

LEGISLATIVE ASSEMBLY OF ALBERTA

Monday, December 3, 1973

[The House met at 2:30 o'clock.]

PRAYERS

[Mr. Speaker in the Chair]

NOTICES OF MOTION

MR. HYNDMAN:

Mr. Speaker, at this time I should like to give notice of introduction of two bills. First, The Gas Utilities Amendment Act relating to propane will be introduced tomorrow. Secondly, The Petroleum Marketing Act, 1973 will be introduced on Wednesday or Thursday.

INTRODUCTION OF BILLS

MR. HYNDMAN:

Mr. Speaker, before proceeding with introduction, insofar as the usual notice could not be given by reason of this session, I would ask for leave of the Assembly for the Minister of Mines and Minerals and the hon. Attorney General to introduce three bills relating to energy matters.

HON. MEMBERS:

Agreed.

MR. SPEAKER:

The hon. Government House Leader has the requested leave.

Bill No. 93 The Freehold Mineral Taxation Act

MR. DICKIE:

Mr. Speaker, I beg leave to introduce a bill being The Freehold Mineral Taxation Act. The Freehold Mineral Taxation Act will apply to the taxation year 1974 and subsequent tax years. It replaces The Mineral Taxation Act, 1972.

The main change is that it applies to freehold mineral rights only, and not to interests under Crown leases.

[Leave being granted, Bill No. 93 was introduced and read a first time.]

Bill No. 94 The Mines and Minerals Amendment Act, 1973

MR. DICKIE:

Mr. Speaker, I beg leave to introduce a bill, being The Mines and Minerals Amendment Act, 1973.

This bill essentially covers three points.

First. it clarifies that a royalty reserved to the Crown is payable in kind.

Second, that the Lieutenant Governor may fix a rate of royalty greater than the maximum royalty provided in petroleum and natural gas leases.

Third, it deals with the Alberta Petroleum Marketing Commission and essentially provides that every agreement is subject to the conditions: (a) that the Crown's royalty share of petroleum recovered shall be delivered to the Alberta Petroleum Marketing Commission, and (b) that the petroleum recovered, other than the Crown's royalty share, shall be sold through the Alberta Petroleum Marketing Commission.

[Leave being granted, Bill No. 94 was introduced and read a first time.]

Bill No. 96 The Gas Resources Preservation Amendment Act, 1973

MR. LEITCH:

Mr. Speaker, I beg leave to introduce a bill being The Gas Resources Preservation Amendment Act, 1973.

The purpose of this bill, Mr. Speaker, is to remove or exclude freehold gas from the provisions of The Gas Resources Preservation Act.

[Leave being granted, Bill No. 96 was introduced and read a first time.]

INTRODUCTION OF VISITORS

MR. COOKSON:

Mr. Speaker, it is a pleasure to introduce to you today and to the members of the Assembly a class of Grade 12 students from the Canadian Union College at Lacombe, Alberta. They are accompanied by their teachers, Mr. Medinger and Mr. Brendel. I would ask that they rise and be recognized by the Assembly.

MR. YOUNG:

Mr. Speaker, I beg leave to introduce to you and through you to members of the Assembly a class of Grade 10 students who are with us this afternoon and are seated in the members gallery. They are from Ross Sheppard High School in my constituency. I request that they rise and be recognized.

FILING RETURNS AND TABLING REPORTS

MR. DICKIE:

Mr. Speaker, I would like to table a report made public last Friday by our Energy Resources Conservation Board. The report is entitled Interim Report, Alberta's Requirements of Energy and Energy Resources, 1972 - 2001.

MISS HUNLEY:

Mr. Speaker, I beg leave to present the Annual Financial Report from the Alberta Racing Commission for 1973.

ORAL QUESTION PERIOD

Alberta Petroleum Marketing Commission

MR. CLARK:

Mr. Speaker, I would like to direct a question to the Minister of Federal and Intergovernmental Affairs, and ask the minister if he has had consultation with his counterpart, the federal minister, Mr. Macdonald - now that we have re-established diplomatic relations with Ottawa - if he has had discussions with the minister regarding the Alberta Petroleum Marketing Commission?

MR. GETTY:

Yes, Mr. Speaker, we have had meetings with my colleague, the hon. Minister of Mines and Minerals, and the Federal Minister of Energy, Mines and Resources

over various plans that the government, in proposed legislation, intended to proceed with in this session.

MR. CLARK:

A supplementary question, Mr. Speaker, to the minister. Has the federal minister given an assurance to the Government of Alberta that the proposed Alberta Petroleum Marketing Commission legislation would meet the constitutional concerns of the federal government?

MR. GETTY:

No, Mr. Speaker.

MR. CLARK:

One more supplementary, Mr. Speaker, to the Minister of Federal and Intergovernmental Affairs. Has the federal government given an undertaking to the federal minister that, upon successful passing of the legislation dealing with the marketing commission, the federal government will withdraw the federal export tax?

MR. GETTY:

No, Mr. Speaker. The hon. member should be clear that the Minister of Energy, Mines and Resources has not seen the legislation which we are proceeding with.

MR. CLARK:

Mr. Speaker, a supplementary question to the minister just to clarify the situation. Didn't the minister say that he had discussions with the hon. minister Mr. Macdonald?

MR. GETTY:

Yes, Mr. Speaker.

