

THE LEGISLATIVE ASSEMBLY OF MANITOBA
10:00 o'clock Wednesday, June 12, 1974

Opening Prayer by Mr. Speaker.

MR. SPEAKER: Presenting Petitions; Reading and Receiving Petitions; Presenting Reports by Standing and Special Committees; Ministerial Statements and Tabling of Reports. The Honourable Minister of Education.

TABLING OF REPORTS

HON. BEN HANUSCHAK (Minister of Education) (Burrows): Mr. Speaker, I wish to table the Return to Order No. 102 of the Honourable Member for Brandon West.

MR. SPEAKER: Any other Ministerial Statements or Tabling of Reports? Notices of Motion; Introduction of Bills; Questions. The Honourable Minister of Labour.

ORAL QUESTION PERIOD

HON. RUSSELL PAULLEY (Minister of Labour) (Transcona): Mr. Speaker, the other day some questions were asked of my colleague, the Honourable Minister of Mines and Natural Resources. The Member for Charleswood on June 10th asked the Honourable Mr. Green: "Mr. Speaker, I'd like to direct a question to the Minister of Mines and Natural Resources. Can a resident of Manitoba under the age of 16 purchase a fishing license?" Mr. Green took the question as notice and Mr. Moug, the Honourable Member for Charleswood added: "I wonder, Mr. Speaker, if he could take a supplementary as notice as well and let me know if a person under 16, if he can't purchase a license, can he bring home a limit of fish? And the answer to the above questions given to Mr. Green is as follows, Mr. Speaker: "An individual under 16 that is a resident of Canada can fish without a license and can obtain the limit as prescribed in the regulations."

On the same day, Mr. Speaker, the Honourable Member for LaVerendrye asked a question of the Minister: "Would the Minister confirm that his department has put a stop order on the printing of new deer hunting licenses for the Province of Manitoba," (which question my colleague took as notice.) The answer that I have received, Mr. Speaker, is as follows: "The printing of the 1974 deer licenses was halted by the Queen's Printer at the request of the Administrative Service Section of the Department. This was done when it became questionable as to whether a deer season would be held in 1974. The design and layout work for the 1974 deer licenses has been completed, reinstatement of the printing order for the deer license to traditional deer hunting season date is still possible." So apparently they are just waiting to have a re-assessment as to the availability of deer.

MR. SPEAKER: The Honourable Minister of Finance.

HON. SAUL CHERNIACK, Q.C. (Minister of Finance) (St. Johns): Mr. Speaker, on June 8th last Saturday, the Leader of the Opposition asked me a certain question dealing with the role of the Provincial Auditor in connection with cost-sharing under Federal-Provincial Agreements. I have the reply. It's rather lengthy, and I thought that in accordance with your suggestion on another occasion it could be printed in Hansard. I have enough copies, so each of the opposition parties could have one, one for you Mr. Speaker, one for Hansard, and I have enough to go around.

Question: by Mr. Sidney Spivak

"I wonder if the Minister of Finance can indicate the procedures that are followed with respect to the Provincial Auditor and the Federal Provincial Agreements in which there is cost-sharing and there is to be access to both records to determine the amounts that have been paid on the initiatives undertaken? Is the Provincial Auditor's office involved in that or is it just strictly the Department of Finance involved?"

My understanding is that if there is a question of discrepancy arising, the auditors are entitled to go in and do examination - both on part of the Federal and Provincial government. I would wonder then if he could indicate whether there have been any situations in which the Provincial Auditor has had to go in with respect to initiatives in relation to programs in which there is cost-sharing and in which an investigation has had to be requested?"

Answer: by Honourable Saul Cherniack

The Provincial Auditor is occasionally requested to comment on drafts of Federal-

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(MR. CHERNIACK cont'd) Provincial Agreements. It is not the practise to have him review every Agreement before it is signed.

After a shared-cost Agreement has been signed and expenditures are being made by the Province they are audited by the Provincial Auditor's office in the usual manner. Checks are made to verify that all purchases go through regular tendering and purchasing procedures, that there are proper authorizations and that expenditures are in accordance with the terms of the Agreement.

When a claim to the Federal government for cost-sharing is prepared by the department concerned, the Provincial Auditor's office performs a post-audit to ensure that the claim is in agreement with the records which have been audited by his office. He then certifies the claim and it is forwarded to Ottawa. The amount of the claim is then paid to the Province. The Federal Audit Services may subsequently carry out certain checks and make inquiries in areas of special interest to them. If differences of fact or interpretation arise they are discussed between Federal and Provincial audit and departmental officials and may lead to an adjustment of the claim. There is a close, continuing communication between Federal and Provincial audit staff as there also is between departmental officials and differences which may arise are resolved between them.

The foregoing procedures relate to shared-cost Agreements where the Province is the program manager. There are a few shared-cost Agreements where a Federal department or agency is the program manager and in these cases Federal records are made available to the Province for audit purposes.

With regard to the inquiry as to whether or not the Provincial Auditor has had to be requested to carry out an investigation of shared-cost agreements, no such request has been made by the provincial government. The Province expends the funds which are accounted for and audited in the usual manner. Audited claims are submitted to the Government of Canada and payments are made to the Province in accordance with the terms of the Agreement.

MR. SPEAKER: Thank you. Orders of the Day. The Honourable Minister of Labour.

BILL NO. 74

MR. PAULLEY: Bill No. 74, standing in the name of the Honourable Member for Sturgeon Creek.

MR. SPEAKER: The Honourable Member for Sturgeon Creek.

MR. J. FRANK JOHNSTON (Sturgeon Creek): Thank you, Mr. Speaker. Mr. Speaker, Bill 74 is just another part of a great plan that I believe is unfolding, and I mentioned that this plan was unfolding when I spoke on the Treasury Branch Bill. The honourable members on the other side would wonder why we don't trust the Government, and they are making it very plain and giving us every reason to show why we have no confidence in what this Government has to say.

This bill, Mr. Speaker, changed the Export Act to the Manitoba Trading Corporation, which will give the Government the opportunity to go full speed ahead into more businesses into Manitoba. Now it's very hard to argue with a Government who sits on the other side and says, "What are you mad at me for, because that's our philosophy, that's what we intend to do". But why kid around about it, as we have had kidding for the last four years. Mr. Speaker, this Act will enable the Minister of Industry and Commerce to purchase the products from all of the companies that he took the trouble to set up, worked very hard to set up and lose money for the people of Manitoba; the companies that he set up under the Development Corporation, and when they're not doing too well he will be able to purchase their products from them, inventory them at people's expense, prove to the people again that he's a lousy salesman; people will be stuck with inventories in Manitoba that can be dumped on the market in Manitoba against other companies in Manitoba. Secondly, Mr. Speaker, this company does not pay any provincial tax. Another thing, after they have committed to take all the production of a company, they might say next year, well we can't use it. Therefore they will end up owning companies.

Now, Mr. Speaker, that is what has unfolded over the past four years, and it's been very, very true to form of what this Government has done. When they went into the Autopac business four years ago, they were talking automobile insurance and four years later we get a bill putting them into all of the general insurance. So again, we learn what to expect from this Government.

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(MR. FRANK JOHNSTON cont'd)

Mr. Speaker, we had a little bill back in 1970 called The Natural Resources Development Act, it was Bill 17, which they claimed was set up by the opposition or was originally written by the opposition to set up the Moose Lake Logging Corporation on a Reserve, but what did it do? It put the word "winning" in there that gave the Government the power to go into the mining industry, which they have done - and the argument we got at that time was, oh this is just a little bill that doesn't mean anything - and yet we kept moving along, steadily, which put them continually into business. We fought that bill for a long time in 1970. We said this is what will happen, this is what Bill 17 will allow the Government to do and the Government will do it, and they are doing it. Mr. Speaker, we have a principle here of this bill now moving from changing the Development Fund to Corporation, which we saw that done awhile ago - and now we have the Export Act being changed to the Manitoba Trading Corporation, which can be whole hog in business on anything else. And of course, your Treasury Branches all work into this, which will be financing these businesses that you are involved in. --(Interjection)-- Mr. Speaker, the First Minister says I'm reading a conspiracy, but that's what has happened over the last four years, and all you have to do is trace it. --(Interjection)-- Well it's there. As I've said, we've got the unfolding of what has happened in the last four years - and in this session, when the Government wins an election on the basis of giving money back - and this is the third time I've said this, they win the election on that basis, then walk into the House and plant a program of take-over of the people's money in Manitoba and control of their lives, and discouragement of business in this province.

Mr. Speaker, we also have the situation before us, Bill 85, which will not encourage - and it will be spoken on by my colleagues - any more exploration in the oil business in Manitoba. And also in all of the bills, Mr. Speaker, we have the little kickers the same as we have in this one, that the Lieutenant-Governor-in-Council will have control. The Lieutenant-Governor-in-Council can even from time to time, as they see fit, leisurely set the interest rates that will be charged to this company on money going to the Government. They will not pay taxes the same as any other company will, and there's a real lovely little section in there that says, "if any place where this bill is in disagreement with the Companies Act of Manitoba, this bill will prevail."

Now all that says is that they don't intend to operate within the Companies Act. They've got a statement in there that says if they don't, we can do it legally, whereas everybody else will have to operate within the Companies Act - reports to shareholders, all of these things that are required by Companies Acts in provinces and in this province will not be criteria for this company. Mr. Speaker, it's also a very dangerous thing to put in this Minister's hands. He wasn't capable of handling the Development Corporation and it was taken from him - anybody that does a good job on anything doesn't lose it - so now we have another toy for him to play with and go forward and lose people money in Manitoba. If you think that this company is going to be a successful company on the basis of its ability to work, you're wrong. This will only again be another company that will have the ability to be successful, because you pass legislation to make it successful. And this Government has proven that they can't be successful operating any company unless they have a monopoly and they lose \$10 million. When they have that - and, Mr. Speaker, this company cannot operate unless you legislate monopolies, and your bill is very close to it; by "you don't pay tax," you will be able to undercut other people.

Mr. Speaker, they're going to become the distributor of products in Manitoba, you know the Government Store type of thing, that can buy and sell anywhere in the world and in Manitoba. Now it's a ridiculous socialist concept that has failed everywhere - and, Mr. Speaker, I tell you, and I've said before, it has unfolded; it has happened with Autopac; it has happened with the Development Corporation; it has happened with mining; it's going to happen with your oil exploration; you've got Treasury Branches; and now you're opening up this Corporation. If anybody believes that these Acts are here by accident, or because - no, oh no, the Member from Churchill says, they sure aren't here by accident - believes that these Acts are here on the basis of a necessity to change legislation to do things which are possible now; there is many things they can do under legislation now, but now we have it completely sewed up - and they have gone into business continually, it is their philosophy. I don't know why the members on the other side just don't admit it, that that's what they're going to do, because that's what

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(MR. F. JOHNSTON cont'd) they've done. I can't understand anybody not admitting what they've done, and now they're going to continue to do it.

