

Government Orders

think accountability is key to the answer to my hon. friend's question.

Mr. Al Johnson (Calgary North): Mr. Speaker, I am pleased to speak to you today concerning the legislation that will authorize the government to sell shares of Petro-Canada to the public.

I am particularly interested in assuring hon. members and reassuring Canadians that public ownership of Petro-Canada is not required for energy policy purposes. Indeed, quite the reverse is true. The privatization of Petro-Canada will directly and indirectly assist the pursuit of a number of energy policy objectives.

Petro-Canada has evolved through a number of phases since it was created in 1974. From very modest beginnings, it has become the largest Canadian owned and controlled oil company, with a major presence at every stage of the hydrocarbon production chain, including exploration, production, refining, marketing, and distribution. The corporation has arrived at its present state largely in response to government policy direction and partially in response to market opportunities.

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In the early days of its operation, Petro-Canada's primary role was defined by the government of the day as an instrument of government policy. The corporation was directed to perform a number of functions considered desirable for energy reasons. It also was provided with the authority and funds from the public Treasury to carry out these tasks.

After the Progressive Conservative government took office in early 1985 Petro-Canada was given a commercial mandate. Since that time the government has not taken a direct role in the day-to-day operations of the company, and Petro-Canada has arranged its business operations largely to enhance the return to its shareholder.

To a significant extent Petro-Canada's current structure and financial situation are a result of its early mandate and path of development. Now Petro-Canada's future will depend largely on its ability to access the financing that it will need to take advantage of the opportunities presented for commercial growth as the

large and aggressive member of the Canadian petroleum industry it has become.

It would be useful but not very uplifting to review how Petro-Canada's role has evolved over time. Petro-Canada was established by the Liberals in 1975 as their response to energy and economic forces which were prevalent in the mid-1970s. As originally established, Petro-Canada's mandate was supposed to be to work to increase petroleum supplies available to Canada by exploring for conventional oil and gas and by pushing forward the development of tar sands and heavy oil resources, to increase the Canadian presence in the industry by becoming a substantial land holder and operator and by participating in joint ventures, to act as the agent of the Crown in state-to-state oil trade, and to serve as the government's window on the industry to help evaluate the domestic supply potential and provide insights on industry issues.

From 1975 to 1984 there was a rapid expansion of Petro-Canada into both upstream and downstream activities. Petro-Canada's entry into the downstream was accomplished through the purchase of Pacific Petroleums. This acquisition provided some modest balance to the high risk, long-term investments which Petro-Canada had taken on at the government's request. The entry into refining and marketing helped to provide the steady cash flow which could be used to support longer term projects.

Actions taken during this period established Petro-Canada as a major integrated producer with a significant market presence in Canada from coast to coast, but look at the costs: Petro-Canada acquired Pacific Petroleums for \$1.5 billion over 1978 and 1979 and Petrofina Canada Inc. and BP Refining and Marketing Limited for approximately \$2 billion between 1981 and 1983. Up to the end of 1984 the federal government had invested \$4.3 billion in Petro-Canada to make it a major factor in the Canadian oil and gas industry. This \$4.3 billion went to only one bottom line, the bottom line of our national debt. With interest I am sure the amount it has cost us is well over \$6 billion, and some members opposite would have us continue expanding this debt.

In the late 1970s Petro-Canada also negotiated its first and only significant deal as a Crown agent involved in state-to-state oil trading. Agreement was reached with