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PETRO CANADA SHARE SALE - RESOLUTION

Background

In 1980, the Liberal government of Pierre Trudeau brought forth the National Energy Program (NEP).

One of the stated goals of the NEP was to increase Canadian ownership in the oil and gas industry in Canada. One of the policy tools that were used to achieve this goal of "Canadianization" was the creation of the Canadian Ownership Account (CAO).

As stated in the National Energy Program documentation, the Canadian Ownership Account was, *"…to be financed by special charges on all oil and gas consumption in Canada, to be used solely to finance an increase of public ownership in the energy sector".* On 23 April 1981, the federal government brought forth a Ways and Means motion which created this Account, and its accompanying "Canadian Ownership Charge".

This Charge was a tax on consumers of oil and gas products, and began to be collected as of May 1, 1981. The Ways and Means motion prescribed that it would be set at a rate not exceeding $7.25 per cubic metre of domestic petroleum received for processing or consumption in Canada and foreign petroleum or petroleum product imported into Canada for processing, consumption, sale or other use in Canada.

Motorists felt the impact of this charge almost immediately. At the pump, the Charge translated into 4 cents for every litre of fuel being paid into the Canadian Ownership Account. Statistics Canada reports that gasoline prices in June 1981 shot up 8% in one month, one of the steepest month-over-month increases in the past 25 years.

The Auditor General's report of 1982 revealed that in less than one fiscal year, between 1 May 1981 and 31 March 1982, the Charge had raised $786 million. The Auditor General's Report of 1983 revealed that in fiscal year 1982 – 83, the Charge had raised an additional $890 million, and so forth.

So what were these funds used for? As stated in the legislation, the purpose of the Account was to increase public ownership in the energy sector. *By far the largest transaction financed by the Canadian Ownership Account was the acquisition by Petro Canada of Petrofina in 1981*. The Petrofina acquisition allowed Petro Canada to broaden itself from a purely Western Canadian-based company, as it took ownership of PetroFina's Eastern refinery and 940 gas stations in Eastern Canada. It also increased the Canadian presence in Quebec, a major political objective at the time given the separatist threat.

The cost to acquire Petrofina was approximately $1.7 billion, spread out between 1981, 1982, and 1983. The federal government advanced Petro Canada the full amount of this $1.7 billion transaction through the funds collected through the Canadian Ownership Account. In return, Petro Canada issued non-interest bearing convertible notes to the federal government. These notes were later converted into common shares.

In short, motorists, through the Canadian Ownership Account, paid for the expansion of Petro Canada and the resultant share ownership in Petro Canada by the federal government.
In the 2004 federal budget, the government announced that it would be selling off its remaining shares of Petro Canada (the federal government owns approximately 20% of Petro Canada's common shares).

The revenue from the share offering is expected to be in the $2.8 to $3 billion range. The budget furthermore announced that $1 billion from the revenue of this share sell would be devoted to the development of environmental technologies. This leaves approximately $1.8 to $2 billion left unallocated.

Resolution

The Western Canada Roadbuilders & Heavy Construction Association (WCR&HCA) advances for favorable consideration the following resolution:

WHEREAS, that the Canadian Ownership Account (COA) was funded in large measure by an increased fuel paid by motorists;

AND WHEREAS, that funds from the COA were used to expand PetroCanada, and the federal government received shares for that investment;

AND WHEREAS, the federal government is now selling off its remaining shares;

AND WHEREAS, there is still no federally led and partnership funded National Highways Program to address the estimated $20 billion investment deficit in Canada's National Highways System to bring it up to current engineering, safety and design standards,

NOW THEREFORE BE IT RESOLVED, that a portion of the revenues realized from the sale transaction should be refunded back to motorists through an allocation of a portion of the net sale proceeds of Petro-Canada shares to a dedicated account for the purposes of investment in Canada's National Highways System.

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