

substantially the reason for the increased costs of petroleum coming into Canada.

In addition, payments have been made to some, maybe to all, refiners who have had to make additional payments to the governments of the producing countries. The host governments' participation through acquisition of the whole or part of the companies additional price paid for oil as finally arrived at by the producing company and the producing country has required these payments to be made.

Third, compensation has been made as well to certain of the refiners in relation to additional costs the refiners have incurred in bunkering—tanker movements from the source of production to Canada, that is to say, the additional cost of bunker oil arising from the additional increase in host government tax against oil in the various producing countries.

So what is being compensated for here is not a flat amount in relation to various companies. The company in any particular case, the Canadian refiner, has to file a claim with the government administration as to the amount it says is owing in respect of host government take, or host government participation, or bunkering. This claim is subject to verification by a system of auditing set up on the advice of private auditors retained by the government. Accounts also subject to scrutiny by the Auditor General.

We are dealing here, not with individual company margins but with increases in landed price due to the increase in taxes payable to the foreign government, which in every case is an amount published by that government. These are facts within the general knowledge of the petroleum community, and in no sense are they payments made privately to a company account. Therefore the claims made by companies from time to time are verifiable and can be set up against the international standard of tax obligation. So, with regard to participation, for example, while the participation amount may be confusing because the system differs in each country, and while the calculation may often be complicated, it is one which can be verified against the officially published figures of the producing country. The cost of bunkering, in the same way, is really a determination of a claim by a company which has had to pay an increased tanker rate because of bunkering charges. In turn, the bunkering charges were raised because of an increase in taxation imposed by the producing country.

It has been suggested from time to time that rather than paying the individual accounts of companies a flat rate should be paid across the board. I would suggest the committee pause and reflect for a moment as to whether this would indeed be an appropriate method of making such payments.

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A flat rate across the board would give a premium to some companies which may not have had to pay as much for the oil that is landed, but on the other hand may deprive others who have to pay a higher level of host government take. Therefore the host government take was determined in every case, and in due course audited in the companies' own accounts by the auditing arm of the gov-

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ernment, and has been the basis of general comparison, because of the known facts, of amounts payable to the foreign government in regard to taxation.

That probably describes, without going into the fine details of administration, and without indeed having the administrators available to answer questions as they were early in the year, the manner in which we have proceeded in this regard. In sum, it could be said that in no case have payments involved any excess of the actual cost increases that have occurred, though in many cases these have been less because of what we feel is a tightly run system for Canadian importers or refiners.

The hon. member for Nanaimo-Cowichan-The Islands raised the issue of petroleum products compensation and referred to the situation of two refineries, Gulf at Point Tupper and Golden Eagle at St. Romuald, opposite Quebec City. He asked whether they may have been prejudiced by reason of the fact that compensation was paid not only on crude oil coming to Canada but on refined products coming to Canada, whether from the Caribbean or elsewhere.

Earlier this fall we were faced with the claim by both Gulf Canada and Golden Eagle that we should, in effect, use the compensation system as a kind of tariff to give protection against low cost competitive heavy oil coming on to the Canadian market at that time. The reason that only two, and not all of the eastern Canadian refiners, made this claim was that these refineries had been designed, at least in part, for the re-export of heavy crude oil to the United States east coast. In the case of Gulf, they had a contract with their own affiliated company, and it was the refusal of the affiliated company to take delivery of the oil from Gulf Canada which put the company in the position of having on hand a surplus of heavy oil.

The Golden Eagle refiners were not quite in the same position. That refinery had been constructed as a so-called topping refinery for the purpose of re-exporting some portion of the heavy oil products from the refinery to the United States east coast. The drop in international prices, particularly for heavy crude oil in the summer and early fall of this year, meant that both Golden Eagle and Gulf Canada had trouble competing with other offshore supplies when it came to selling oil to the eastern United States market and in the Canadian market as well.

We were concerned that the industrial consumers should have most of the benefit of lower competitive prices, rather than introducing a tariff system that favoured these two Canadian refiners. The usual threats, of course, were made, such as that the refiners would close. Indeed, Golden Eagle did close up shortly after that comment was made, but there is some reason to believe that this was because of their annual refit, or whatever is the appropriate term in the petroleum trade. The annual refurbishing of the refinery was going on, and it is my understanding that it is now back in operation, and has been for some time. I also understand there has been no substantial interruption in the operations of Gulf at Point Tupper.

In effect, then, we have tried to keep the compensation system neutral as between imported products and imported crude, on the assumption that if there was, as turned out to be the case, a competitive situation arising in regard