Now, Mr. Speaker, the Government and the First Minister says, "judge us on our past performance", and their past performance is to introduce legislation very quietly - and you might say sneakily - and get up in the House and make statements on the basis that this isn't meant to be; it says that, "we'd never do it", but they do it. That's the past performance of this Government, and they wonder why we on this side do not trust the Government - and especially don't trust them when we bring in a bill of this nature, which is only done to support the lousy businesses they've gone into that are losing money, so that they can show a profit, and of course this one will always show a profit because they will be voted money from the Legislature continually.

So, Mr. Speaker, let's ask the Government not to keep kidding around. You know, like the Minister of Autopac when he says, I'm going to have experimental stations - the Honourable Member from St. Boniface said, I'm going to have experimental body shops, you know, for fixing cars, when there's all kinds of knowledge at the present time on how to fix cars - and he's going to solve the problem of fixing cars across the world, we're going to have an experimental body shop. So they're going into body business. That's the way they introduce new legislation, Mr. Speaker, under these hoods of deceit, you might say, and then they go ahead and just pound it to you. And they stand up and said well, you know, we said we'd do it, but you never say it when you pass the legislation. Unfortunately the people haven't caught up to it quite yet, but I assure you when the people of Manitoba finally get the feeling of the four or five bills that have gone through this Legislature, they're going to wake up and as I said before, Mr. Speaker, find themselves completely in the clutches of the Government, they'll be on their knees to you. That's the way your legislation works. Thank you.

MR. SPEAKER: The Honourable Minister will be closing debate. The Honourable Minister of Industry and Commerce.

HON. LEONARD S. EVANS (Minister of Industry and Commerce) (Brandon East): Thank you very much, Mr. Speaker. I will try to be as brief and as concise as possible, because truly much of the verbiage that has come forth during the debate on this bill on the other side of the House is very amusing; it's paranoid and it's extremely negative. It's amusing, because they criticise portions of the Act which are already in the existing Act, an Act which they themselves implemented. It's amusing also, because to me the remarks that have been made by members opposite - by some members opposite, not all - indicate that there is a lack of touch or lack of communication with the business community. Because in our various discussions with many Manitoba business enterprises regarding this bill, they were most enthusiastic about what this particular bill could do to enhance the economic progress of their particular company in sales to foreign markets.

The Leader of the Opposition indicated, and I agree with him, that one of our most difficult challenges is to overcome the problem of distance from large markets. The marketing problem is one of the greatest problems facing the expansion of Manitoba's economy, and we are attempting through the enhancement of the Manitoba Export Corporation, through the clarification of its powers and through the enhancement of its ability, are attempting to overcome this great hurdle that does face enterprise in Manitoba. And I wondered if there was any truth to the adage that the world is unfolding as it will, I doubt if that adage or that phrase means very much - and I doubt if there's much truth in the Member from Sturgeon Creek's adage or slogan that this is a master plan unfolding as it will.

I must say, Mr. Speaker, that I appreciated some of the remarks made by the Liberal Party in the House. They tended to be a bit more positive; they made some suggestions; they referred to the use of salesmen, put them on a commission. If you look at the Act closely, you will see that employees of the corporation may not necessarily be civil servants - and indeed, Mr. Speaker, it is our intention to use persons who will act as salesmen are usually required to act, and that is to perform and be paid on the basis of accomplishments. Therefore we look toward a commission method of payment as one method by which we may pay some of the employees.

The Liberals also alluded in the past to the establishment of trading offices. Our position has always been, after careful examination of the matter, that to establish trade offices throughout the world, as some provinces such as Ontario has done, is extremely costly and is

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(MR. EVANS cont'd) duplicate of what the Federal Government has done. We believe that the sales staff that will be working, and other employees that will be working for the Manitoba Trading Corporation, will be in a position to more effectively utilize the Manitoba Trade Commission offices around the world. My experience has been that they are very very responsive if they are approached with a particular problem.

However I disagree with the Liberals' suggestion that, why don't we tackle the matter by giving a profit tax, corporate tax break? I believe the Member from Fort Rouge mentioned this -- to these companies, and I think he alluded to other types of subsidies, and so on. Well, the fact is, Mr. Speaker, that this is a contravention of the general agreement on tariff and trade. It would be considered to be a contravention and therefore the members of GATT could take action or initiate action against those companies if we showed any preference for them via the means of a special corporation profit tax arrangement.

The intent of the bill I would say, Mr. Speaker, is to clarify a number of clauses in the existing Act and to help us accomplish additional foreign trade that we cannot accomplish at the present time. And so far as trading in Manitoba is concerned we have in mind particularly the problems posed by some very small enterprises, enterprises operating in rural Manitoba. I would refer for example to the Co-op at St. Laurent where they're attempting to make step ladders and the like, and where they do need some assistance in marketing. And we would hope that we will be able to assist these fledgling enterprises run by people who are trying to help themselves through this particular vehicle.

I want to elaborate a bit on the differences between the Manitoba Export Corporation and the Manitoba Trading Corporation. The Leader of the Opposition says it gives the Minister a considerable amount of power and control. I would refer him to the existing Manitoba Export Corporation Act where the Minister had considerable residual powers. In fact, Mr. Speaker, if anything, this particular Act gives the Board of Directors far more power than they had under the previous Act. The previous Act, the Export Corporation Act referred to "assist in exporting Manitoba products". The board could plan and implement programs; could establish offices or a point in . . . etc., or give advice to the Minister. Under the new Act the directors are specifically given a responsibility of operating the corporation and approving all contracts and major transactions.

So, Mr. Speaker, we're giving more power to the board, not less. The objects and powers of the Export Corporation Act, looking at that Act, it did not specify how the corporation was to act in increasing the export of Manitoba products, it vaguely referred to assisting and planning and so on. The Manitoba Trading Corporation Act spells out the objects and powers of the corporation in increasing Manitoba's exports and trade, and a dozen different functions are listed which give the corporation the power to buy and sell merchandise, engage in reciprocal trade, hire salesmen, appoint agents or distributors, and finance exports.

The Export Corporation staff in the past was engaged primarily in shipping and forwarding service, providing tariff information and export promotion activities, such as trade fairs. This will continue to be an important function of the staff. But in addition we now plan through this legislation, along with this legislation, to have salesmen working for it who will solicit orders in foreign markets, and who will earn a commission on sales, or will buy the merchandise outright from the Manitoba manufacturer on a presold basis and make, hopefully, perhaps make a profit on the sale. In addition, as members have noted, funds would be made available for financing.

I want to make it very clear, however, Mr. Speaker, that it is not our intention to purchase large amounts of inventory for the sake of bailing out any existing company, whether it be privately or publicly owned. The fact is that that could have been done under the previous Act, and it has not been done for the past five years. Under the previous Act there could have been purchases by the Manitoba Export Corporation from companies for inventory accumulation. In fact, I believe there was a reference to it in the original Manitoba Export Corporation Act.

Well, Mr. Speaker, I could go on and point out again to those sections, those sections to answer the Honourable Leader of the Opposition's questions about the differences between the corporation, but I think he can read this for himself in the Act. As I said, we could elaborate on this but I don't think there's much point in me reading back to him sections of the Act which point out these differences, or which would help you to understand the differences.

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(MR. EVANS cont'd)

I would like to specifically answer three or four criticisms that were levied. In no way are we imposing something on the business community against their will. It's not the intention to usurp the export trading function of any private existing company or enterprise. Therefore, Mr. Speaker, in no way is the Trading Corporation, will it compel, or does it have the power to compel, any enterprises to deal with it. Private firms in Manitoba can use the services of the Trading Corporation, or not use the services, in accordance with their own wishes and in accordance with their own free will.

We will offer a service to Manitoba suppliers of goods and services that will help, hopefully, to increase their sales and to take on for them where we can the difficult job of selling and dealing with export markets. And as I said if the companies do not wish to use the service that will help them increase their sales, or could help them increase their sales, they do not have to do so. On the contrary, Mr. Speaker, a number of companies have already indicated that they would be glad to use the services of the proposed Manitoba Trading Corporation, and I have a list of 12 companies that have been contacted where staff have been in discussion, and they are vitally interested in the expanded services and facilities offered by the Trading Corporation. They're 12 quite respectable Manitoba companies. I won't take the time of the House to read them, but they're all well-known companies and have been in operation for some time.

We tested the water a bit with the idea of having travelling salesmen and I might add, therefore, in order to test the water we had a pilot project. We hired on a contract basis one such salesman who operated on behalf of Manitoba companies in Latin America, and I suppose one of the more spectacular successes was the project involving the equipping of the complete slaughterhouse plant at Panama, in the country of Panama. And again, without going into detail, which I have here, we were able to get a Manitoba company an export order for the value of \$686,000, and this installation of a complete abattoir, or complete slaughterhouse, the installation and equipment, and to get it into the initial operating stages is being done by a Manitoba company through the assistance of this individual that was on contract with the department.

And we would hope with the funds that are being made available that we could do, abridge financing as much as possible as is required. Again, I emphasize it is not our intent to engage in speculative buying, or buying or purchasing for inventory purposes, but rather the funds are there to facilitate the trade, facilitate, to enable trade to take place.

One of the objectives of the Trading Corporation will be to group together several companies who can supply complementary products to make up a complete package, or to pool the resources of individual companies in order to make a bigger impact than small individual companies may do by themselves. And I refer in particular to the large orders that are required by the Federal Department of Supply and Services, and many a time our own companies have been at a disadvantage because they have not been able to bid on some of these large orders. And it is possible that the Manitoba Trading Corporation could assist in this respect, so that we can get orders using the services and abilities of companies that complement one another and in doing so, not only with the Department of Supply and Services but also with larger overseas orders, in doing so create more business than would otherwise have been created.

The Member from Fort Rouge made reference to living in the 19th Century in ideological concerns, and so on. But the fact is the concept of the Trading Corporation is a very late 20th Century concept; it's been used successfully in many countries; I look at Japan, as an example, where trading corporations have been singularly successful. And the fact is, Mr. Speaker, that not only in eastern block countries where there is some potential, but also in the third world countries, the developing countries, the fact is that trading corporations are becoming more prevalent. And it will make it more difficult -- or I'm sorry -- it will make it more easy for our companies if we have this particular vehicle at their disposal to deal with some of these countries that somehow or other wish to deal with some sort of a government trade operation, and we've had some experience of this where a developing country has indicated it would prefer to deal with some government trade agency, and it seemed to me that we are therefore providing a useful vehicle for Manitoba potential exporters.

Also, a very critical point in this Act is that we hope, as was alluded to by the Leader of

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(MR. EVANS cont'd) the Liberal Party, he was getting very close to it, that we will be able to go abroad with a list of possible purchases, that we would like to canvass the Manitoba scene to see to what extent buyers here may require goods from a particular foreign country, let us say a particular manufacturing plant was to be put into place, or a particular manufacturer required various parts from a foreign country, we would like to know what amount is being required from a potential foreign area, and in turn use this as a lever to obtain reciprocal orders from foreign countries for suppliers from Manitoba, and this is something that we cannot do under the existing Export Corporation Act. The Export Corporation Act puts us in a one-way street, and what we're attempting to do is to revamp it so that we'll have a trading corporation that will be a true trading corporation in a real sense of the word. As the Premier said last night, trade is a two-way street; it goes in two directions. So, compensation or reciprocal trade is something that is novel and which I think perhaps gives us some potential that we don't have at the present time.