MR. NOTLEY:

Mr. Speaker, a supplementary question to the hon. minister. Could the minister advise the Assembly whether the government has received constitutional advice as to the constitutionality of the proposed marketing board, and further, while I am on my feet, Mr. Speaker, would the minister give the names of those people who gave the government constitutional advice?

MR. GETTY:

Mr. Speaker, the government has received constitutional advice regarding the legislation. Perhaps it might best be handled, Mr. Speaker, by having the members wait until the legislation is in fact presented so that we can give it full consideration at that time.

Petroleum Products Shortage - Ottawa Discussions

MR. CLARK:

Mr. Speaker, a second question to the Minister of Federal and Intergovernmental Affairs. In the course of his discussions with Mr. Macdonald and the federal government, has he discussed the shortage of petroleum products facing Canadians and especially Albertans?

MR. GETTY:

Mr. Speaker, we have participated in meetings both at the ministerial level and at the officials' level. There has been a government-industry technical advisory committee which has met to assist throughout Canada with assessing ways and means of helping parts of Canada, other than Alberta, Saskatchewan and Manitoba, through what may be a shortage period this winter.

However, while we have discussed these matters with them and cooperated in every way possible, Mr. Speaker, I think we should not leave any misinterpretation that the hon. member may have brought to the House that there is a shortage in Alberta. There just is not.

MR. CLARK:

A supplementary question, Mr. Speaker. Has the minister discussed with the federal government the shortage of fertilizer, antifreeze, heavy grease and propane?

MR. SPEAKER:

Since this appears to be a somewhat new topic, although related, we might revert to it after we have finished the first round of questions.

MR. CLARK:

Mr. Speaker, may I just ask one supplementary question of the Minister of Consumer Affairs? Has the Minister of Consumer Affairs been monitoring this particular field?

MR. SPEAKER:

Perhaps we could deal with that supplementary also when we come back to this topic.

The hon. Member for Cypress followed by the hon. Member for Calgary Mountain View.

Prime Minister-Premier Energy Talks

MR. STROM:

Thank you, Mr. Speaker. I'd like to address my question to the hon. Premier, through you, if I may. Has the hon. Premier had any direct consultation with the Prime Minister in regard to the energy crisis, since we last met?

MR. LOUGHEED:

Mr. Speaker, no, we have not. We have been having the discussions the Minister of Federal and Intergovernmental Affairs referred to. At this stage it hasn't been necessary to have such discussions. If at any time it appears that something occurs that would require it, certainly we'd be prepared to have such discussions. We have been mentioning, I believe since April of last year, that we would welcome a national energy conference of First Ministers, which I think would be in the interest of Canada at large.

I would like to say, though, as far as Alberta is concerned, that "energy crisis" is not the phrase that we would be inclined to use. We think that for a resource-based province such as Alberta it is not an energy crisis; it is a time of energy opportunity.

Canada-U.S. Energy Discussions

MR. STROM:

Mr. Speaker, may I ask a supplementary question, and point out that I did not suggest there was an energy crisis in Alberta. I was referring to it in general terms.

I would like to ask the hon. Premier if he has given any consideration to requesting a high-level meeting between Canada and the United States, possibly with Alberta being permitted to join such a conference, to discuss possible distribution of energy sources.

MR. LOUGHEED:

Mr. Speaker, that question certainly raises a very important matter. Hon. members will recall that as early as the session of 1972 and prior to that session, the government was involved in attempting to establish what we thought would be in Canada's best interest; that at discussions on energy between Canada and the United States an official observer status be granted to the Government of Alberta because of our particular position in the North American supply question. It is unfortunate that the federal government at that time did not accede to the request, although I think it is fair to say that with the odd exception the federal government has, through the federal minister, Mr. Macdonald, kept the Alberta Ministers of Federal and Intergovernmental Affairs and of Mines and Minerals fully apprised of discussions of that nature.

Syncrude

MR. WILSON:

Supplementary, Mr. Speaker, to the hon. Premier. What is the current status of the Premier's proposed treaty with the United States government for the proposed sale of Syncrude production?

MR. LOUGHEED:

Mr. Speaker, that comment was made in an interview, I believe, last Thursday. It's one of the items that we would like to raise at a national conference on energy. We think that it would be a very positive one for Canada, and it is among many things we intend to raise at a national conference of First Ministers on energy.

MR. WILSON:

Supplementary, Mr. Speaker, to the hon. Premier. Has he had any response from the federal government regarding this proposed treaty?

MR. LOUGHEED:

Mr. Speaker, it's not one that has been made in a formal way. I believe the Minister of Federal and Intergovernmental Affairs and the Minister of Mines and Minerals have raised the general subject in the course of their discussions.

Of course we have some limitation as to the amount we can deal with in a public way as to what was discussed. But we are gathering together now in the Alberta government a number of policy initiatives that we would bring to the table when the national conference of First Ministers on energy develops. That would be one policy which we think would be in the best interests of Canada, of Alberta, of the United States and of the whole world.

What we're looking at with that policy, if I could take just a minute, Mr. Speaker, is a recognition that first and foremost Alberta requirements for the future have to be met.

Secondly, we should have a national policy of self-sufficiency in energy, and when we have reached that point, if it is possible - and we think it is - that the development of the Alberta oil sands is of such a magnitude that there is a warranted way in which we can participate with the United States on a treaty basis for a long-term supply, we think it's in the best interests of Alberta and Canada, subject to the qualification of the degree of refining and processing here.

