent rate. In addition to all of those major incentives which were, in effect, tax expenditures by the national government, resource firms could deduct a further one-third of their exploration costs, most of their development costs and certain capital costs, as well as one-half of the costs of enhanced recovery equipment by virtue of the earned depletion allowance. This deduction was claimed against resource income, up to 25 per cent of that income.

This preferential treatment to the energy industry in Canada was paid for in the form of lost revenue by the federal government and ultimately by the taxpayers of Canada. It was done to encourage active exploration and the development of a secure, energy supply. An estimate of the magnitude of the national government's efforts at promotion may be obtained from the tax expenditures account which was published by the previous government in December, 1979, and issued with the budget papers of the previous government. Let us assume that the tax provisions designed to aid the energy industry were eliminated. What additional revenue would accrue to the federal government? The fast write-off for exploration expenses, the fast write-off for development expenses and the earned depletion allowance cost the federal government $425 million in foregone revenue last year. With other deductions, the federal tax expenditure in 1979 for mining, gas and oil amounted to more than $2 billion. While this is an estimate