

Oil and Petroleum

I couple my response with the comment the hon. member made, that I should name a target figure. It seems to me that would be the quickest way to turn off finally any negotiations if I put a price up there which everyone can shoot at. It seems to me that a far better mode of operation in these negotiations is to talk to them about a variety of figures for this year and subsequent years and some kind of scale of price increases which would at one time meet the objectives of the producing provinces like Saskatchewan and Alberta, and on the other hand taking account of the concerns of all the other provinces which are basically consumers whether from those two provinces or from foreign imports.

I am advised—and this is a matter upon which I would like to have further examination—that an assertion has been put forward in the conference as well as here that there has been a reduction in exploration. That is not correct. Tentative exploration figures for 1974 indicate it has gone up by some \$90 million, and it is anticipated that in dollar terms it will go up again. I go on the assumption of the operation of the present tax laws and the impact on a particular corporation. If it moves out from under the tax shelter provided by the last budget, for example, and increases its dividend, this of course would be a disincentive; but as I said at the conference, if we find that there has been movement away from Canadian exploration in favour of exploration elsewhere or applying to other uses outside Canada, then we will indeed seek legislative means to deal with that.

With regard to the natural gas report, I indicated during the course of my remarks that the government had taken the initiative with the board under regulation 11A to seek a report in this regard. The report was made available last year with regard to the price increase, and then on the lion's share of gas for export we put the price up from—I am talking about the TransCanada contract—a border price of 38 cents per 1,000 cubic feet to \$1 effective as of January 1 this year. We have a new regulation 11A report which we will also make public in due course—I am now putting it before cabinet—which, as I indicated, will see a further significant increase in price, so that in less than a year we will have seen a very substantial increase in price to our export customers.

The argument put forward by the hon. gentleman and sometimes by others is that with regard to our own countrymen we have to look to a certain phasing and we have an obligation to be reasonable, but with regard to export contracts we do not. Perhaps I am not being fair to the argument of the hon. gentleman, but let me say that this is the argument sometimes put forward, that we have to be careful what we do to our own countrymen but we can really "sock it" to the export consumer by any price increase we want. While we can reasonably expect to put prices up over a period of time, I would argue that it would not be wise to—

Mr. Symes: You are doing it with oil.

Mr. Macdonald (Rosedale): Yes, we are doing it with oil. Those are commodities which were bought on a month to month basis and the customer has to take the market as he finds it from month to month, as opposed to the gas contracts which are long term and where it had been

accepted that there would be extensive regulatory hearings before any further price increase would take place. I am suggesting that it is politic, from the standpoint of the federal government and from the standpoint of the people of Canada, to get a fair return from our export customer but in a way which will not cause him excessive hardship. While in this particular situation we may have the advantage over our American customers, we should remain conscious at the same time that at some future time the situation may well be reversed and we may be seeking a similar type of accommodation from them, and an application of the golden rule in this case is perhaps not only sound ethics but also has pretty sound practical application.

With regard to the natural gas report as opposed to the 11A report, the report on supply availability, as the hon. member knows the hearings were only completed a few weeks ago; the board is in the process of writing that report and completing its tables. It will, of course, be translated and I will be making it public, as I made the oil availability report public, just as soon as it is in a form which can be tabled in the House.

Mr. Douglas (Nanaimo-Cowichan-The Islands): I would like to ask the minister a question before he sits down. I want to be clear about his statement. I understood the minister to say that he is not committed to raising the price of crude oil at the end of June. Is the minister saying that if no agreement is reached between the provinces and the federal government, the federal government may not exercise its powers under clause 2 of the petroleum administration act to fix the price at that time and may leave the matter in abeyance? Are we simply to assume that the price of \$6.50 would continue?

Mr. Macdonald (Rosedale): Yes, we would assume it would continue. If the province of Alberta and the province of Saskatchewan are not taking action at that time to force the price up, then the Government of Canada certainly would not take action to do so, particularly not if the discussions are continuing at that time leading to the possibility of some phased introduction over a longer period of time. It would seem to me that I should seek to remove the notion that we are committed willy-nilly to increasing the price on July 1 if in fact discussions are going to a point where we might reach this kind of agreement. Obviously, it would be unwise, merely because of the passing of that date, to put the price up. I think one of the best options for trying to reach some agreement in this regard is perhaps talking about a price increase over a period of years and perhaps some extension through 1975 at the existing price level. What the price will be, and what the outcome of those discussions will be, I cannot at this point say.

• (1650)

Mr. Symes: Madam Chairman, may I ask the minister a question arising out of his earlier comments? He was saying that if the price of oil went up and the government found that the oil companies were not using a portion of the increase for purposes of exploration, the government would take the necessary legislative action to see that this was done. Is the minister now stating government policy, and will this be a condition placed on any price increase,

[Mr. Macdonald (Rosedale).]