Adjournment Debate

PETROLEUM INDUSTRY

Mr. Ross Harvey (Edmonton East): Mr. Speaker, let me try to bring my hon. friend opposite back to duties closer to those he has as parliamentary secretary.

On March 25, the government announced the removal of the last vestiges of significant limitations on foreign investment in the Canadian petroleum industry. This move will create no new investment in our price-depressed oil patch. As analyst Ian Doig was quoted as saying in a March 21 *Globe and Mail* article: "Why would you invest in an industry that has had a rate of return of less than 5 per cent in the last two or three years?"

This universal abandonment of restrictions on American control in the Canadian oil patch will, however, effectively treat the symptoms of the ills facing Canada's strategic energy industry with a further dose of the disease. Disease it is, for while Canadian control builds Canada, foreign control bleeds Canada.

Between 1980 or 1981 and 1990, Canadian petroleum companies generated a modest $1.5 billion net flow of capital into Canada. By contrast, foreign-controlled companies extracted over $25 billion from Canada including nearly $8 billion in dividends alone.

In the same period, Canadian-controlled companies reinvested 94 per cent of their cash flow. Foreign-controlled companies reinvested much less, just 77 per cent.

If that were not enough, the Conservatives caved in on this issue right smack in the middle of negotiations on the North American free trade agreement. The government effectively stepped away from the bargaining table for an instant, and there, in the same room utterly without strings attached, in full view of the Mexican and American negotiators threw one of Canada's best bargaining chips out the window.

The energy minister denies that his government's action was a result of pressure from the United States government. Maybe, but note that for at least the last four years the annual "National Trade Estimate Report on Foreign Trade Barriers" issued by the office of the U.S. trade representative in Washington, D.C. has contained specific reference to Canada's foreign ownership restrictions in energy.

In any event, it seems virtually certain that this relaxation of our limits to American investment in Canada's energy sector, a move taken right during the NAFTA negotiations, increased the pressure on Mexico to do the same.

As a result, this will have the effect, at a stroke, of significantly increasing the likelihood that large volumes of Mexican natural gas—so far starved for investment capital—will come on stream in less than a decade. It will thereby compete directly with Alberta gas, holding down its already pitifully low price. Some strategy.

I ask the government again: Does it have any estimate of how much more capital foreign-controlled companies will bleed from Canada as a result of this retreat, this capitulation, this abandonment of the Canadian national interest in Canada's national energy industry?

Mr. John A. MacDougall (Parliamentary Secretary to Minister of Energy, Mines and Resources): Mr. Speaker, I would like to respond to the question by my hon. friend from Edmonton East regarding the potential level of foreign investment that might result from the announced changes to the foreign investment regime in the oil and gas industry in Canada.

The member knows the oil and gas industry has been performing poorly. Compared to other sectors of the Canadian economy, profit levels have been low and the level of capital investment has been insufficient to prevent a decline in employment. Since 1989 it has been estimated that the oil and gas industry has lost 9,000 jobs in western Canada.

Foreign ownership rules are only one of many factors influencing the level of foreign investment in the oil and gas industry. Other factors affecting the financial performance of the industry such as the price of oil, finding costs and the prospects for growth in the industry are very important.

Because so many factors are involved it is next to impossible to predict the level of new foreign investment in the industry in the long run. However, the executive director of the Independent Petroleum Association of Canada has estimated that the changes should stimulate increased investment within the year which may lead to increased annual investment flows in the range of $300 million to $400 million.