MR. WILSON:

Supplementary, Mr. Speaker, to the hon. Premier. When he mentioned "Alberta requirements", could he advise if he was referring to a specific number of years?

MR. LOUGHEED:

Mr. Speaker, that is a subject I would prefer to deal with during the course of debate. It is a matter that involves the document that has just been tabled by the Minister of Mines and Minerals. I think it's better answered during the course of debate and I will undertake to do so.

MR. SPEAKER:

The hon. Member for Calgary Mountain View followed by the hon. Member for Hanna-Oyen.

Oil Prices

MR. LUDWIG:

Mr. Speaker, my question is to the hon. Minister of Federal and Intergovernmental Affairs. Will any action taken by this government on post-January oil prices be made in consultation with the federal government?

MR. GETTY:

Mr. Speaker, I gather that's a hypothetical question the hon. member is raising. It certainly is our intention to consult fully with the federal

government on actions we will be taking, as long as we feel that those consultations can go on in a spirit and under conditions that we think are necessary to carry on this discussion.

MR. LUDWIG:

Mr. Speaker, is there any position the provincial government has taken at the present time with relation to the pricing of petroleum products or oil in this province when Ottawa backs off its export tax?

MR. GETTY:

Mr. Speaker, would the hon. member perhaps rephrase the question? I'm not sure what he was trying to get at.

MR. LUDWIG:

Does the government have any policy whatsoever to determine which way it will go when Ottawa backs off its export tax on oil?

MR. GETTY:

I guess it's if and when they back off the export tax, Mr. Speaker. As a matter of fact, the government has had discussions with the federal government on the future pricing of oil in Canada and throughout the world for that matter. But those discussions are currently under way and we are unable to give any further details regarding them.

MR. LUDWIG:

A further ...

MR. SPEAKER:

Possibly we could come back to this topic. We're stretching out the supplementaries to some extent.

The hon. Member for Hanna-Oyen followed by the hon. Member for Drumheller.

Suffield Block

MR. FRENCH:

Mr. Speaker, my question is to the hon. Minister of Federal and Intergovernmental Affairs. Has the provincial government completed the negotiations for the total use of the Suffield Block?

MR. GETTY:

No, Mr. Speaker.

MR. FRENCH:

A supplementary question. Is the minister negotiating with respect to the use of grass at the present time ...

[Laughter]

... grass, grazing - you know, for cattle.

MR. GETTY:

Mr. Speaker, over the past year there has been a relaxation of the use of the Suffield Block for cattle-grazing. It's fair to say that we have been discussing with the federal government a variety of matters concerning the use of the Suffield Block, not just with regard to the production of natural gas, but taking into account the interests of the people in the area who wish to have a military base in existence because they feel it is a major part of their economy.

Others, as the hon. member indicates, would like to use the land for cattle-grazing. Then there are the interests of those who feel that the environment should be protected, that perhaps we could have an excellent park and research station there. All of these matters are being discussed and, as I said, last but not least, there is certainly the possibility of using the area for the

production of natural gas should we be able to establish that there are sufficient reserves for production and sale elsewhere.

MR. SPEAKER:

The hon. Member for Drumheller followed by the hon. Member for Spirit River-Fairview.

Propane Shortage

MR. TAYLOR:

Thank you, Mr. Speaker. My question is to the hon. Minister of Mines and Minerals. Is there a danger of a real shortage of propane in Alberta this winter?

MR. SPEAKER:

The hon. member is clearly asking for an expression of opinion which is perhaps a matter of statistics more than government policy. Perhaps the question could be rephrased?

MR. TAYLOR:

Has the government taken any action to prevent a shortage of propane in Alberta this winter?

MR. DICKIE:

Mr. Speaker, my colleague, the Minister of Telephones and Utilities, has been dealing with that problem. I'm sure he would like to answer the question.

MR. FARRAN:

Mr. Speaker, inasmuch as the hon. Government House Leader gave notice of a bill which will be introduced tomorrow on the subject of propane, I wonder if the hon. member would hold his question until then?

MR. NOTLEY:

May I ask the hon. minister a supplementary question? Has the government considered any overall policy with respect to the export of propane?

MR. SPEAKER:

Possibly that question, if it's truly supplementary, is so closely related to the first one that it might also await the discussion mentioned by the hon. minister.

The hon. member ...

MR. TAYLOR:

Could I ask the hon. minister one supplementary? I wonder if the hon. minister would advise the House if the bill will deal with the price and storage of propane?

MR. SPEAKER:

Perhaps the summary of the contents of the bill could be given when it's introduced and then the further information could be forthcoming when it's discussed.

The hon. Member for Spirit River-Fairview followed by the hon. Member for Lethbridge East.

Freight Rates, Tariffs

MR. NOTLEY:

Mr. Speaker, I'd like to direct this question to the hon. Premier. Can the Premier advise the Assembly whether statements made several days ago by the hon. Minister of Education concerning a quid pro quo, sheltered energy versus lower freight rates and tariffs, represents the official policy of the Alberta government or whether it is the individual position of an individual minister?

MR. LOUGHEED:

Mr. Speaker, it represents in its broad sense, and its general sense, the official position of the Government of Alberta.

I'd like to answer briefly now, Mr. Speaker, and perhaps elaborate in debate, that the position essentially involves the requests and pressures that have been placed upon the Government of Alberta and its people to stage in price increases and not seek all the market will bear in terms of crude-oil prices based, say, on an international marketplace in Montreal.