The Member from Sturgeon Creek referred to the fact that the Trading Corporation was not bound by the Companies Act of Manitoba - I believe the Member from LaVerendrye referred to this also - as though this was something strange and new, and something very mysterious and dangerous. The fact is it is a very commonplace clause. This clause is the very same clause whereby the Trading Corporation is not bound by the Companies Act, is the same clause that was included in the Manitoba Development Fund Act that was passed by the Conservative Government in 1966. It's the same clause that is included in many other Acts that have been passed over the many years by this Legislature. It's included in the Manitoba Housing and Renewal Corporation Act; it's in the Manitoba Health Services Act; it's in the Agricultural Credit Corporation Act; it's in the School Capital and Financing Authority Act, and, Mr. Speaker, many of these Acts predate this Government. The Emergency Measures Act, it's in there; it's in the Condominium Act; and it's in the Universities Establishment Act, that particular clause. Maybe the Leader of the Opposition is aware of this, but some backbenchers are not, and they criticize us for making reference to it.

That fact is that the Companies Act is meant to protect the public by laying down specific rules as to the motive operation of those companies, that they should have directors, that they should hold regular meetings, and the duties of the Chairman shall be laid out, etc. And the point here is, and the reason why this clause is included in so many other Acts passed by Legislatures over the many years, is that the Legislatures of the past had wanted to protect the board of directors of any particular corporation or working under a particular Act, so that they're not personally liable as they are in a private company.

In Crown corporations the Government holds this liability and if the exemption from the Companies Act were taken out it would contradict the exemption from liability given the board of directors in Clause 8 of this Act. And as I said, it's a common exemption that applies to Crown corporations, and I listed about 10 of them, or to specific agencies of Government.

The advice we have from legal counsel is therefore that it is not in the best interests of the public for the corporation to be tied down by the rigid procedure requirements in the Companies Act. The fact is, as I said, Mr. Speaker, there are two, four, six, eight, nine Acts, most of which were passed by the previous government - in fact some of these may go back to the Liberal Government of some years back, where this very same clause was included.

The concern that the moneys referred to as not being public moneys, again this is a clause which is taken for administrative purposes. It's based on administrative purposes, and it's the same clause that's in the old Manitoba Export Corporation Act which was set up under the Conservative Administration in 1963. The trading funds are kept from a year-to-year basis as working capital, and are held in trust by the Minister of Finance in order to provide on-going financial responsibility with trading accounts; and to be able to expend and receive moneys in trading activities and issue financial statements, funds have to be separated from the Financial Administration Act. However, this does not mean that the Government has lost control over it, as other paragraphs define its use, Mr. Speaker. Moneys are not public moneys in the meaning of the Financial Administration Act only, but not otherwise. Operating expenses are voted by the Legislature, only the trading capital and profits are held in trust by the Government.

Mr. Speaker, I could go on at some length answering some of the criticisms, but perhaps we can leave some of the detail discussion for the committee stage. I want to state in

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(MR. EVANS cont'd) conclusion, that I for one do not expect miracles to be accomplished by the Manitoba Trading Corporation. I do not expect that the exports from Manitoba will increase dramatically overnight. We will be setting up an organization with salesmen operating in selected markets, based upon research, and in co-operation with the Federal Department of Industry, Trade and Commerce because they do give us certain information on potential areas of the world for exportation from Manitoba. We can't go in all directions at once, and the extent of our sales effort must be geared to products that we think have some potentiality for sale in the existent markets. They have to be unique products, they have to be products with a high value to overcome transport costs. We're going into a very competitive situation, and we've got some very, very strong competitors from many parts of the world.

I believe however, Mr. Speaker, that nothing ventured, nothing gained. I think that we owe it to ourselves in Manitoba to try to work harder to expand the markets for our companies, whether they be privately owned or publicly owned. Again I repeat, it is not our intention to buy on a speculative basis to accumulate inventory of any kind. It is our intention to utilize the funds on short term bases in order to facilitate trade. We have had several discussions with many Manitoba companies and they are enthusiastic about it. I would suggest, Mr. Speaker, it is not I who is out of touch with the business community, but it's members of the Opposition who are not with it.

QUESTION put, MOTION carried.

MR. WARNER H. JORGENSEN (Morris): Yeas and Nays, Mr. Speaker.

MR. SPEAKER: Call in the Members.

INTRODUCTION OF GUESTS

MR. SPEAKER: While the members are coming in, may I draw the attention of the honourable members to the gallery, where we have 110 students of Grade 5 standing of the Gimli Public School. They are under the direction of Mr. Thordarson, Mrs. Kuzik and Mrs. Sohan. This school is located in the constituency of the Honourable Member for Gimli.

On behalf of all the honourable members I welcome you here today.

BILL NO. 74 Cont'd

MR. SPEAKER: Order please. The motion before the House is Bill 74. A STANDING VOTE was taken, the results being as follows:

YEAS

- | | | |
|---------|--------------|------------|
| Messrs. | Adam | McBryde |
| | Barrow | Malinowski |
| | Bostrom | Miller |
| | Boyce | Osland |
| | Burtniak | Paulley |
| | Cherniack | Pawley |
| | Derewianchuk | Petursson |
| | Dillen | Schreyer |
| | Doern | Shafransky |
| | Evans | Toupin |
| | Gottfried | Turnbull |
| | Hanuschak | Uruski |
| | Johannson | Uskiw |
| | | Walding |

NAYS

- | | | |
|---------|-------------|-----------|
| Messrs. | Asper | Jorgenson |
| | Axworthy | McGill |
| | Banman | McGregor |
| | Blake | McKenzie |
| | Ferguson | Marion |
| | Graham | Minaker |
| | F. Johnston | Patrick |
| | G. Johnston | Sherman |
| | | Spivak |

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(STANDING VOTE cont'd)

MR. CLERK: Yeas, 27; Nays, 17.

MOTION carried.

BILL NO. 85

MR. SPEAKER: The Honourable Minister of Labour.

MR. PAULLEY: Bill No. 85 please, Mr. Speaker.

MR. SPEAKER: The proposed motion of the Honourable Minister of Mines and Resources. The Honourable Member for Virden.

MR. MORRIS MCGREGOR (Virden): Mr. Speaker, I rise on Bill 85 - and I do appreciate that I'm not the critic for this Party, and I do appreciate the Member for St. James allowing me to go first on this, because it is involving a major part of my territory. I rise today on the matter of Bill 85, namely the proposed legislation of this Government with respect to the rising gasoline prices. In doing so, Mr. Speaker, I want to make it clear from the offset of my remarks, that I do not oppose any subsidization of gasoline prices by the Government - far from it. But, Mr. Speaker, I feel that I would be remiss in my duty if I did not bring to the attention of this House - and for that matter through the media, to the people of Manitoba, what I consider the other side of the story, that is, the case of the oil producers - and I'm thinking here mainly of the small producers.

Mr. Speaker, the oil industry in Manitoba is centered in my constituency, and while it may not be nearly as large as Alberta or Saskatchewan, it is nevertheless important to my constituency and to the economy of Manitoba. The legislation that the Government intends to bring in, Mr. Speaker, will be designed to recapture most of the revenues which result from the increase at the wellhead. What we're talking about, Sir, is approximately the \$2.50 that was agreed upon recently by the provinces and the Government of Canada. And the question being - the Minister made reference in his introduction that the deal we are getting, our Manitoba producers are getting, is much better than Alberta and Saskatchewan - that may on the offset be, until you consider the fact it takes probably seven wells in Manitoba to produce the equivalent to an Alberta well; seven pumps, seven pipes, and all the other machinery, so indeed it's not nearly as good a deal as Alberta and Saskatchewan are getting. I think I do have to express appreciation to the First Minister and the Minister of Mines, some six weeks ago when I asked for time for the oil people to sit down with the First Minister and the Minister of Mines and go over the program, and I thought they had sold a pretty good story. However, at this hour it doesn't look as though it was that effective. I can think of the Dr. Barry, the American who was willing and expressed a desire to do business in Manitoba; with this proposal of Bill 85, I think you're sure to say Dr. Barry will not be coming in. Likewise Louis Labelle representing Chevron, who expressed in short and abrupt, what he thought, on his mark-up of his money in the Manitoba operation against Saskatchewan and against Alberta.

The other area that's bothersome to me, the Minister indicated while some of these companies could abandon now, with the Minister's permission, and come out with a pretty sizeable cash return, the Minister says that they will not be allowed to - then the question is, what kind of a deal is the Department going to make with the small oil producers? I have a detailed account here, where it does cost 3,000 to abandon, and by the time they reclaim the pipe, the tubing, the pump at the bottom end of the well, and all the others, there's a net profit of \$8,000. So if it be Mr. Clark, Mr. Armstrong or Mr. Henderson that are the small producers, they apply for abandonment, and I would have to think in talking to the First Minister that there isn't going to be that kind of a reimbursement to those oil producers at that stage. We know they're getting more now, but the escalation in prices has just - it's almost hard to believe when you read it, and I have to believe these people - I think they are sincere Manitobans wanting to do business, wanting to make money for the Receiver of Manitoba and also for themselves - and they say in the last 18 months while the crude oil price has increased, the labour has increased to the extent of 60 percent; service rates 64 percent; new pipe has gone up, and I think this is easy to substantiate, 40 percent, and it is in real short supply. Used or old tubing has gone up in excess of 150 percent; storage tanks, 120 percent; the bottom hole pump, 40 percent, treating and chemicals, 55 percent; trucking 50 percent, drilling costs 60 percent; hydro 30 percent; bank interest has gone up.

I think I should read into the records a letter that pretty well explains the nuts and bolts

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(MR. MCGREGOR cont'd) of the issue, from the Virden Chamber of Commerce - as any Chamber of Commerce I think, take a pretty unselfish approach to things that are of their concern in their part of Manitoba. This is addressed to the Honourable Minister of Municipal Affairs, because it does affect the municipal people; "The Directors of the Virden and District Chamber of Commerce and a representative of the R. M. of Wallace met on May 24, 1974 at Virden, Manitoba for the purpose of consulting with representatives of the oil producing industry in the Rural Municipality of Wallace and in the immediate adjacent municipalities; to acquire information concerning marginally producing oil wells, and to consider the economic impact that closing such wells would have on the community, and the loss of tax revenue to the municipality in which such wells are situated. The meeting was informed that out of 639 producing wells, as of April '74 in the area of question, 400 were considered to be marginal - that is, an average meaning, and including wells producing 10 barrels or less per day." While some of the department were saying yesterday they considered a 5-barrel a day well, as a marginal one, I think anybody who looks at statistics and the cost of operating, the chemicals that go into it, would have to realize it's closer to 10, 10 might be the case where there's a lot of salt water, as there is in Manitoba; wells with less salt water, it's cheaper to get the oil, so it could be slightly less than 10, but in round figures, 10. "And would shut down if a substantial portion of the increase on wellhead price per barrel was not passed onto the producer. After much discussion and consideration of the information made available concerning the above and the possible loss of employment by employees of operators of marginal wells, loss of trade and retail business in the area affected, the following information and points are submitted for your consideration of the detrimental foreseeable aspects that closure of marginal producing wells have on communities and municipalities involved.

