

Canada Oil and Gas Act

clock of history with regard to oil and gas regulations in Canada by 50 years. We have gone back to the same blunders which the Americans experienced years before us and what we have experienced in western Canada over the past 50 years. There is a way out of this squabble with the producing provinces whereby the federal tax collector, who is so greedy for money he will even steal, can get more money and the provinces with their civil servants, who are so greedy for money that they will even steal, can get more money, if they use the basic economic facts before them. If one looks at the history of oil costs in Alberta from 1920 to, say, 1950—and I know those figures—one will find that 75 per cent of the cost of producing a barrel of oil takes the form of interest costs. Many of the oil companies had to spend most of their money which they made from oil to pay off these interests costs. Because they were selling reasonable volumes after 1960, the companies were able to get along and grow.

If one goes back and reads the record, one will see that I put those proposals before the minister of finance, the Hon. John Turner, in 1973 or 1974. I showed him something which his officials or the officials of the big oil corporations could not deny, that with regard to these oil sands projects, if they would recognize where the costs lay, and deal with those costs it would reduce the costs from approximately \$11 per barrel down to about \$3 per barrel. I am using 1974 figures which are based on 10 per cent money.

The then minister of finance and his officials looked over that proposal and it was accepted. The record will show though that the minister said that, unfortunately, the companies do not work that way. I had in my hands letters from the largest corporations of the world offering to come in and develop those oil sands, not at 10 per cent, but at 7 per cent, if I could get the governments of Alberta and the other producing provinces to sit down and look upon each other as partners, instead of trying to destroy each other, determine their needs and then the companies could make more money, the provincial government would have been a big winner and the federal government would receive as much money as it is trying to get out of a small pie through these government regulations and taxes.

I put this situation to the Hon. Donald Macdonald in his capacity of minister of energy, mines and resources in 1973 and asked him in view of this arithmetic what he thought would be a fair share knowing that the oil belonged to the people of the provinces. He suggested a ratio of 50 per cent for the provinces, 30 per cent for the oil companies—we would give them all they needed—and 20 per cent for the federal government. But that was 50 per cent, 30 per cent, out of which the oil companies had to pay all their costs, and 20 per cent of a huge pie because the cost of producing that barrel of oil was reduced from \$11 to \$3. So instead of having a cost of \$11 per barrel of oil and selling it at \$12 or \$15 with hardly any profit at all, there would be this huge profit.

By doing it this way, the economic way, the provinces would not be unhappy. They would be making 50 per cent of this huge profit. The oil companies would get enough to pay off their debts and receive 25 per cent on all the money invested,

and the Government of Canada would be receiving 25 per cent of a huge pie, instead of 24 per cent of this small pie which we have now. When we see the willingness on the part of responsible ministers to accept the validity of your figures and then say, "Unfortunately, the provinces do not go for this", or "Unfortunately, the companies do not go for this", to me it is hardly credible. It is the duty of a minister to go out and get agreement from the provinces, and they never disagree if it can be shown that they will make more money.

I have in my file letters from the premiers of every province, except one, in Canada accepting this principle. With that knowledge, seeing the provinces and the federal government at war because of complete ignorance of solutions that are so simple it then becomes just basic economics that you must get rid of your early costs. The name for this theory in the industry is "front end loading". These regulations are full of front end loading charges. The government will load on the royalties and the projects will go into production, with debt going up and up and the interest rate going up and up and only five years to write off what is left. The companies know they will never pay off the debt in five years and that is why they are walking away.

I am simply suggesting that if we do not attack the cost of high interest rates, then there is no way in which we will save investments in these capital intensive enterprises. I refer not only to oil, gas, oil sands and heavy oil, but also to our farms, our small businesses and our big businesses which, caught with a debt equity ratio in which the debt is too large, are going down like nine pins. This is happening not only in our country but all over the world. The mighty General Motors is losing money because of interest rates. Chrysler and Ford are on their knees and Massey-Ferguson is flat on its stomach because of interest rates. The way out is the old-fashioned way and that is shift over into more equity. Nobody would agree with Argus, but Argus is out of Massey-Ferguson.

I am simply making the appeal that there are reasonable, practical, sensible solutions to this great quarrel, and we should not be dismayed over these difficulties when there are reasonable solutions. They are not perfect, but reasonable. I would like to close with one appeal. Oil and gas regulations will be there as a contract for years to come, so do not sell our resources away for nothing. Do not leave them in the ground because of a stupid political quarrel between civil servants, not politicians. Let us face up to the situation and go back to the 1976 regulations or the 1961 regulations, which are much the same, and then we will have in part an energy policy which is at least economically sound, and which, I am sure, will lead the way in this quarrel over revenues between the federal government and the provincial governments, and that will lead ultimately to the constitution, and these problems will disappear with good will on both sides.

Everything I say I think is right and I think my advice should be heeded. The first step in listening to my advice is not to grind it down with rules such as 75C, sending us into a committee where we are helpless unless we get that willingness to co-operate. But let us not destroy this great opportunity for