If such requests are made by the Canadian people, the federal government and provinces, we think it's only reasonable, depending upon the length of that staging in, that at a national energy conference of First Ministers or in other ways, that counterproposals and other propositions will be presented to the Government of Alberta for consideration that might reflect some balance of equities.

I think one of the most measurable ways in which that balance of equities could be created in fairness to the people of Alberta might be in terms of the freight rates we discussed at the Western Economic Opportunities Conference, or petrochemical tariffs, which were also discussed, or other ways.

MR. NOTLEY:

Mr. Speaker, a supplementary question. Can the hon. Premier advise the Assembly whether his statement represents a departure or, rather, a continuation of a policy which in fact has been in existence for some time?

MR. LOUGHEED:

Mr. Speaker, I believe it would represent both an expansion of existing policy and a definition of it. Because the rapidly changing events have, even in the course [of time] since the House last sat, created circumstances where we - in fact all provinces - have sought with our resources to obtain world market prices or what the market would bear as a basic, traditional policy for Canada. And certain forces in Canada, certain forces that are directed particularly from central Canada, are exercising some pressure. That pressure is on Albertans, that Albertans should be obliged to swallow and change and be discriminated against and not receive full, fair value for their resources, at least in the shorter term.

We have defined our policy by saying substantially, Mr. Speaker, it is to seek fair value for our depleting resources. But if there will be some staging in of price increases, there should be some quid pro quo and I have tried to define them in answer to the original question.

MR. NOTLEY:

Mr. Speaker, a further supplementary question. Could the hon. Premier advise the Assembly whether or not there has been any formal consultation on a government-to-government basis, or at the ministerial level, between the Alberta government and the other three western provinces?

MR. SPEAKER:

With great respect, the question does not appear to be supplementary to those which have preceded it.

Possibly we could come back to the topic. I believe the hon. Member for Drumheller has been waiting with a supplementary.

MR. NOTLEY:

Mr. Speaker, on a point of order on the supplementary question. The supplementary question related to the original question which was, of course, a quid pro quo, sheltered energy prices versus lower tariff rates, et cetera. So therefore, with great respect Mr. Speaker, I would contend that the supplementary question is in order.

MR. SPEAKER:

If the hon. member is referring to the discussions with the other provinces in regard to the quid pro quo, I would have to agree with his point of order.

MR. LOUGHEED:

Well, Mr. Speaker, I am pleased to answer the question. We are planning a meeting of the premiers of the western provinces and also the continuation of the Prairie Economic Council, in the month of February. At that time it certainly will be a subject that will be raised.

It has been a matter that has not been raised at this stage because essentially it is one where Albertans are being asked to swallow this particular staging in [of] prices to the vast extent.

On the other hand, I think it is quite obvious to Albertans that depending upon the nature of the adjustments that might be made in freight rates, in petrochemical tariffs and in other ways, it would not be just Alberta that would benefit. Quite clearly Saskatchewan would significantly benefit, and Manitoba and British Columbia to a degree. But we feel the proper form for the discussion of these matters would be a national conference of First Ministers on energy where, hopefully, instead of some Band-Aid treatment, what we would be looking at is long-range policies to assure both self-sufficiency for Canada but also fairness between the producing and consuming regions.

MR. CLARK:

Mr. Speaker, a supplementary question to the Premier. Did the Premier indicate that the meeting of the Prairie Economic Council of the four western premiers would be held before the national energy conference?

MR. LOUGHEED:

Mr. Speaker, that is not certain as yet. I think what is certain is that the conference of the four western premiers would be held in February. The date isn't certain with regard to the national conference of First Ministers on energy. I understand there are differing views by the various governments as to the proper timing.

Our position is that we are prepared to discuss it at any time. We think though - as I mentioned in my last answer - when we look at the fact that it took us six months to get ready for the Western Economic Opportunities Conference, it would be desirable that the conference be held at a time when there had been sufficient planning, sufficient opportunity for the provinces to come to that meeting armed not with Band-Aid solutions, but armed with long-term policy proposals which once and for all would establish national energy policies for Canada that would be in the interests of the nation.

MR. SPEAKER:

We are crowding the limits of supplementaries. As hon. members know, it is parliamentary tradition that all supplementaries are, prima facie, out of order.

The hon. Member for Calgary Millican with a final supplementary.

MR. DIXON:

Thank you, Mr. Speaker. I would like to direct a further question to the hon. the Premier. The staging-in prices you mentioned, hon. Premier, regarding the provinces of Canada - I wonder if you are going to use the same criteria for our oldest and largest consumer to the south of us. Are we going to have staging-in prices as far as export across the border south of us?

MR. LOUGHEED:

Well, Mr. Speaker, that is not a question I can answer effectively in the course of the question period. I would like to take note of it, deal with it in debate today perhaps with regard to natural gas and later with regard to oil.

MR. SPEAKER:

The hon. Member for Lethbridge East followed by the hon. Member for Sedgewick-Coronation.

MR. ANDERSON:

Mr. Speaker, with all these supplementaries my question has been asked.

MR. SPEAKER:

An unexpected bonus from supplementaries!

[Laughter]

The hon. Member for Sedgewick-Coronation followed by the hon. Member for Lethbridge West.

Energy Conservation Publicity

MR. SORENSON:

Mr. Speaker, my question is to the hon. Minister of Mines and Minerals. Does the government contemplate any action in regard to publicizing ways to conserve energy and also to convince Albertans that it is in fact necessary to conserve energy?

