

Oil and Gas

petroleum which came from overseas. There was, however, very substantial competition in respect of home heating fuel oil, and also in respect of gasoline and other refined products which came into the market from overseas, particularly in the form of gasoline east of the Ottawa Valley line, but in the form of home heating oil both east and west of the Ottawa Valley line.

In consequence, consumers east of the line had the advantage of prices being kept down by competition which for 10 or 12 years existed between independent distributors who were competing with their share of crude being imported, and domestic refineries which refined the product within this country. Because of this competition, however, because of the share of the market that the independents had, the refinery capacity never expanded to meet the full market demand. Of course, in the current year, when the international price of refined products went very much higher than the Canadian refined price, the independents found themselves in a financial squeeze which made it virtually prohibitive for them to buy the product abroad. What are the consequences of this policy?

● (2100)

Some hon. Members: Question.

Mr. Macdonald (Rosedale): Hon. members say "question". For 10 to 12 years the eastern consumer got a break in lower prices. In a speech made in Vancouver, the leader of the NDP (Mr. Lewis) suggested that if he had been in charge of the government, he would have established the pipeline to Montreal. The consequence would have been, if he was to assure a market such as there was in Toronto, that all through that 10 to 12-year period the consumers would have paid a higher price for the refined product.

Mr. Lewis: Not necessarily.

Mr. Macdonald (Rosedale): There was a period of time during which the consumer in eastern Canada got a break, and on the whole was happy to get the break.

I will just make one comment about what the hon. member for Qu'Appelle-Moose Mountain (Mr. Hamilton) had to say about the ten long years that he spent warning the government about the threatened interruption and danger to eastern Canada from the structure of the market, from the fact that the pipeline did not go to Montreal. I think it is fair to remind the House that the division of the market east and west of the Ottawa Valley line was introduced by the government of which that hon. gentleman was a member. Indeed, it was introduced by the hon. member for Prince Edward-Hastings (Mr. Hees) who was then minister of trade and commerce. So that whatever danger may exist now, existed in 1961 when that policy was introduced. Apparently the hon. gentleman was not concerned enough about the policy at the time he brought it in, but now he is.

Mr. Gillies: That a specious reasoning; it is spurious.

Mr. Macdonald (Rosedale): I do agree with the hon. gentleman that it is of no great avail to look back at past years. In his case he cannot afford to look back at past years because the structure of the market is one upon which he and his colleagues decided. As I have said, the

[Mr. Macdonald (Rosedale).]

consequence of that market has been that for 10 to 12 years that eastern consumer got a break in lower prices, although the Ontario consumer paid higher prices in order to subsidize the Albertan industry and make its production possible. But with the drying up of the international supply, the eastern Canadian market has been left short of supply in the current year, and we expect that Canadian importers are making every effort to maintain their supplies of overseas oil.

In this connection the House will recall that in 1956, 1957 and 1967 our oil industry was highly successful in assuring a continuity of supply to eastern Canada. However, it must be recalled that the present crisis has more serious dimensions than the crises of past years which were largely crises of transportation rather than a physical curtailment of overseas oil. Efforts to maintain supply include at least one extraordinary purchase arrangement entered into at short notice and high cost.

The companies are, of course, well aware of the importance that the government attaches to their discharging their obligation to the community. Although the oil companies in eastern Canada have been operating essentially at capacity and at maximum middle-distillate yield since May of this year, nevertheless, they are now looking at what further steps might be taken to increase the yield of middle-distillates during the winter at the expense of heavy fuel oils. One of the ways of doing so would be to require the relaxation of certain of the regulations applicable here, and I have in mind in particular environmental regulations with regard to specifications for heavy fuel oil and home heating fuel.

Mr. Fraser: That is a cheap way out.

Mr. Macdonald (Rosedale): One of the principal ways of providing further supplies to the Canadian market is to try to arrange for the further movement of western Canadian crude oil to the Quebec market. Prior to the outbreak of hostilities in the Middle East, Canada was already experiencing the stringency of overseas crude oil supply in terms of very high marginal prices, if not in terms of physical shortage. As a consequence, shipments of western Canadian oil from Ontario to Quebec in September averaged 16,000 barrels a day, and in October they reached the level of about 36,000 barrels a day.

Our best estimate is that between 70,000 and 80,000 barrels a day of western oil is already scheduled to move through the Seaway in November to relieve the supply situation at Montreal, and the Ministry of Transport is chartering tanker space which could contribute another 10,000 barrels a day to this movement in November. At the same time, the proposal is to effectively bring the Ottawa Valley area of eastern Canada onto products supply from Ontario refineries, thus relieving a demand on the Montreal refining complex.

For this purpose it is proposed that a reversal be arranged in the operations of TransNorthern Pipeline and that option is being actively canvassed with the owners of TransNorthern and the co-operation of the National Energy Board. As a back-up to the Ontario supply, arrangements are also being made with prairie refineries. Some companies are already shipping heating oil by pipeline from the prairie refineries to Ontario as well as