"The annual payroll for these personnel is estimated to be \$840,000. In the event that the marginal producing wells are shut down, there will be an immediate loss of employment for 35 or more persons directly related to the operation of such marginal wells. On a percentage basis, this would result in a payroll deduction of 32.7 of the \$840,000, or \$274,000 for the area; not to mention the loss of income tax to the province. Figures provided by one lumber retail outlet in Virden indicated that direct sales of 35,000 in material was supplied to major oil companies alone in the past 1973 business year, not to mention sales to employees and other related sales stimulated by the oil industry. The figures provided by a welding business provide services to the oil producing industry in the area indicated that one welder reports a reduction of business in the past month of 68 to 70 percent." Mr. Speaker, it might be interesting to know how this affects municipalities.

There were two of these municipalities within my constituency, and there's two in the Honourable Member from Arthur's constituency; Wallace in my constituency, the tax revenue is \$300,877; my own local constituency is \$34,000; Sifton in Arthur Constituency is \$38,000; Pipestone is the lesser of the four, \$18,000. This just proves this is a great shutdown of these wells, that there will be a drastic cut in the revenue, in the local revenue by the local town, namely Virden. In the other area, in an editorial of the Brandon Sun, and this is quoting the Mayor, Steve Hegion, who was in here with the delegation. He really represented the town rather than oil companies even though he is an oil engineer. There's 240 wells that are what they called - they're able to produce but are not producing. Since this threat of this - there was oil rates in, there was many pipes bring trucked into the Virden area to be used for exploration, and at this hour they have removed them, they've moved them elsewhere, they have stymied the thoughts of the Dr. . . . , the Louis Labelle's, and if it's the intent of this administration to stop exploration until the day the price comes much higher, as I expressed to the First Minister in the hall yesterday, if that is their intent, you know, we could understand it if they said that was their intent, because there's no way of any hope of exploration by the little companies or by the big companies. I have a brief here from a lawyer in Toronto who is taking court action in Saskatchewan on a similar bill, that they believe it's in violation of the British North American Act.

The other thing of the \$6.50, that it doesn't seem to be clear to the people, the royalty, the 12-1/2 percent, whether it goes to the Government of Manitoba, or the farmer or the person who owns it; and also in Virden with much trading of these questionable wells that were shut down by the big operators, little people like Mr. Henderson and Mr. Armstrong bought it up, and they had to sign an agreement of what they call as an override and most of the general for

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(MR. MCGREGOR cont'd). . . override is around 7-1/2 percent, even though in some cases it does go up to 15 percent, that depends and that has to come off as I read the Act and understand it, off that \$6. 50. So indeed the 90 cents is almost eaten up by these other lessors. If it was indeed the aim of the Government to keep the production going and get these 240 marginal wells that cannot produce economically today producing, then surely the hour has come where it's desperate to get oil and gas. Then is it unfair to look at the approach of giving the \$2. 50 full to all the producers up to say a ten-barrel-a-day well and then graduating down. You would ensure those marginal wells today to keep operating and rather, as the Honourable Minister said, the day they were shutting down they would have to face it and make some agreement. Well why not do it now? Give them the \$2. 50 and let them produce, and let them know, not wait until they apply for abandonment and then sit down and try to negotiate a penny-ante game that may neither satisfy them in a long-range plan that they would like to be thinking of. So with that, Mr. Speaker, thank you.

MR. SPEAKER: The Honourable Member for St. James.

MR. GEORGE MINAKER (St. James): Thank you, Mr. Speaker, I am happy to see that the First Minister is here during my part of the debate on this particular bill because it is my understanding that he has the general background on the technical workings of this particular bill. Mr. Speaker, I hope to during my few minutes point out some questions that I will raise that I feel will have an important effect on the thinking of the government on whether or not to pass the legislation as it is, or possibly make some amendments to it. As my honourable colleague from Virden indicated in his speech that our party has no objections to the principle of a greater share of the mineral resources values and revenues for our people of Manitoba, and I am sure we could debate for many days on what would be a fair share and what wouldn't be a fair share, not only in our caucus but I'm sure in the caucuses of the other parties.

Mr. Speaker, I have a question to ask the First Minister, and I'm not being facetious when I ask the question because I believe as we present some of these facts he'll realize why I am putting the question to the First Minister, Mr. Speaker. That is: Is it the Government's intention to take over the production of oil in the province of Manitoba? I put the question, Mr. Speaker, because I have spent a fair degree of time in the past day talking with members - I might say small producers in the industry, getting some pertinent facts in terms of production costs, and the way that the incremental royalty tax would be applied, and so forth. In doing some calculations I have come up with figures that vary from the Honourable Minister of Mines and Natural Resources figures in his speech that he presented the other day when introducing the bill, and there are certain areas of concern that we have, and they relate firstly, the definition of wellhead price. Mr. Speaker, if we look at the increased price that has been given to the producers I believe it's safe to say that the increase to everybody in Manitoba, whether they be a large producer or a small producer, the difference of the increased price is \$2. 69 a barrel. That's the increase that has been known, or typed with the word "windfall", and what happens when we apply the Schedule C that is in the bill before us, for different levels of producers in our province, what happens in actual fact, or would appear to have happened, and I am open to correction if I should be wrong, when the comparison was made by the Honourable Minister of Mines and Natural Resources, that there is a difference of opinion between myself and he on his calculation of what is known as the royalty paid to people who own the mineral rights. It's my understanding in most cases the mineral rights are owned by either the Crown or the individual property owner that the well is located on. And that particular royalty, 12-1/2 percent, is applied to the wellhead price, it is applied to that \$2. 69 figure right off the top because that is a contract either between the producer and the Crown, if it happens to be Crown owned mineral rights, and it is also a contract between the producer and the owner of the mineral rights. When you apply that 12-1/2 percent you get 34 cents that automatically, of the \$2. 69, roughly 34 cents - I think it works out to about 33. 6 cents to be exact, Mr. Speaker - but roughly 34 cents of that \$2. 69 will go to the mineral right owner. Now in some cases there is also I believe an additional lease holder where if the producer was not the first one to claim the mineral rights or usage of them you'd have an additional person in between that may get anywhere from 5 percent up to 15 percent. But in our calculations we only dealt with the single mineral right owner, the 12-1/2 percent.

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(MR. MINAKER cont'd)

But what happens, Mr. Speaker, is that if you look at the incremental tax that is being proposed in the Act, and we look at a five barrel per day well, if we apply the eight mills to the \$2.69 figure we get three cents, and I would hope the First Minister if I am going too quickly or there's questions, that he would interrupt me to raise a point. There is \$1.56 that goes to the incremental tax, and then the royalty to the owner of the mineral rights 34 cents. It ends up that of the \$2.69 left there's 76 cents goes to the producer. Now if we'd look at the same for a ten barrel producer, there's 62 cents left out of the \$2.69; if we go to the 15 barrel per day producer, there is 28 cents left per barrel, and if we go to the 20 barrel or over producer - and this is the point that we want to elaborate on - there is \$2.28 goes for the incremental tax, three cents goes to the eight mill tax, and 34 cents goes to the owner of the mineral rights, we end up that it comes to \$2.65, so that there is four cents a barrel left for the producer.

Now, Mr. Speaker, I think there was five million barrels of oil produced, or expected to be produced, this year in the province. There is somewhere in the order of 639 oil wells producing at this time, and if we take an average well it ends up at 21-1/2 barrels per day, so that the average oil well after the tax is applied will leave four cents per barrel of that \$2.69 increase. And, Mr. Speaker, in talking with some of the smaller producers - and I think about 20 percent of the oil produced in the province is produced by small producers - they are the majority of the producers who are not connected to the pipeline and they have what they call transportation costs. And in some cases in Virден, the one individual I spoke with he has transportation costs of 30 cents per barrel, and there's indication from the people providing that service to him that they are expecting an increase of five cents to ten cents a barrel for transportation costs. Well in the instance of that individual if there is a five cent increase of transportation costs, the producer will be one cent less per barrel than he was prior to the increase of this \$2.69. Mr. Speaker, there are people I believe in the Lulu Lake area of Turtle Mountain who pay 72 cents a barrel for transportation costs, so that there's a fair swing in the costs of transportation.

So I put the question, Mr. Speaker: Is the Government intending to take over the oil production industry because here is an example, and I believe my figures are fairly correct, that the average well will be getting four cents per barrel more than it did prior to the \$2.69 increase, and if there is a transportation increase in costs it will be used up and they will be in a negative position. Similarly if there happens to be another person in between the producer and the original mineral rights owners, that person will be getting a royalty, then the increase will be used up by that individual, and these are legal contracts.

The Minister indicated, the Honourable Minister of Mines and Natural Resources indicated in his speech or presentation of the Act before us that the producers would be getting over 100 percent more than they did in 1970, I believe was the year he used, so I asked some of the producers what was the value of oil in Virден and they said the wellhead price was \$2.74 a barrel. When we start to apply the credits that would come out of this \$2.69 increase, the credits that are usable by the producer, his net gain, a five barrel per day well has seen a 64 percent increase over four years, it would be getting \$4.48 a barrel now. A ten-barrel has had a 59 percent increase in the last four years, it gets \$4.34 a barrel. A fifteen-barrel per day well has a 46 percent increase, and a 20 barrel per day or over, has had about a 37 percent increase, if we look at all of these deductions, the usable money that will be made available to the producer after the incremental tax and all other costs are applied, and, Mr. Speaker, the producers have indicated to, I believe, the First Minister that under present economic operation it's not feasible to operate a well that's below eight barrels per day under present economic conditions, and I suggest, Mr. Speaker, that if the tax is implemented what will happen is that the oil exploration in Manitoba will become zero other than those that possibly the province might finance. Why I say that, Mr. Speaker, is that on the basis of what it costs to drill a well four years ago, and these were actual quotes, in the Virден area four years ago it cost \$32,000 to drill a well. A similar well, same depth, same location, this year will cost somewhere in the order of \$51,000-plus, so we're looking at a 70 percent increase in drilling costs.

Further to complicate the problem, Mr. Speaker, is because of the geological structure in the Virден area as compared to say Alberta, the rock is not as porous as it is in Alberta, the oil density is not as great, so that as a result you can only locate an oil well - the operating

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(MR. MINAKER cont'd) area of an oil well is somewhere in the area of 40 acres is a legal subdivision - so that you require a well every 40 acres if you wish to, you know, fully produce that area, whereas in Alberta it's my understanding they can go from anywhere from 80 to 160 acres per subdivision that a single well can handle. So you're talking about a lower density, a lower volume of production in Manitoba, as compared to Alberta which has a higher volume. It's my understanding in the meeting that we held yesterday with the administration and technical people that the tax that is imposed under the present Alberta legislation is not as severe as the Manitoba one, with the figures that the Minister had used in his particular presentation.