MR. DICKIE:

No, Mr. Speaker, the Premier has mentioned before, I think, that there isn't an energy shortage in Alberta. Of course we have attended the mines ministers' conference where the allocation of supply and demand was dealt with, and we think it would be prudent in the interest of the Alberta residents to conserve energy and to make sure that there is not a misuse of energy. I think our efforts would be along those lines.

MR. SORENSON:

Supplementary to the minister. Has the government any plans to distribute a plan put out by the Ontario government which describes ways to reduce home heating waste?

MR. DICKIE:

No, Mr. Speaker.

MR. SPEAKER:

The hon. Member for Lethbridge West followed by the hon. Member for Highwood.

Home-owners' Tax Rebate Cheques

MR. GRUENWALD:

Thank you, Mr. Speaker. I'd like to direct my question to the Minister of Municipal Affairs. I wonder if the minister could tell us if, by the end of 1973, all home-owners' tax rebate cheques will be mailed out to those people who have applied?

MR. RUSSELL:

Mr. Speaker, we are making every effort to achieve that exact objective. The last time I checked on this, about 260,000 of the 300,000 eligible applications had been received. Two hundred thousand of those have gone out. Another 60,000 were in the data centre, with 20,000 expected to be mailed within the next two mailing days. It is that additional 40,000, plus those applications still coming, that we are endeavouring to process before Christmas.

MR. WILSON:

A supplementary, Mr. Speaker, to the hon. Minister of Health and Social Development, on the subject of mailing out cheques. When will the senior citizens' cheques ...

MR. SPEAKER:

Order please. We are getting into a vastly different category of cheques.

MR. WILSON:

Well, it is mailing out cheques.

MR. SPEAKER:

The hon. member may ask this question later, if there is time, as a main question.

The hon. Member for Highwood followed by the hon. Member for Medicine Hat-Redcliff.

Outcome of Energy Talks

MR. BENOIT:

My question, Mr. Speaker, is to the hon. Minister of Federal and Intergovernmental Affairs. I would ask him if he would give us briefly the outcome of the meetings with the energy ministers in the latter part of November.

MR. SPEAKER:

The questions in regard to energy have elicited some answers of rather remarkable length. I would ask the hon. ministers who are answering those questions if they would exercise their judgment as to whether the answers are such as may be given within the limits imposed on the question period.

MR. GETTY:

Mr. Speaker, I'd only say, having regard to the most recent meetings between my colleague, the Minister of Mines and Minerals, and myself and the Minister of Energy, Mines and Resources in Ottawa that we have been dealing with matters which are currently under discussion and consideration. I would not be able to elaborate on those at this time.

However, if perhaps the hon. member was asking a question with regard to the provincial ministers of mines' meeting held in Toronto or to the federal-provincial meeting that followed between provincial ministers of mines and the Minister of Mines, Energy and Resources, that would be a different thing. It may be that additional information could be provided by the hon. Minister of Mines and Minerals.

MR. SPEAKER:

The hon. ...

MR. DICKIE:

Mr. Speaker, I see the hon. member nodding his head. Perhaps he would like a supplementary answer to that question.

I could perhaps first explain that this was a meeting of provincial mines ministers with the federal minister. The first item we discussed was the question of consultation. We worked out a consultation mechanism between the mines ministers and the federal government. That has been worked on for the last six months or a year. We were able to finalize it at that meeting. Now we have a rather effective means for consultation between the federal minister and the mines ministers from across Canada.

At that meeting, the federal minister did deal with the question of the allocation of supply and demand across Canada and possible shortages. I might say that following that meeting we came back to Alberta and called a meeting of the Alberta refiners to review the question of supply and demand.

I can report to you that at the meeting with the mines ministers and the federal minister, three categories were dealt with: gasoline, 'middle distillates', and heavy fuel oils. There was an indication at that meeting that certainly in the question of voluntary controls or mandatory controls, that Alberta wasn't in a position, nor were other western provinces, where they had any concerns.

When we did return to Alberta and met with the Alberta refiners, we did pose the question to them about the question of gasoline, 'middle distillates' and heavy fuel oils. Their unanimous reply was that there would be an oversupply of gasoline. As to 'middle distillates' and heavy fuel oil, they would be in balance, and it was most difficult because of the distribution system to make sure if there were surpluses to transport those to eastern Canada.

MR. SPEAKER:

The hon. Member for Calgary Millican followed by the hon. Member for Calgary Bow.

Calgary Insulation Workers' Strike

MR. DIXON:

Mr. Speaker, I would like to direct my question today to the Minister of Manpower and Labour. It is regarding the strike being carried on at the present time in Calgary between the heat and frost insulators and asbestos workers, Local 126, and their employers.

What progress, if any, has been made to get this strike settled?

DR. HOHOL:

Mr. Speaker, mediation talks over the weekend broke down yesterday. The parties have returned to their principals to review their positions, and hopefully will be back at negotiations soon.

MR. DIXON:

Mr. Speaker, I wonder if I could ask the hon. minister a question. If the strike is not settled very shortly, will your department give consideration to bringing in an outside mediator to try to get both parties together and settle this construction ...

MR. SPEAKER:

With great respect for the hon. member, the question is fatally supplementary!

MR. DIXON:

Mr. Speaker, speaking on a point of order. The workers are quite concerned. They are anxious to know if an outside mediator will be brought in by the department. I think my question is in order.

