

ment. Again let me underline the fact that it would have that vote without any financial responsibility. How many instances can hon. members opposite cite to me in which an operator can be bound by the decision of a non-participating—in a financial sense—participant? There have been no other indications of this in my experience in business. The decision by private sector investors as to whether to proceed with a development can be swung by someone who does not have to participate in the costs of that development. I see an hon. member opposite looking at me in a very puzzled way. I looked at this matter in a very puzzled way at first too.

Mr. Thacker: But he will never understand it.

Mr. Wilson: There is another situation in which the Crown corporation can participate at no cost, and that is in the acquisition of the shares of any consortium the Canadian ownership of which falls below 50 per cent. The consortium would have an opportunity to increase the Canadian ownership rate to 50 per cent but, if it does not, the Crown can come in and acquire that shortfall at no cost. It is the combination of these free benefits that I maintain will reduce the level of development in the north.

There is another element which I think is important but relates to a future amendment. Let me just refer to that now. The government can designate, without any justification or reason at all, and not on the basis of a shortfall in the performance of an operator, the Crown corporation as the operator and ask the initial operator to move all his equipment out. The government could put the Crown corporation in as the operator without paying any compensation to the private sector at all. The Crown corporation would then be in a position to bid against private sector participants in various parts of the north. With the knowledge the Crown has gained as a non-paying participant in a number of these developments at the exploration stage, the Crown can bid against other operators in the north. It has the advantage of having that free confidential information.

In addition to all this, the government is in a position to control the degree of development in the north by ordering three individual drill holes in one particular year. These can cost upwards of \$50 million each. Regardless of the impact that it may have on any program that is in place, there is no recourse to that. When a discovery is made, the government can designate when it is defined as being a significant discovery, when it is commercial and, if it is commercial, when it goes into production.

● (1440)

Finally, the government can issue a production order which states when production is to begin, the rate of production, the purchaser of the production and the price at which that production will be sold. All this is at the discretion of the minister. It is against that background that we have to look at the intent of the bill and the intent of the motion which I am putting forward.

Canada Oil and Gas Act

When you look at this broad degree of control and broad degree of ownership position provided under Bill C-48 and at the same time the imposition of a 25 per cent ownership on the private sector investors, you can clearly see that the broader impact and force of this bill can hold back the rate of development in the north. It will not encourage the rate of development. It is that that we on this side are most concerned about.

We believe we must move ahead with development of the north. As I said many times, we have been waiting for over ten years for this legislation to come forward. We had hoped it would come forward on a basis that would encourage rather than discourage development.

We have a degree of confiscation here without compensation for the future. I believe that will withhold development. That is the main thrust of the objections that we have to this motion. This proposal in Bill C-48, if it is not amended, is punitive and negative.

The minister has said on a number of occasions that there will be compensation for the retroactive back-in of 25 per cent on discoveries such as the Hibernia and the Beaufort Sea, where work has been done and oil and gas have been found. This will be on a retroactive basis, but there will be compensations. If we look at the degree of compensation related to the level of exploration expenditure that has taken place to date, accelerated to some extent according to the amount of inflation that has taken place, it has no bearing at all on the value of the oil in the ground.

The reason I make this point is that there is a considerable amount of other exploration expenditure which has already taken place in dry holes, fields that will never come onstream. There will be no compensation for that. An oil or gas company which goes into the north, where the risk is high, the environment very difficult to operate in and where costs are very high, does not expect to find oil and gas in every drill hole they put down. However, when they do find oil, they expect to get proper compensation for it. The compensation formula put forward by the Minister of Energy, Mines and Resources (Mr. Lalonde) is totally inappropriate and inconsistent with the costs and the ongoing value that has been developed in those fields.

There is another element in this which we must look at. It is not a philosophical element at all but a straight practical argument. Over a period of time the Government of Canada will take 25 per cent control in any project in the north and in the offshore. As the size of these projects increase, the cost to the federal government of their ongoing commitment to invest in the production stage of these projects is going to be immense.

There is another element here. Because of the size of these projects, which will be in the \$8 billion, \$9 billion, \$10 billion range and even higher as time goes on, the 25 per cent ownership position of the government will become the dominant position. Very few private sector investors will be able to afford 25 per cent or even 20 per cent participation in any of these projects. What is going to happen is that the decision-