

Canada Oil and Gas Act

working interest as a condition of approval for commercial production.

I want to ask where the money is to come from to pay for that interest. We hear of federal grants up to 80 per cent of the exploration costs, if that particular industry has achieved at least 50 per cent Canadian ownership, but where is the money to come from? And by what right is the government to be involved in every commercial effort, in every company exploring for oil in our offshore and frontier areas? That destroys the spirit of competition. No one in this House is today opposing a 25 per cent exploration initiative by Petro-Canada or any other government agency, working in competition with private companies or consortia, but by what right does the federal government feel it should take a share, a piece of the action in all these initiatives, even those which are totally or largely Canadian owned? That destroys the spirit of competition.

It seems to me we should be providing incentives for ordinary Canadians to invest in share equity in these petroleum companies. We should provide those incentives as a means of inducing Canadian participation, rather than imposing the government upon the board rooms and policy decisions of private companies.

Why won't Canadians support high risk ventures? Why can they not be enthusiastic about taking the risks involved in looking for oil 100 miles offshore under 400 feet of water, in the midst of icebergs and the like? Why will Canadians not participate? First of all, the return on investment is too low. Profits are not adequate to provide an attractive return, when you have to pay capital gains tax on the marginal return you do receive. Capital gains tax in this country has been a disincentive to investment in high risk ventures.

In order to finance the major portion of the federal government's debt, Canada Savings Bonds are outbidding the private sector for investment capital. Some \$40 billion or \$50 billion are recycled in order to offset the accumulated debts of this government, in the form of Canada Savings Bonds. Canadians like that guaranteed assurance of 10 per cent, 11 per cent or 12 per cent from CSBs. They will not take the risk. Then we tell oil industry investors that it is not proper if they want to make a profit in the order of 8 per cent on their investments. We are kidding ourselves.

The financial resources, in the final analysis, if we want Canadian ownership, have to come from the people and from nowhere else. But instead, we have people in this country who put their money into secured term deposits, if they do not buy Canada Savings Bonds. We have a lot of money in the residential housing market. How are we going to find oil, with all our money in housing, and how did it get there? One of the reasons there is so much capital money tied up in housing today is because, after 1971 that became the only form of investment which was exempt from capital gains tax. Where did people begin to speculate? They began to speculate in housing and there was a tremendous drain on the available capital to pursue other higher risk initiatives.

I am not for the moment advocating that we now impose a capital gains tax on housing. I think the converse is true; we should eliminate capital gains tax, and we should provide special investment incentives and special tax credits to people who will put their money into high risk oil and gas exploration initiatives. That is how we will achieve Canadian ownership.

Another great area of capital waste is in the area of public service pension funds. There are some \$20 billion now accumulated in these funds, but merely accumulated on paper because the government has spent it all, to do all these grand and glorious things like printing bilingual games, converting Canada to metric, doing all those things that the people, particularly in my part of the country, reject, and over which they are in a rage. They were frills, and non-essential to our economic security and prosperity.

The government takes this \$20 billion of pension money, writes it into a book, and then spends it. In fact the employees of the RCMP, the Public Service of Canada, and the Department of National Defence should be in a position to know that those funds are secured by some form of equity investment. Why are those funds not invested in oil and gas, in a dedicated way, rather than squandered by the Government of Canada? Why are the union pension funds not being invested in Canada in oil and gas, and why are incentives not provided for that to occur, instead of having those funds invested in the United States and elsewhere? Why are the Heritage funds of Alberta and Saskatchewan, and the heritage fund that we should begin to accumulate in the north, why are these not invested in trust in the name of the people who own those resources which are being exploited? They should be selectively invested to secure our long-range energy potential.

This bill and the budget provide little in the way of tax incentives to get capital flowing in a different direction, to get people's money out of their pockets and into those high risk areas that will guarantee our economic prosperity in the future. The government says it will finance these initiatives, but it will merely continue to compound our national deficit. Where will the government get the money?

We only have to look in the budget to see that Petro-Canada will be empowered to go to New York, to West Germany and anywhere else, to borrow money. What is the interest rate in the United States today? We pretend in this country that it is better to borrow from foreign sources, where there is no risk required on the part of those lenders, so that the government can have a flag on the side of some Crown corporation and pretend to be doing all the good things Canadians want. The government prefers to borrow, rather than to encourage the people to invest their own money in Canada, taking the risk in Canada and producing jobs in Canada. To say that foreign investment is bad, but foreign borrowing is good, is really at the ludicrous heart of the dilemma this country faces. Yet it is a typical philosophy of the government opposite which must be changed.

Foreign borrowing that makes us ever-increasingly dependent on the whims of those people who lend to us is going to put this country to its knees. Canadian foreign borrowing in the