MR. SPEAKER:

The question is with regard to an event which may or may not come to pass and what the government is going to do about it when it happens. Perhaps the hon. member's question might be asked when that eventuality occurs.

I apologize for having overlooked the hon. Member for Medicine Hat-Redcliff, followed by the hon. Member for Calgary Bow.

DREE

MR. WYSE:

My question, Mr. Speaker, is also to the hon. Minister of Federal and Intergovernmental Affairs, regarding the DREE program. Have negotiations with the federal government been completed at this time?

MR. GETTY:

Mr. Speaker, I'd have to say that they are not fully completed. But certainly in terms of a general umbrella agreement with the Department of Regional and Economic Expansion, covering the province, we are in the very last stages of coming to agreement and hopefully will have a document that can be signed during the month of December.

MR. WYSE:

A supplementary question, Mr. Speaker. Will the program be effective on January 1, and will administration of the program be the sole responsibility of the province?

MR. GETTY:

Mr. Speaker, if we have the agreement signed before January 1, then that agreement will be in effect. As far as the administration being the sole

responsibility of the province or not, it will be a shared responsibility, but one, we believe, that does acknowledge the primary responsibility to be with the province.

MR. WYSE:

A supplementary question then, Mr. Speaker. Will priority of assistance be given to smaller centres?

MR. GETTY:

Well, I certainly hope so, Mr. Speaker, as it is with the Alberta Opportunity Company, and being, as well, the general policy of the government. However, Mr. Speaker, I think a general priority would be those areas that merit the assistance first.

MR. SPEAKER:

Possibly we could go on. We have a number of members who have not yet asked their first questions.

The hon. Member for Calgary Bow followed by the hon. Member for Vermilion-Viking.

Oil Sands Development - Eastern Participation

MR. WILSON:

Mr. Speaker, I'd like to direct a question to the hon. Minister of Federal and Intergovernmental Affairs. Was the Alberta government invitation for Ontario and Quebec financial participation in future oil sands plants made on the basis of government or private sector ownership, or both?

MR. GETTY:

Mr. Speaker, the subject was raised with them on an exploratory basis for them to consider how they might wish to participate. Certainly we would not, and have not at this time, laid down any guidelines or any particular restrictions on that investment.

MR. WILSON:

A supplementary, Mr. Speaker. Has there been any response to the invitation?

MR. GETTY:

I would say, Mr. Speaker, that there has been the response of a great deal of interest by both governments, recognizing, as they do, that the Alberta oil sands will be a major factor in energy supplies in North America in the future.

MR. WILSON:

A supplementary, Mr. Speaker.

MR. SPEAKER:

Might this be the last supplementary on this topic.

MR. WILSON:

Could the Minister of Federal and Intergovernmental Affairs advise if his government envisions an oil sands plant constructed by a partnership of the Ontario government, the Quebec provincial government and the federal government along with the Alberta government?

MR. GETTY:

It is certainly an interesting possibility, Mr. Speaker.

MR. SPEAKER:

The hon. Member for Vermilion-Viking followed by the hon. Member for Macleod.

Syncrude - Income Tax

MR. COOPER:

Mr. Speaker, my question is also directed to the Minister of Federal and Intergovernmental Affairs. Can the minister advise if there was any prior consultation with the federal government as to a special income tax deal for Syncrude?

MR. GETTY:

Mr. Speaker, we have not, to my knowledge, requested any special income tax dealings for Syncrude from the federal government. The issue, which has been discussed in some detail and at some length, is whether or not the royalty arrangement the provincial government negotiated with Syncrude would be treated like any other royalty from an oil-producing property. We felt it was right and proper that it should. There have been some problems with the federal government in this regard which we hopefully are going to be able to resolve as quickly as possible.

MR. COOPER:

A supplementary to the hon. minister, Mr. Speaker. Had the need for an extension of the deadline of November 16, as set out in the agreement, been foreseen at the time of the signing? If not, was there any rationale behind the month and a half allowed for consultation with the federal government?

MR. GETTY:

Mr. Speaker, I don't think I could say that the need for an extension was foreseen. However, having had experiences in matters like this in the past, as I suppose all members have - quite often while you certainly have the intention of having things all wrapped up by a certain date and going ahead at full speed - quite often complications develop and there is a need for an extension. This happened in this case.

MR. COOPER:

A supplementary, Mr. Speaker please, to the hon. minister. When relations with Ottawa were broken off on November 2, was any consideration given to the effect this might have on the Syncrude proposal?

MR. GETTY:

Well, Mr. Speaker, certainly consideration was given to a great number of items before we took the decision not to continue discussions with Ottawa on a bilateral basis. However, while those matters are at times unpleasant, there are times when they just must be done. In this case it was our judgment that it had to be done.

I think, Mr. Speaker, it is fair to say that it has been something we have been able to do. Now that it is over with, we think we convinced the federal government that it was necessary ...

MR. SPEAKER:

Order please. The hon. minister is debating the merits of what has been done. We are just about at the end of the list. Perhaps the hon. member could proceed with his supplementary.

MR. WILSON:

A supplementary, Mr. Speaker, to the hon. Minister of Federal and Intergovernmental Affairs. Because of the current situation between the Syncrude agreement and the federal government, is the provincial government now contemplating revisions to the Syncrude agreement?