Mr. Speaker, the production costs have gone up over the past four years; the service costs are much higher - I know my honourable colleague from Virden indicated how the service costs have increased and also I believe indicated that the supply of materials have gone up, the drilling rigs have gone up, the sucker rods, as they are known, and the pumps and the tanks, drilling mud have all increased. In addition to that they have experienced a 40 percent increase I believe, 40 percent-plus increase in hydro costs.

So, Mr. Speaker, when I put the question to the First Minister I wasn't being facetious, I was actually asking him, has the Government given consideration to these particular items and questions that I have raised, because if my calculations are correct, and I believe they are fairly accurate, and my assumptions are correct after talking with the producers and the Honourable Member from Virden, the key problem is that it would appear that the Government has either used a wrong figure, or maybe even missed this problem that the producer has in paying his commitment to the mineral right owner. And I might add I believe that 20 percent of the mineral right owners is the province, so that if that 34 cent figure is correct it changes the whole picture of that schedule, and I would hope that before endorsing it and passing it the Government would review it and possibly give consideration to amending it, because I believe under the present conditions that the small producers in Manitoba will have to call it quits, and in the presentation by the Honourable Minister of Mines and Natural Resources he indicated that there is legislation, a vehicle that the Government could use to look after that particular problem, which one can read into it possibly that the Government would take over the production of oil in Manitoba, and this is why I placed this question to the First Minister.

We take exception to that principle in the Act, Mr. Speaker, that allows the Lieutenant-Governor-in-Council to change the schedule, "C" as it is called, that deals with the incremental tax, and we take objection to this because we do not accept the argument put forward by the Honourable Minister of Mines and Natural Resources that it's a changing tax, that they would have to have the power to change the Schedule "C". I say that is not the fact. The fact that it's calculated out monthly, this tax, and in the formula they can vary the wellhead price, and they have the variables already built into that formula, there is no need for the Lieutenant-Governor-in-Council to have this power, because what in fact they are saying is that if the wellhead price changes from month to month, they will get the increased tax and for this reason, what the principle put forward is, that they might decide that the schedule is wrong and they can then change the schedule. And, Mr. Speaker, it boils down to the debate that we held with regards to Bill 77 when that principle came forward, and I would hope that the Government would look at this request they have before us because the present Act, as it reads, has the schedule in it; it requires the schedule to be changed by legislation change, not by Order-in-Council, and for this reason we are opposed to this principle and would hope that the Government would review that and make amendments to it.

The other question that arises, Mr. Speaker, is the fact that the Honourable Minister of Mines and Natural Resources indicated that this tax was being imposed so that it would finance the rebate on the gas tax reduction for motorists and users of gasoline, and if one does a simple mathematical calculation, if we reduce the present tax from 17 cents a gallon to 15 cents a gallon - and we look at the expected revenue that was in our revenue booklet during the debate on revenue for the gasoline tax for this year, which was based I presume on 17 cents a gallon, the Government is expecting to bring in \$45 million - well, if one does a simple mathematical calculation of 15 over 17 and multiply it by 45 million, you end up with a \$40 million revenue coming in. So that is \$5 million that will be rebated to or reduced to the users of the gasoline. However, the Honourable Minister of Mines and Natural Resources' presentation on this bill said that they expect to get eight million dollars from the incremental tax, and I

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(MR. MINAKER cont'd) suggest, Mr. Speaker, what happens to that three million dollars? Where did it go? Who's getting it? Is it going into an exploration fund or investment of looking for oil, or what? We would like to know the answer to this question, Mr. Speaker.

The other point that I'd like to bring out relating to that, is that the incremental tax will be applied from April 1st, 1974, whereas the rebate on the gas tax for the users of automobiles and so forth doesn't commence until July 1st, a quarter of a year, so that the Government will be able to collect the incremental tax from the producers for a quarter of a year, which probably will amount to two or three million dollars, but does not start the rebate on the usage of the gasoline until a quarter of a year later. So we would like to know what has happened to that two or three million dollars. Where is it going, if in fact the Honourable Minister of Mines and Natural Resources, in his statement, indicated that this money that they are raising from the incremental tax will be used to finance the reduction in the usage of gasoline in Manitoba? So we have a question there of what has happened to that three to five million dollars. It seems to have been lost in the paper work somewhere, Mr. Speaker.

Mr. Speaker, I believe I've covered the points that I wanted to raise. We appreciate it's a very technical bill and I hope that I haven't spoken too quickly on those items dealing with the operation and calculation of the tax, but I would point out again, I think the big problem is what happens to the producer, the average well that's over 20 barrels per day - and that's what the average oil well in Manitoba produces at - what happens to that producer if, when he has to pay out his mineral rights, 12-1/2 percent, to the mineral right owner, pays the incremental tax, pays the eight mill assessment, and ends up with four cents per barrel and has a transportation increase cost - what will happen to this particular well or this producer? And that is why I have asked the question, Mr. Speaker, is it the intention of the Government to take over the production of oil in our province? And we would wait to hear from the person on the other side - the Government on the other side - and I presume the First Minister, to answer this question.

MR. SPEAKER: The Honourable Member for Riel.

MR. DONALD W. CRAIK (Riel): Mr. Speaker, I want to speak briefly on this bill and I want to point out that the opposition, in dealing with this bill as well as the other tax bills and some of the other bills in the areas in which the Government is moving into business, present the opposition with a common problem in all of them; that is, that there isn't sufficient material supplied to the opposition or to the public so that they can make an examination or a rationalization of the information and come out with some sort of a decision on whether from their point of view it's in the best interests of the public to support these bills. The present bill is no exception, because we found, Mr. Speaker, that in order to boil it down to find out what the impact is on the producer, who is the person that this bill is directed, the person that it's directed at, Mr. Speaker, that it's necessary to do the sort of work to get down to that that I think should be supplied by the Government in some sort of a cost-benefit study or an impact study on the average person who's going to be hit by this.

Now, in this particular case, in the producer's case, what really appears to be happening is that the Government has gone in as a result of the new royalty structure and the new wellhead price, and it's made sure that they're going to get off, take out of it, their royalty out of it, and to make sure that they get their money, you know, and whoever ends up getting the remainder, good luck to him. But in actual fact, what is happening here is that by the time you take into account the other factors involved, the producer - as pointed out by the Member for Virden and the Member for St. James - of the average well at 20 barrels per day, if he has to pay a mineral royalty to the holder of the mineral rights to the property based on the new wellhead price, is actually going to end up getting zero.

Now, it's not a matter that the Government has to concern itself with because it has no particular involvement in the mineral rights, except it holds about 20 percent of the mineral rights in the producing areas that are involved. But the other 80 percent are a matter that is between the producer and the holder of the mineral rights who are private people, and if the new rights, prices, are based on the wellhead price, at the higher price, by the time that is subtracted from the producer's income, the real net to the producer is actually zero. And the Government can take its very lofty position and say, "Well, why should we worry ourselves? That's a concern between the person who holds the producing rights and the person who holds the Mineral rights." Mr. Speaker, that's long-term contract probably based on wellhead

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(MR. CRAIK cont'd) price and the person has no option. So we have the producers of the area, now, really faced with the situation where they're going to realize not even the minimum 27 cents that the Government's talking about per barrel, but they're probably going to net out at zero as a result of the changes.

The Government portrays a picture, by the statement of the Minister of Mines and Natural Resources that makes the headlines, that the producers are really doing very well; they're going to double their income over what they were making four years ago. But in actual fact, Mr. Speaker, to look at what we should be looking at, what has the producer gained out of the world price increases in crude oil? He's actually, probably, on the average well at 20 barrels per day, in many cases going to get very close to zero. So this faces the Manitoba industry with the prospect, Mr. Speaker, that is not a healthy prospect at all for the industry in Manitoba. So, Mr. Speaker, if he then turns around and says, "Well, I no longer can survive in Manitoba, I have to get out," Mr. Speaker, even if he gets to the point of having to close a well, he has to come back to the Government to ask what he can salvage from the well, and of course it's going to be a Government discretion whether he can even pull out his pipe and sell it for scrap, Mr. Speaker, because the eventual decision on closing down the well will be in the Government's hands.

So the Government is taking advantage of its position in all of this, as it does in all cases, and which we have amply demonstrated in not only this case but in the other bills that have been brought into the House at the end of this session, where they're going to say, "We'll take our position. You ferret out what information you can about what we're doing. If you find something out, that's fine. If you ask the right questions and you happen to corner us, fine, we'll answer it. But by golly, Mr. Speaker, there is no evidence of concern in this bill, or in other bills, that the Government has any particular interest in protecting any phase of industry, let alone this industry, and the producers in this case are going to end up making very little. Very little, Mr. Speaker.

Now I think that it would help, at least, if we could find out how the breakdown of the \$12-1/2 million comes. It was originally estimated by the Government that the increase would be roughly \$12-1/2 million in total. We know that some of that goes to the producer. We know that some is going to go to the gasoline tax. We know that some of it is going to go to the motive fuel tax. Mr. Speaker, what we want is a breakdown, a budget breakdown, of what happens to the \$12-1/2 million. The Member for St. James has pointed out that there appears to be two to three million dollars missing. Now, if the Government can show us where the breakdown is, we'll know where the two to three million dollars goes. Perhaps it goes to the motive fuel tax - it hasn't been mentioned here. But at least give us some indication where the increased cash flow is going from the \$12-1/2 million that is expected to accrue totally in the Province of Manitoba, whether it's government, gas tax, motive fuel tax, or to the producer, and we can get down to a more solid case of looking at this bill.

MR. SPEAKER: The Honourable Member for Fort Rouge.

MR. LLOYD AXWORTHY (Fort Rouge): Thank you, Mr. Speaker. I have the pleasure, I guess one might say, of responding for our group on this particular bill, and I think many of the points that we wish to raise have been covered by other speakers. But I think it's important that some of the issues that relate to the production and use of oil and gas in the province be raised at this time in connection with this bill, because I think there are still some open questions that haven't been finally answered yet. And I'd like, Mr. Speaker, first to go back to the issue of where much of the problem really started, and that was with the agreement that was made in Ottawa three or four months back, on the \$6.50 wellhead price that would be paid for domestic oil. Because I think, Mr. Speaker, as we've all kind of recognized, that basically we were conned by the Conservative Government in Alberta and their lesser colleagues in Saskatchewan at that point, and one of the reasons was because our own Government and other provincial governments, I think, simply at that point didn't properly or effectively sort of make the case for the non-producing or limited-producing provinces, because one of the facts which has struck me that has never come out, we keep using the \$6.50 figure as seemingly the base line, when in fact it's not the base line at all. When the announcement was made, the question should have been as to what in fact is it going to cost, sort of, when the product hits the Manitoba border, not the wellhead price but the gate price; and the gate price of oil coming from Alberta into Manitoba is not \$6.50 at all, but much closer to \$6.90 or \$7.00

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(MR. AXWORTHY cont'd) a barrel. --(Interjection)-- Well, the Minister challenges that, but I'll ask him to respond with some facts on it. --(Interjection)-- Well, that's what we're talking about. Because that is a fact which has not, I think, been properly put out and that is one of the reasons why we find ourselves in the trouble right now, and that is that that \$6.50 agreed-upon price was basically a con job, and as a result we've been skewered in our financial computations ever since.

