

*Oil and Petroleum*

before us will certainly not expire. Many comments have been made about the credibility of this government on this issue because it has become painfully apparent that the government just cannot be believed or trusted in what it says to the people of Canada on this aspect of our economic life. I think it is also evident in other areas, but it is most evident in this area.

My friend, the hon. member for Calgary South (Mr. Bawden), in the remarks which he just completed referred to some evidence that was given by the Minister of Energy, Mines and Resources (Mr. Macdonald) before the miscellaneous estimates committee last November. Although he applauded the move by Alberta to increase its royalties, and also at that time encouraged Saskatchewan to do the same, on other occasions he hinted that if the provinces did not bring down their royalties to a realistic level, the government would. Very evidently he was threatening the two provinces. What is so frustrating, and what I feel must cause chagrin in the premiers of Alberta and Saskatchewan, is that after they took the hint from the federal minister they were accused, in the last election campaign and in the last budget speech of the Minister of Finance (Mr. Turner), of trying to take all the money from these natural resources and not leaving room for the federal government to take its share from the proceeds of these resources.

First of all, I wonder how effective the government believes its income tax legislation to be. Most people in the country seem to feel, with good reason, that the income tax legislation is pretty efficient in getting money out of people who make a profit. But in listening to ministers talk, one would think that such effectiveness did not exist. They absolutely refuse to give that mechanism a chance to work. If the mechanism is faulty, why do they not change it and make it work? I cannot accept the argument that the provinces have pre-empted the taxing power of the federal government. Of course, one must realize that the federal government has other tax sources in that industry. What about all the income tax paid by the people employed in the industry, and the potential of the secondary industry? They have not given the industry a chance to mature sufficiently to produce income, because it is only now that prices have finally come to a reasonable level in that industry.

Until recently, the price of petroleum products was incredibly low. So when prices go up and the industry is on the verge of making a profit, on 50 per cent of which they would pay substantial income tax, the government moves in and, for all practical purposes, takes 100 per cent of the profit from the enterprise. Then they wonder why people are considering leaving the scene in Canada and moving to greener pastures, as they are doing in fact.

It is of great concern to me that this country might move from a position of self-sufficiency in oil and gas to a position of shortage. I do not know what goes through the collective minds of the government. It strikes me as being a very bone-headed approach to the problems of Canada. We had an international situation in 1973 which caused a crisis in supply. But at the very time that we faced this supply problem, the government introduced measures which inhibited the increasing of that supply. I think I should draw attention to figures which were supplied by

the government itself in a table that was distributed to members of the miscellaneous estimates committee this session when we were considering the supplementary estimates of the Department of Energy, Mines and Resources. They show a steady decrease in the past 11 years, so that in 1974 we will have the least exploration drilling carried out in this country for 11 years. Last year was tenth on the list, so in the last two years there has been the least exploration activity in the country. At a time when we should be increasing this activity, we are actually reducing it, primarily as the result of the actions of the federal government.

It seems to me that any sensible government policy in this area would consist of four things. First, we should ensure continuity of the supply of oil and natural gas. Second, it should be recognized that so far as supply is concerned, the achievement of the goal may take a long time, perhaps 10 or 15 years, because it appears to me that the government thinks that if they really face a problem they can turn on the tap a little more and thus solve supply problems. Of course, that does not work. The magnitude of some energy projects, in relation to the growth of domestic energy requirements, is such that they can probably only be developed efficiently in co-operation with the United States.

Hon. members across the aisle and to my left will say that I am advocating a continental energy policy. I am certainly not doing so, but I think we should face some facts of geography and use a little common sense. In 1969, shortly after I was first elected to the House, I made a speech in which I called for prompt action in the construction of the Mackenzie Valley pipeline, because it was just a few months after the petroleum discovery in Prudhoe Bay. However, in the ensuing years the government has been flipping and flopping around. At times one has the impression that they want nothing to do with it; at other times the opposite seems to be the case. For example, during the 1972 election campaign the Prime Minister (Mr. Trudeau) said the government would build a highway up the Mackenzie Valley in order to develop the valley as an energy corridor. Following that election he appointed Mr. Justice Berger of the British Columbia Supreme Court, one of his New Democratic Party friends whom he had appointed to the bench, to undertake a study of that area. With the bias and prejudices that jurist displayed before his elevation to the bench, I do not look forward to a favourable decision. In my opinion he will do anything he can to sandbag development of the project. That is the ridiculous attitude displayed by the government, Mr. Speaker. It cannot seem to come to grips with the problem at all. It should be recognized that a high degree of risk is involved in this industry, but so far the government has not recognized this.

● (1730)

I have heard via the grapevine that in discussions with the petroleum industry the government is inquiring if it would be happy with a 9 per cent return on the money invested in finding the oil which has been located to date, and perhaps a 20 per cent return on oil found in the future. Surely this is a rather uninformed way of approaching the problem, suggesting 9 per cent as a proper return with regard to old oil.

[Mr. Schumacher.]