MR. GETTY:

Mr. Speaker, the government hopes to have a statement on the Syncrude issue within a few days. It will probably come, since it has to do with a tax issue, in a statement by the Provincial Treasurer who has been working with the Minister of Finance, as well as with the Minister of Mines and Minerals and myself on this matter.

MR. SPEAKER:

The hon. Member for Macleod followed by the hon. Member for Calgary Mountain View.

National Energy Conference

MR. BUCKWELL:

Mr. Speaker, my question is to the Minister of Mines and Minerals. Is it the intention of the Government of Alberta to participate in the national energy conference in January?

MR. DICKIE:

Mr. Speaker, I think the hon. Premier has satisfactorily answered that and certainly has been encouraging a national energy conference.

MR. BUCKWELL:

A supplementary then, Mr. Speaker. Has Alberta made a submission and if so, will it be tabled in the House?

MR. LOUGHEED:

Mr. Speaker, perhaps I wasn't clear, having regard to the hon. member's question. When that conference is finally established - I think we were one of the initiators requesting it - certainly submissions will be made by the Government of Alberta, as we did in the Western Economic Opportunities Conference. Certainly when those submissions have been presented to the conference, copies of the submissions will be tabled in this Legislature if it is sitting, and if the Legislature is not sitting, distributed to the members.

MR. NOTLEY:

A supplementary question. Can the hon. Premier advise the House whether or not the government is now commissioning a study as to steps that might be taken to protect consumers, and whether or not this would be part of any formal submission we make to a national energy conference?

MR. LOUGHEED:

Mr. Speaker, certainly one of the items on the agenda has to do with the question of protection for the consumers. I'm sure all provincial governments, including the federal government, will have that in mind in terms of their submissions, as will the Government of Alberta.

MR. SPEAKER:

The hon. Member for Calgary Mountain View followed by the hon. Member for Lac La Biche-McMurray.

Harradence Commission

MR. LUDWIG:

Mr. Speaker, my question deals with some unfinished business from the October portion of the session. It's directed to the hon. minister, Miss Hunley. Has the hon. minister had time to find out what the cost of the Harradence Commission is going to be, totally and by way of individual expenses, to the chairman and the members of the committee?

MISS HUNLEY:

No, Mr. Speaker.

MR. LUDWIG:

Mr. Speaker, would the hon. minister find out what the costs are going to be and advise the House at an early opportunity?

MR. SPEAKER:

The hon. member's question is one that's eminently qualified for the Order Paper.

The hon. Member for Lac La Biche-McMurray followed by the hon. Leader of the Opposition.

Tar Sands Development Policy

DR. BOUVIER:

I'd like to direct my question to the hon. Minister of Mines and Minerals, Mr. Speaker. Since the government now plans a comprehensive policy in relation to the tar sands development, could the hon. minister advise the House as to whether any consultations will be held with the federal government and the other provinces in formulating this policy?

MR. LOUGHEED:

Mr. Speaker, I would like to answer that question because I believe it arose out of observation by the hon. member of an interview I gave.

The position we are taking, of course, is that the resources are clearly owned by the citizens of this province. There is no question in our minds that we as a government have a responsibility to develop a policy with regard to oil sands development. We will establish that policy in terms of the interests of the people of Alberta.

We will present that policy to this Legislature, and if, in due course, it is a matter that other governments wish to discuss with us, we certainly will enter into those discussions. But we have no intention whatsoever of reducing our interests in terms of the Alberta interests and the ownership interests of the citizens of Alberta under our constitution of the Alberta oil sands.

DR. BOUVIER:

Supplementary, Mr. Speaker. Will this policy contain the manner in which the other provinces or the Canadian government may participate in the development of the tar sands?

MR. LOUGHEED:

Mr. Speaker, it will set forth some proposed suggestions which, after those suggestions have been received, would be a follow-up to the answer given by the Minister of Federal and Intergovernmental Affairs.

Certainly, at this stage, I think it's fair to say it will include an invitation to all other provinces in Canada to participate, setting forth general guidelines as to how we think it would be in their best interest to do so. Having reached that general policy position, obviously the more precise negotiations would have to occur if provinces wished to do so.

We think it would be in Canada's interest if some of the larger consuming regions, through their provincial governments, either by way of provincial government vehicles or by way of something comparable to an Alberta Energy Company or perhaps through the private sector, depending on the provincial government reaction, reach a position where they can have long-term assured sources of supply. Certainly the answer to the hon. member's question is affirmative. Those discussions will then take place and the guidelines will be included.

DR. BOUVIER:

Last supplementary. When can we expect such a policy paper to be tabled?

MR. LOUGHEED:

Mr. Speaker, it is difficult to reach a decision with regard to timing, as I'm sure all members are aware, having regard to the rapidly changing energy matters developing in Canada. Certainly the government will be fully occupied with matters of royalty and incentive plans in the first couple of months of 1974. I would anticipate that we would be aiming for the spring of 1974 for such a policy.

MR. NOTLEY:

Mr. Speaker, could I pose a supplementary question for clarification's sake? Could the hon. Premier advise the House, in the light of what he said, whether or not the Government of Alberta would be in favour of, or opposed to, the tar sands being formally discussed at the national energy conference?

MR. LOUGHEED:

Mr. Speaker, we would have no objection to it being formally discussed. Frankly, I can't see how we could conduct such a national conference on energy without a discussion of supply. These days in Canada I don't know how you could have a discussion of supply without including the Alberta oil sands. So by all means the answer to that would have to be yes.

MR. SPEAKER:

The question of the hon. Leader of the Opposition appears to have been asked.