The other question that we have been trying to get some answers from is that --(Interjection)-- Well, we'll ask the Minister to provide the figures as to what is the actual price per barrel oil riding in the City of Winnipeg in terms of the . . . What is the gate price, not the wellhead price? Maybe the Minister would like to supply it. Rather than sort of snorting, maybe he would be prepared to provide answers, which I think is a more reasonable way of approaching it. --(Interjection)-- Well, he has the opportunity when he's on his feet to present what in fact is the gate price of oil arriving in the City of Winnipeg, and I would be very glad to be supplied with those answers, because at least then we would have what we have not had up till now, and that is a proper definition of what the price is, because that's where we should start the analysis from.

The second issue that we have tried to raise, and again haven't had much answers, is really what has been the effect of the raise in the price of gas and oil; that certainly we were promised, I believe about six weeks ago, some form of monitoring to take place so that we would know exactly what it is. As yet we haven't really received the results of that, and yet it strikes me as exceedingly strange that the Ontario Government is able to provide almost a weekly monitoring of gas prices, on-the-pump prices, in the Province of Ontario - which is a much bigger province, much more complex - but we here in Manitoba, who have a much smaller market to look after, somehow haven't been able to do it. --(Interjection)-- Well, in fact, at least they're providing information. They're starting out with information, which should be the basic point in this debate. What is the information? And again we're just simply saying that it's very difficult under these circumstances to again provide, as we have seen the discussion so far, a proper assessment of what subsidies are required and what moneys should be gained from the incremental tax, when we in fact don't know what the increase in price has been at the pump. Because the monitoring system has been exceedingly slow and lethargic, and we can only assume by some act of faith that it does exist, and we'd certainly like to see the information coming forward so that we can begin determining, in fact, really what are the formulas that should be applied and what kind of cut should be made. Because I think the Member from St. James properly pointed out an issue that we want to raise, that there was a disparity in the figures that the Minister of Mines indicated would be the revenue accruing from the new taxes and what the subsidy rate would be, and we want to simply know, is that because we're holding back because perhaps the subject is going to have to be bigger or not enough or whatever it is, and it has to be related to pump price? And that as yet we haven't received, Mr. Speaker.

So one thing we would certainly like to have the Premier consider at some point over the summer months, when he has an opportunity to consult with his colleagues in other provinces, is at what point and at what time - and we would hope it would be very short - that the oil agreement would be renegotiated and that the position that Alberta has placed the rest of the provinces in would simply be again accepted as intolerable, and that while the Federal Government had to take much of the leadership in this, it was partially handicapped by the fact that the other provinces seemed, at least from all reports coming out of that conference, to cave in. We would simply like to see if we're going to get a proper deal to ensure that the assessment of those prices be made on what is a proper price structure, not on the price determined by Alberta on its wellhead, because that doesn't reflect the true costs to Manitobans in terms of what they have to pay for gas and oil.

Now, Mr. Speaker, we'd also like to raise one question in relation to this whole issue of the application of the mineral tax itself. We have been presented in this House over the past two or three weeks with two or three bills related to forms of taxation on mineral resources, the extraction of mineral resources, and each time those bills are presented they're prefaced by remarks saying: "This is complicated. This is difficult. The formulas are uncertain. It may be pioneering;" in other words, a number of reservations that have been placed by the Ministers themselves on the capacity or ability for they themselves to know what the real

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(MR. AXWORTHY cont'd) impact or true results of those bills would be; that they in fact are stabbing in the dark to a large degree, and I don't place personal onus on them. It's simply that the exigencies of the time require them in many respects to take action. But in many cases those actions could have serious unintended consequences; that if the impact of this particular tax proposal would be to simply stifle the oil-producing industry in Manitoba, as small as it is, but even more importantly - and perhaps this is as important a point to raise - would also tend to discourage or stifle any further attempts at exploration. With the increase in price, the poorer producing areas now become economically more viable and yet because of this tax any incentive that might have been added is being taken away, and if that is one of the consequences of this Mineral Tax Act that we're now considering, then it's not a good bill, it's not a good tax, because it doesn't look at the proper balance, again, between obviously raising revenues to pay a subsidy to the consumer, but also ensuring that we are giving proper incentive to provide for an effective supply of a very valuable good and product that we're producing in the province.

The fact of the matter, Mr. Speaker, is that the Minister of Mines and Resources, and other Ministers, simply at this point can't tell us. They simply do not know. Because if they do know, they haven't been saying it. And I think that under the questioning of members of this side of the House it has become very clear that they in fact do not know what the consequences will be, that they are taking a flyer, that they are sort of launching into a new tax without really having a fairly carefully and well-calculated expectation as to what the impact and effect of that tax will be. And that, Mr. Speaker, is just bad law-making, and it's just not the way that we should be proceeding in this House to apply new taxes. And again, I don't totally put the onus on the Ministers because they are being committed by time to respond that way.

But it does go back to the point that we have tried to make in the debate beginning with the mineral taxes and so on, and that is that if we are being forced, as a Legislature, and if the government itself is being compelled by the pressure of time to begin introducing new taxes related to mineral resources and others which may require or call for innovative measures - and in many cases the examination of the consequences we don't know - that would seem, Mr. Speaker, to call for a much more careful process of consideration in public forum than we are able to give to the bills that we have seen before us. As a result of that, we in this particular group have called for a forum of a special tax committee of this House to meet over the summer to consider the different proposals that have been put before us, to be able to listen to the representations - in this case of oil producers and others, oil companies - to determine what in fact they see as being the consequences or end results of this tax being imposed, and therefore being able to provide a much more careful, and, Sir, a better kind of tax law as an end result. Because it is, I think, dangerous and perhaps even foolhardy to launch into an area of new taxation without having sort of carefully looked at all the consequences, because the one thing that we know about tax law is this: is that while its face value, in terms of raising revenue by putting an impost on a certain activity or service, is easy to explain, what is far more difficult to perceive is the series of second and third and fourth generation of consequences that flow from that Tax Act, the impact it has upon production, the impact it has upon developing new economic activity. In other words, each Tax Act itself carries with it a multiple number of consequences, and that case should have been learned by Canadians, Mr. Speaker, when we were compelled to look at the Carter proposals four or five years ago, that here was a series of tax proposals that had been the product of a two -- a three-year-long Royal Commission, all the experts and so on getting together to come up with a series of tax proposals, and yet it wasn't really until those proposals were taken out of the hands of the experts, in fact out of the hands of their spokesmen the Ministers, and taken into the committee of the House of Commons and the Senate, at which time very careful review and other representation could be made, that better tax law emerged, because it was able -- in that case the political people of all parties in a totally bipartisan way were able to apply different kinds of judgments and different kinds of assessments to the consequences that would ensue.

It would seem to me that that lesson should be implanted in the, you know, in the minds of every Minister of Finance, whether they be federal or provincial, and every Minister of Mines and Resources, who is contemplating the introduction of a new tax. Because if we're not prepared to do that, then we could be very easily launching into the dangerous pathway of

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(MR. AXWORTHY cont'd) not really knowing where we're going, and in our interest (and I think well-placed interest) of trying to secure some additional revenue out of the additional profits that accrue as a result of the rise in international oil prices in the agreement that was made, to take a public share and pay that back to the public in the way of subsidy, all of which I think is properly intentioned. If the result of that properly-intentioned Act, as embodied in this tax bill, is simply then to provide for a number of negative consequences affecting the oil industry, affecting the economy of the southwestern portion of the province, affecting exploration, then, Mr. Speaker, we are simply writing bad law. And that's why, Mr. Speaker, we feel it's very important in these circumstances that the Government call into session a tax committee, so that we would have an opportunity to consider bills such as this, and the mineral bills, to make sure that not only are we able to sort of gain wide representation from outside, but there is the opportunity for members of this House, in a more informal and less combative setting, to exchange their own intelligence and wisdoms as to about the best course to follow, which I think is one of the advantages of using the committee system more effectively and more frequently than we do in this House.

So, Mr. Speaker, that is the concern that we would like to raise in this House concerning this particular bill; that we agree with the objective of it; we think that the Government is proper in its interest in trying to secure a major proportion of the increased price for the public and to transfer those revenues back to the public in the way of a gas subsidy, we think that that is a perfectly acceptable position, but we are extremely concerned about the consequences of that Act as it will affect the industry and affect the economy. Therefore we think that this bill deserves a much more careful consideration than has been given and will be able to be given at this point.

MR. SPEAKER: The Honourable First Minister.

MR. SCHREYER: Mr. Speaker, in replying to the comments that have been made in debate on Bill 85, I propose to deal with the points made, in reverse order. I think that would be appropriate to end up, therefore, with some comment on my part relating to the Honourable Member for Virden. That's appropriate particularly because he represents that area of the province which, if there is any part of Manitoba that is analagous to West Texas, it is Virden in Western Manitoba. There is also an expansiveness of personality and spirit on the part of the Honourable Member for Virden that is sometimes found by people in so many Texans.

But, Mr. Speaker, starting first with respect to the comments made by the Honourable the Member for Fort Rouge, I would first of all want to put on the record that we are pleased to note the statement by the Member for Fort Rouge that he agrees with the intent of this legislation. He, however, expresses concern about the technical detail, and I would simply say that since he agrees with the intent, there is obviously some right on his part to expect some reassurance as to detail, and frankly, I believe that that assurance can be given because it is not as though there is a complexity here that we have not given consideration to, and for that matter, Sir, in comparison with mineral taxation - hardrock mining if you like - the complexity in this case is not nearly so great.

Well, the Honourable Member for Fort Rouge made a number of points, which I have noted. He has commented with positive words on the fact that in the Province of Ontario they are engaged in a monitoring system relative to the retail price of gasoline, and for the honourable member's information I can tell him that we in Manitoba have also undertaken a modest but systematic monitoring, which is being carried out under the aegis of the Department of Consumer Affairs. The Minister of Consumer Affairs has been keeping abreast of that. But one should not make too much about this process of monitoring, Mr. Speaker. It's merely an information gathering, an intelligence gathering procedure, and I'm not aware that in the sister provinces to the east that they are doing anything as a tangible follow-up to that monitoring. In other words, they are monitoring, but then what? Well up-to-date, nothing; nothing by way of follow-up. I'm not aware that any action is being taken in those jurisdictions to provide any form of cushioning, and I'm not suggesting that they should, necessarily. That is a matter for decision-making on their part.

