

Borrowing Authority Act

Mr. Andre: Obviously some of the members of the Liberal party disagree with the hon. member for Gloucester and his contention that the government should get in there and get involved.

An hon. Member: We disagree with you.

Mr. Andre: Much of this, of course, was repeated in the throne speech of October 10. Then less than 30 days later an airline and an oil company were nationalized.

Some hon. Members: Hear, hear!

Mr. Andre: Who in their right mind, Mr. Speaker, would believe anything that anyone in that group says?

Some hon. Members: Hear, hear.

Mr. Dinsdale: People in Canada do not.

Mr. Andre: This is a debate about government spending and about government debt. That is what I am going to talk about but the Parliamentary Secretary to the Minister of Finance (Mr. Martin) made some comments about Petro-Canada that I must respond to. In particular, he said that Petro-Canada was needed so that the government could have control over an important part of the oil industry. That was his statement.

Mr. Martin: Mr. Speaker, I rise on a point of order. I do not know how you will rule on this matter. I think the hon. member for Calgary Centre (Mr. Andre) has indicated that I have made definite, specific statements. I simply want to say that those were not the statements that I made. I could ask him to withdraw those remarks until he has at least read the transcript.

Mr. Andre: Mr. Speaker, I heard what I heard, and I heard both the Parliamentary Secretary to the Minister of Finance and the hon. member for Gloucester say that Petro-Canada gives the government control over an important sector of the industry. It is impossible to run a seismic line, it is impossible to drill a well, it is impossible to put in some pumps, it is impossible to put in a pipeline, it is impossible to put in a refinery, it is impossible to do anything without getting government permission. There are several hundred employees of E M and R, under various pieces of legislation plus something called moral suasion, exercising tremendous control over the oil industry. There is the National Energy Board with its several hundred employees licensing virtually every activity of the oil and gas industry. It is one of the most regulated industries imaginable.

An hon. Member: But they pay no taxes.

Mr. Andre: What the government is saying is that all of these hundreds of civil servants and hundreds of thousands of other people cannot control the industry. The government has to own it to control it. At least we have to say: "If that is the route you are going, get rid of these other redundant people. If they are not doing the job of controlling it that they are being paid to do, get rid of them." Why have both?

[Mr. Andre.]

An hon. Member: That is a good point.

Mr. Andre: Why can we not have a national oil company since Mexico has one? Obviously they do not know anything about the history of the Mexican oil industry. In the 1930s when Mexico's industry was privately run, Mexico was the second largest producer of oil in the world. It was the largest exporter of oil in the world by a long way. Then the Mexican government nationalized the industry and for the next 40 years Mexico was a net importer of oil. That nationalized oil company went from the largest exporter in the world to being a net importer of energy, at great cost to the people of Mexico through lost opportunity, lost revenue, lost jobs.

This situation must be put in the context of the geology Mexico happens to have under its land. It has some of the most attractive geology in the world in terms of oil and gas reserve; only Saudi Arabia surpasses it. So this national oil company for 40 years drove Mexico from being the largest exporter of oil into a net import position. And that is what hon. members opposite want to do to Canada, and we will not let them. That is the point.

If hon. members want to choose examples, at least use a little more care about the examples we should emulate. If hon. members want to emulate something, emulate British Petroleum. That is a good example. That is not a Crown corporation. The British government owns shares. They do not control it. It is not an agent of Her Majesty. It does not have a monopoly. It does not have special rules. The government is not allowed to dip into the till and the liabilities of British Petroleum are not liabilities of the British Crown. If there is a national oil company to be duplicated, for goodness sake duplicate BP. Do not duplicate Pemex and do not duplicate these other ludicrous examples that hon. members are putting before the House with no knowledge whatsoever.

Next we come to the question—I am sure the Parliamentary Secretary to the Minister of Finance will be interested in this—of the method of financing this takeover. The method of financing used in this takeover by Petro-Can of Pacific Petroleum is through the sale of something called an income debenture. An income debenture is a loophole in the tax law. It allows the interest on this debenture to be treated on a tax-free basis by the bank. That is the reason for the 7 per cent. The bank does not have to treat it as income. It goes right to the bottom line as profit. There is no tax on it. It is a loophole in the tax law which the banks have taken tremendous advantage of, and they are not to be criticized for that.

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The net effect is that the banks in Canada now pay an interest rate of 30 per cent, not 50 per cent as they are supposed to, because a lot of their income is derived from this loophole, these income debentures and so-called term preferred. The net result from this little transaction of Petro-Canada using the banks is the loss of income tax revenue to the treasury of \$84 million a year. That is the loss of income tax revenue to the treasury of Canada as a result of this bill. If