I would also agree with the Honourable Member for Fort Rouge that to some extent there was a hiding of information, or less than complete information that was given out at the time of the discussions in Ottawa, the First Minister level, as to what the full impact of a \$2.00 and subsequently a \$2.50 increase per barrel at the wellhead would mean. Still, I apologize

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(MR. SCHREYER cont'd) to the Member for Fort Rouge. I did not mean to be rude, and I hope I was not, but I called out to him during his intervention in the debate that he was really quite far out with respect to his figure of 50 cents per barrel as being that amount incidental, miscellaneous, over and above the \$2.50 agreed to as being a permitted or allowed increase in price of crude oil at the wellhead. Because a 50-cent additional miscellaneous cost simply does not exist, Mr. Speaker; it is more in the order of 25 cents. And so my honourable friend really was quite wrong in the figure he used - 100 percent margin of error, although on a per barrel basis he was out perhaps 25 cents a barrel.

The Honourable Member for Fort Rouge should know that about a month ago, roughly a month ago, the Honourable the federal Minister of Energy, Mines and Resources sent a rather lengthy telegram to all of the oil-producing companies and operators of refineries, indicating the amount of increase per barrel and per gallon that would be regarded as permissible by the Federal Government. That is an amount of approximately 8.8 cents per gallon, you know, according to the calculations that were run by the federal experts and authorities. So that there is no point in looking at the various provincial jurisdictions in Canada and second-guessing as to whether or not the provinces could have or should have done something differently to have insured that there would be less of a retail price change than has actually taken place. I believe that the only area in which there can be serious room for any second-guessing, or questioning rather, of the price adjustments that have been carried out by the oil producers and the refiners, distributors, would be something in the order of perhaps one-half of one cent per gallon, candidly speaking and to be fair to the oil companies, about one-half of one cent per gallon and not more than that. Because the federal authorities themselves acknowledged an 8.8 cent per gallon on regular gasoline as being what they regarded as flowing necessarily because of the permitted increase in the wellhead price.

Now let there be no confusion about this. The Province of Manitoba, the Government of Manitoba, did not want any increase in the price of crude oil. We didn't ask for it. The action we are taking in this bill will produce something in the order of \$8 million of additional revenue to the Crown, but it is revenue that we did not seek and, frankly, it is revenue that we did not particularly want. On the other hand, we certainly were not going to allow this windfall to accumulate to the exclusive benefit of the oil producers and the oil companies. Therefore we announced the policy some time ago that we would take all of the incremental revenue to the Crown as the result of change in royalties, to capture most, if not all, of the increased price of oil, and we would allocate all of that increment and revenue for the specific purpose of cushioning the price to Manitoba motorists and consumers of crude oil product. And that is really how we have arrived at two pieces of legislation, this bill, and another bill which honourable members have already passed which provides the authority for the reduction in the motive fuel and related taxes in the order of two cents per gallon. This will cost somewhere, something reasonably close, according to our best estimates, to the amount of revenue that will be derived as a result of the passage of this bill that's before us now.

I say to the Honourable Member from Fort Rouge that if he has some concern as to whether or not the motoring public of Canada are being bilked as a result of the changes that were allowed in the past six months in the domestic price of crude oil, and all of the consequential price changes as a result of it, he will have an opportunity in the next 12 months - it is almost exactly 12 months - between now and July, 1975, when there will be - notice has already been served that there will be some price adjustment unless the world oil scene is completely static - there will be some further price adjustment in July of 1975. The Honourable Member for Fort Rouge has some influence in Ottawa, and I would hope that he would use that influence to bring the message to them as clearly as he can that Canadians, Manitobans, are not particularly looking forward with any alacrity or enthusiasm to the prospect of yet additional increases in the price of crude oil in terms of the domestic market in Canada. I don't see why there should be any hint, direct or indirect, that somehow, some way, it is the provincial jurisdictions that are responsible for the price increase with the exception of Alberta and Saskatchewan, to be candid about it, there's no questions to which two provinces want it, an increase - in fact they wanted a far greater increase than was ultimately agreed upon, Alberta and Saskatchewan, no other provinces wanted increases.

But since increases were apparently felt by a majority of Canadian Governments, Federal and Provincial, to be unavoidable for two reasons: (1) Because the differential between the

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(MR. SCHREYER cont'd) international price and the domestic price couldn't be, you know, phenomenally large, or ridiculously large, the discrepancy of five, six dollars a barrel was felt to be just too long to be able to be tenable in the long run. That's one reason why there was consensus or agreement toward some price increase. The second reason is because for the sake of Confederation, national unity itself, it was felt that the two major oil producing provinces could not be expected to provide Canadian domestic consumers with a commodity at far far below world trading prices value without them and the citizens of those provinces developing and generating a fierce resentment against Canadians elsewhere, and so the discussion went on and on for many many hours in the Prime Minister's residence on Rideau Street, hour after hour. Finally some form of consensus was reached pleasing no one, neither the two oil producing provinces nor the major consuming provinces, but as so many things in Canada and in Canadian history it ended up as that kind of a sort of rough, tatter-edged compromise, and that's not new in Canada. So we are at the situation where we are at, and we are really taking steps here which are consequential in nature, and we are not taking action here that was really in any way initiated by this Government, but we feel it is so clear and so logical as to what we must do; what we must do is contained in the contents in the body of Bill 85.

Now I want to go on to suggest to the Member for Fort Rouge, and his comment in this respect was common to all previous speakers as well, that it is not as though the formula we are proposing in this legislation is something that is hastily conceived, ill conceived, not thought through, and that it somehow will work a hardship on the oil producers, because, Mr. Speaker, the fact of the matter is that we have looked closely at the kind of royalty changes and royalty schedule that has been implemented in our sister provinces that are the major oil producing provinces, namely Alberta and Saskatchewan, and so we are at least taking some advantage of the benefit of prior action or experience elsewhere, and in comparison with the kind of royalty schedule that has been levied in Saskatchewan, ours is hardly onerous because some time, several months ago as the honourable members may know, Saskatchewan announced a new royalty schedule which set a base price of \$3.00 and, I believe it was \$3.40 per barrel, and all increment in oil prices beyond that would be taxed off 100 percent by the Crown. Now they've modified that slightly since, to take account of smaller producing wells, and to take account of incentives for exploration and drilling, but even with that in percentage terms their oil royalty formula was certainly more rigorous or onerous than what we are proposing here, and for that matter the province that moved perhaps even a few months earlier than the Province of Saskatchewan to bring about a dramatic increase in oil royalties, was the Province of Alberta. They were proceeding in a way which, in the case of natural gas at least, is even requiring the opening up of pre-existing and existing contracts, which is hardly the kind of action that I suppose would be acceptable to my honourable friends opposite. All the more reason to really have to wonder as to just what it is we are proposing here that is regarded as so undesirable, or dangerous, or precedent setting, because I believe none of this is precedent setting.

The Member for Riel suggests that the information that has been made available to honourable members is inadequate, and I say to him that it is my sincere belief, members of the Opposition having been given the basic data, really it is their responsibility, the onus is on them and I'm sure they are equal to the task, of deriving such additional information as they feel they need on their own. The idea that Oppositions must somehow get information spoonfed for them is one that I'm sure honourable members opposite would not want to see happen in any case, and therefore I don't think that this is a point which requires any further comment on my part. Basic data has been provided, additional detailed and technical information; the opportunity is there, the responsibility is there on honourable members to acquire that the best way they know how on their own initiative and in their own methods of research, etc.

I note that the Member for Riel expressed some concern about the fact, and it is a fact, that under existing regulations it is open for the government to require oil companies that wish to close out a well, to require them to do such and such, and a list of any number of detailed procedures that they must follow; and the Member for Riel implied, I don't think he stated so specifically, that this was an awful lot of authority and power to give any government. Well, Mr. Speaker, I can only say in that respect that that kind of authority with respect to empowering the Lieutenant-Governor-in-Council to cause any producing company to follow a certain procedure, and to require certain performances, preliminary to the closing out of a well, that

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(MR. SCHREYER cont'd) authority exists, yes, and it has existed in regulation for many a long year, so it's not as though we are asking for some additionality of executive branch powers or authority in that respect. So if the power is there in excess, and I'm not saying it is, but if one wants to argue that there is an authority there that is in excess, it was put there by honourable gentlemen opposite, or even their predecessors - I suspect that this goes back to about 1952-53 in the regulations that were promulgated at that time. As a matter of fact, I made a note here to indicate that the provision in the Act that gives the Lieutenant-Governor-in-Council the authority by regulation to alter oil royalties, that goes back, Sir, to 1953-54 or thereabouts.

Well what is the main thrust though of honourable members' comments? It is the suggestion that we are somehow going to work a hardship upon the oil companies, and I find that extremely difficult to understand for the simple reason, Mr. Speaker, that I had before me a 10 year analysis as to the production levels in Manitoba, the value of production, the amount of producing Crown land, the amount of oil produced on freehold land, and the average price per barrel, and I note, Sir, that all through the decade of the 1950s and practically through the entire decade of the 1960s the price of oil was remarkably constant at around \$2.50 a barrel. It didn't change very much for about 15 years and, as I say, averaging at around the \$2.50 mark per 35 gallon barrel, and then what happened? Starting in 1971 the price went - I'll just run through it very quickly, starting in 1963, \$2.44, \$2.43, \$2.48, \$2.50, \$2.50, \$2.51, \$2.52, \$2.51, a remarkable constancy; and then in 1971, \$2.75, \$2.72, \$2.77, a grand increase of two cents per barrel, not per gallon, two cents per barrel; 1973, 3.37, and then by the end of that year, \$6.00, \$8.00, \$10.00, \$11.50, in world markets.

It is hardly an exaggeration to say, Sir, that the price in terms of world price was determined and dictated by either a complete departure from logic and reason, something bordering on insanity, or else it was greed and avarice on a monumental scale, but that is not directly germane to the subject matter that is before us. Let it however be said that just because this kind of phenomenon was at work in the world, no logic, no rational government in Canada could countenance that sort of thing, and therefore - and I make no apology for it, Mr. Speaker - when the Government of Canada imposed the export tax our attitude here was announced almost immediately, it certainly was swift and unequivocal, that we supported the imposition of a form of taxation that would insure that there was no monumental rip-off by private interests because of uncontrolled, and uncontrollable world events, no rip-off allowed within our country, our nation, in a way that would be detrimental to Canadian consumers, and at the same time completely unjustifiable in terms of economics, and in terms of reason itself, and therefore at least the Federal Government action was the correct action - and if I may be permitted an aside here, I think the fact that there was the existence of a forceful New Democratic Federal group, had some bearing on it. I wouldn't try to quantify the extent to which they had an influence, but I think it was significant. So the Government of Canada has been collecting a tax on oil value, Mr. Speaker, in the order of two, four and six dollars per barrel, therefore it puzzles me very much, Mr. Speaker, as to why there is this great concern by honourable members opposite that the provincial Crown is taxing too much, and we are talking about a graduated schedule of royalty going from \$1.37 to \$2.28 a barrel. That is less than half of the amount of revenue being pulled off by the Federal authorities for good reason, because windfall simply cannot be countenanced in our day and age, Mr. Speaker, particularly when it relates to a non-renewable depleting energy source such as crude oil. So we are proceeding with this legislation.

I do not believe, and I look at the Honourable Member for Virden in particular when I say so, I do not believe there is any hardship being imposed or caused to the oil producers, or companies, or to the owners of the freehold interest for the reason that, even though there is an increase in the royalty tax, the amount net to them is still greater than it was at any year in the decade of the 1960s because if they were content with the price of, and they had to be, of \$2.50 a barrel in the 1960s, minus the conventional royalty of that day, then today they are looking at a price which net to them is in the order of about \$4.00 to \$4.10, would my honourable friend agree that it nets out even to the larger wells at something in the order of \$4.00, \$4.10, or \$4.20 a barrel? My honourable friend says, ah, but their cost of production has gone up. Well, Mr. Speaker, their cost of drilling and exploration have gone up, the costs of pumping have gone up, but they have gone up, Mr. Speaker, at a rate less than the amount of

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(MR. SCHREYER cont'd) increase in the price of oil that has taken place in the last three years from \$2.50 in 1971 to \$4.10, or thereabouts, today; and in the case of a small well owner and producer if it's a well that is 10 barrels or less, then they are receiving an amount of approximately 80-90 cents over and above the price they were getting last December, so we are looking at something like \$4.80 a barrel. That is practically \$2.00 a barrel more than they were getting three years ago, and you know I just fail to understand this concern, this solicitude, that somehow these people are being hard done by, because that simply cannot - that argument cannot be made with conviction. In any case, Mr. Speaker, let it not be thought that there was no inflation taking place in the 1950s and 60s, not at the rate that it has taken place in the last 12 months, I quite agree because inflation has been in the order of 9 percent in the past 12 month period, but then again there was increases in cost because of inflation in the order of 5 percent in 1972, 5 percent in 1968, 4 1/2 percent, 3.78 percent in 1960. Every year, Sir, there has been some degree of inflation, and while that has been taking place, subdued but taking place nevertheless, the price of oil did not change at all, or if it did, a matter of one or two cents per barrel, which is practically no change.

So I say that if there was incentive to explore and drill and engage in secondary recovery methods of pumping oil, by the use of water, etc., when the price of oil was \$2.50 a barrel, today, now that it is about \$4.50 per barrel in the case of the smaller wells, there is more incentive than there ever was. But I quite admit that everything in this world is relative, and we will be told that - but in the State of North Dakota the amount that the oil companies can retain after royalties and taxes to U. S. authorities, will be ever so much greater, it will be about \$1.50, \$2.00 a barrel greater than it is here, and therefore they will explore and drill new wells in the Williston Basin in North Dakota and not in the Virden area. I say to my honourable friend that it would be far better if we want to set up a system of incentives for drilling and exploration that we do so through a deliberate formula of cost allowances and deductibilities with respect to actual costs incurred in drilling and exploration, far better to do it that way than to work it into a royalty schedule which will by no means insure that the royalty forgiveness that they are enjoying will actually be put into the costs of exploration and drilling. So I certainly would not want to accept the argument that in order to provide the incentive, the encouragement for exploration and drilling that we should work out a more generous and therefore lower schedule of royalties. We would prefer to keep it as it; we would prefer to discuss with the oil companies a deliberate formula that is actually related to actual costs incurred in exploration and drilling.

The Member for Virden suggests that we - meaning Canadians really - are becoming more desperate for oil, and therefore we should want to provide greater incentives for exploration and drilling. I say to him simply this: That yes we are more desperate for liquid hydro carbon product, including oil, than we were ten years ago, but I think he will have to agree that humanity will become more desperate still ten years from now. This is a non-renewable, which is storable, it will not rot in the ground, and rather than continue the pattern of the past of excessively generous public royalty collections, that it would be far better to, far better that we conserve and husband this resource for use in the future than be so desperate to consume it now that we provide an unjustifiably generous depletion and exploration, and drilling incentive. And if my honourable friend from Virden thinks we are desperate now, if he agrees that humanity will be even more desperate for oil product ten years from now, I say to him that the next generation will be ever so much more desperate. And at that period in the future the word "desperation" will have real meaning because I think this is a message that is coming now more clearly to the recognition of more and more people, that it is only a matter of one generation, or so, and the western industrial world will be in very desperate straits in terms of searching for alternative forms of energy as a replacement for that huge quantity of oil that was pumped out of the ground in the period of World War II and in the decades after that, which really caused the high living standards that we enjoyed in the fifties and sixties and seventies, but at the expense of future generations yet to come.

I don't want to dwell philosophically on this matter, Mr. Speaker; now is not the time. But certainly the modest relatively insignificant step we are taking here of having a graduated royalty formula to capture for the public, and specifically for the motoring public, this increase, this rather unjustifiable increase, I readily admit an unjustifiable increase in oil prices, rather than it going to one particular sector of our larger community, part of it is being taxed off so

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(MR. SCHREYER cont'd) as to be used and available for the cushioning of consumer prices. 1974 is a year of increasing costs of living, and of course it hasn't helped the fact that in Canada the price of oil has been allowed to jump from \$4.00 to something in the order of \$6.70 a barrel if you include collecting costs and marshalling costs. That has meant an increase of 8, 9 cents per gallon in the cost of gasoline, and that in turn means about one full point increase in the consumer price index all by itself. So if we have a nine percent increase in the cost of living in 1974, Mr. Speaker, one full point of that, minimum, one full point will be due exclusively to the increase in the price of oil and petroleum product. The least we should do, which we are doing, is that we are saying, all right, some of this, a significant part of it, off it comes so that it can be made available to the general population in their capacity as consumers and motorists. I think that, Mr. Speaker, that all the rest really is detail.

Maybe I could in conclusion just refer to one other point that was made, some suggestion that the legislation might be ultra vires, and I say that what we are proposing here is merely a revision in degree of an already existing kind of tax. This form of taxation has been on our books in Manitoba for many years. The change that is taking place is a change in degree, it is not a change in kind, and therefore if it's ultra vires now it must have been ultra vires these many long years. Therefore I have no difficulty in recommending the adoption of this bill to honourable members.

INTRODUCTION OF GUESTS

MR. SPEAKER: Before we proceed I should like to direct the attention of the Honourable Members to the gallery where we have 30 students of Grade 6 standing of the Peguis Indian School. They are under the direction of Mrs. Wuskynyk. This school is located in the constituency of the Honourable Member for The Pas, the Minister of Northern Affairs. On behalf of all the Honourable Members I welcome you here this morning.

COMMITTEE SUBSTITUTIONS

MR. SPEAKER: The Honourable Member for Radisson.

MR. HARRY SHAFRANSKY (Radisson): Mr. Speaker, by leave, I wish to make a substitution on the Law Amendments Committee. Substitute the name of McBryde for Miller. (Agreed)

MR. SPEAKER: The Honourable Member for Portage la Prairie.

MR. GORDON E. JOHNSTON (Portage la Prairie): Mr. Speaker, I would like to make some substitutions on the Law Amendments Committee. The Member for Assiniboia and the Member for St. Boniface for this evening be replaced by the Member for Portage and the Member for Fort Rouge.

MR. SPEAKER: (Agreed) The Honourable Member for Gladstone.

MR. JAMES R. FERGUSON (Gladstone): Yes, Mr. Speaker, I'd like to, by leave, also have some changes. Substitute the name of Banman for Bilton and Blake for McKellar on Law Amendments.

MR. SPEAKER: (Agreed) The Honourable Member for -- just a minute. I had someone wave at me. I thought there was another change being contemplated. The Member for Morris want one?

MR. JORGENSEN: Mr. Speaker, the Member for Gladstone has moved the two amendments that we propose, and we have sent the Clerk a copy so there'd be no mistakes.

MR. SPEAKER: Thank you. The Honourable Member for Birtle-Russell.

BILL NO. 85 Cont'd

MR. HARRY E. GRAHAM (Birtle-Russell): Mr. Speaker, I would like to speak on this bill.

MR. SPEAKER: The Honourable First Minister.

MR. SCHREYER: The legislation introduced by the Minister of Mines and Resources, the Acting Minister of Mines and Resources, has simply carried forward at this stage so that therefore unless my honourable friend the Member for Birtle is suggesting that the Minister introducing a bill cannot close debate on the bill.

MR. SPEAKER: The Honourable Member for Morris.

MR. JORGENSEN: Mr. Speaker, that's the point that I will make at this juncture, that

BILL 85

(MR. JORGENSEN cont'd) the debate can only be closed by the Minister introducing the bill. Now the Member for Birtle-Russell has a few comments he'd like to make. Perhaps it can be done in a few minutes, but I think we should establish, and this has already happened once before, and I think we firmly established by precedent, that the only person that can close a debate is the Minister who has moved it for second reading.

MR. SPEAKER: The First Minister.

MR. SCHREYER: Mr. Speaker, fortunately it's 12:30 and will give you the opportunity by coincidence to take the matter under advisement. There is, I think, some considerable importance to this point of the rules because clearly if a Minister introduces legislation of his department and then in his absence the Acting Minister of that department simply carries on, and if he cannot close debate then we'd better know that clearly now. I mean to say, Sir, today because it has implications for the future.

MR. SPEAKER: I would concur with what has been said by both parties to this particular point of order. The only dilemma the Chair has is it was not indicated to the Chair that the Honourable First Minister was concluding debate or replying and consequently I did not give the House notice of it. Had I been informed I would have given the House notice that this was taking place, and then there would have been no question about the matter. Consequently I think we'll just have to proceed that the debate is still open.

The hour being 12:30 -- the Honourable Minister of Labour.

MR. PAULLEY: If I may, Mr. Speaker. I understood that the Honourable Member for Birtle-Russell said that he only had two or three minutes. I don't know what the inclination of the Opposition is to whether other members will participate in the debate following. Now I'd like to suggest if that is a general agreement that we can hear the honourable member for two or three minutes and then dispose of the resolution. Now I don't know if that's the inclination of the House.

MR. SPEAKER: The Honourable Member for Birtle-Russell.

MR. GRAHAM: Mr. Speaker, on the point of order. I believe I was interrupted. What I was going to bring to your attention was there was only two or three minutes left before closing, and the remarks that I had to make would take longer than that.

MR. SPEAKER: The Honourable Minister of Labour.

MR. PAULLEY: Well then, Mr. Speaker, I indicated to the House the other day that it was anticipated that we would come in to the House at 2:30 this afternoon and following routine procedures we would go into Law Amendments Committee in Room 254. I think honourable members will understand that in view of what has happened, and the length of time it's taken on this bill this morning, that that no longer holds true; that we will come into the House this afternoon at 2:30 and proceed with business and if, prior to the arrival of 5:30, we can spend some time in Law Amendments that we will go into Law Amendments at that time. But in view of the circumstances, I am sure that members will agree with me the suggestion I made the other day cannot be carried forward.

MR. SPEAKER: The hour of adjournment having arrived, the House is now adjourned and stands adjourned until 2:30 this afternoon.