The hon. Member for Drumheller.

Edmonton - Coal For Power Plants

MR. TAYLOR:

Mr. Speaker, my question is to the hon. Premier. With reference to the press statement which purported to indicate that the City of Edmonton should use coal rather than natural gas in its power plants, is the government actively pursuing this policy?

MR. LOUGHEED:

Mr. Speaker, I think what we're pursuing is to discuss the longer-term future of both Edmonton Power - and I think it's fair to say if my memory serves me right, that both Medicine Hat and Lethbridge have similar situations with regard to the use of natural gas.

We recognize the City of Edmonton's position in the sense that previous policy has been involved with utilization of natural gas for electric generation. The same is true of all our plans presently in the process of development.

We're looking at a longer-term policy. We will have as an objective a recognition that as pressure is exerted by this government to increase the wellhead prices of natural gas, in due course it will have an impact upon those users of electricity in Alberta whose electric bills stem from generation of electricity from natural gas. We'll have to make some offsetting financial steps to avoid that and we will do so. But we do not want to tie within the general framework of our natural gas rebate plan such a position when we've been told - told is a poor word ...

MR. SPEAKER:

Order please. Possibly the hon. Premier could deal with the matter at greater length, if he sees fit, in a ministerial announcement.

The time for the question period has run out.

ORDERS OF THE DAY

GOVERNMENT BILLS AND ORDERS
(Second Reading)

Bill No. 53 - The Arbitration Amendment Act, 1973

MR. DICKIE:

Mr. Speaker, I move, seconded by the hon. Minister of Lands and Forests, second reading of Bill No. 53, being The Arbitration Amendment Act, 1973.

Mr. Speaker, this is amendments to The Arbitration Amendment Act. The bill was first submitted in May. Since that time we have had consultation with industry on the various sections of the bill. We welcomed their suggestions as to how the bill might be clarified, might be a workable bill.

I am pleased to report that they came back with some excellent suggestions. They have worked with the law officers of the Crown in redrafting the bill. There were some significant amendments and those have been placed before you. It would be our intention that when we deal with clause-by-clause study of the

bill those amendments would be dealt with formally at that time. However, as they dealt with the basic principles of the bill, we felt that it would only be fair to the hon. members to present them to them at this time in the event that they wish to speak on the principle of the bill.

Mr. Speaker, speaking on the principle of the bill, I would think we could divide it into three basic principles which are covered by the amendments.

First, the definition of "commodity value"; second, where there are arbitrators - and here you'll note a change. We had suggested that the arbitrators be Alberta residents. In the proposed amendment we say that where there are three arbitrators, the third arbitrator appointed shall be an Albertan. This suggestion was put forth and welcomed by the cabinet and my colleagues in the caucus; we will be submitting that amendment to you.

The third one would deal with the effective date. At that time we suggested May 10. We are now suggesting today, December 3, which is the second reading of this bill. The reason for that, Mr. Speaker, is because of the definition of "commodity value". In the event that there were some arbitrations proceeding on the basis of the definition of "commodity value" in the form that was submitted in May, we thought it would be only fair that the retroactive effect be the date of the second reading of the bill.

In dealing with the question of "commodity value" and the definition, Mr. Speaker, I would just draw to the attention of the hon. members two observations on it.

First you will notice in the definition of "commodity value" under the bill we use the maximum price obtainable. There was some concern expressed at the time about the question of whether that would be a regulated price and would have an adverse effect on the definition of commodity value.

In addition you will note that there is a second item dealing with the premium value of natural gas. That deals with the question of natural gas as a clean, convenient fuel. It also deals with the economics of use and the costs of operating, so it was a factor that was considered in inserting the definition of "commodity value".

Mr. Speaker, this takes me back to the basic principle of the bill which deals with the question of commodity value of natural gas. Hon. members will recall, in its August 1972 report, our Energy Resources Conservation Board found that the majority of natural gas contracts are for a 20-year period and that the price redetermination clauses, which provide for renegotiation of price, are included at approximately 85 per cent of the natural gas under contract for removal from the province. The redetermination clauses normally provide for arbitration if agreement is not reached on a new price schedule.

The proposed bill provides that the arbitrators sell used commodity value in redetermining price. And here, Mr. Speaker, I think it's important again to note the Energy Resources Conservation Board report and I'd like to just quote the phrase because I think it's very significant. On page 77 it states:

The board agrees with the producers and others since about 1969 the price of alternative fuels in the market area has not been an important factor in determining the price of gas either in the Canadian or in the United States markets or in the field.

And this is important, Mr. Speaker, "The board believes that it is in the Alberta public interest for gas to be priced at its commodity value in the market place."

Mr. Speaker, that section came out of the part where the Energy Resources Conservation Board was considering the factors that make up a fair and reasonable price for natural gas. They listed some nine factors involved and certainly an essential one was commodity value.

So basically the intention is to define "commodity value". When we did recognize the question of the definition of "commodity value" and asked that it be considered in arbitrations, it was with the thought that when the arbitrators were sitting down to determine the price that should be set under these arbitrations, they would have some guidelines or some principle to follow in determining that factor.

Mr. Speaker, I can say, from talking to a number of the arbitrators who have sat on arbitrations for natural gas, they welcome suggestion for guidelines and directions.

So, Mr. Speaker, it's my submission to the members of the Legislature today that by legislative authority, giving assistance to the arbitrators in arriving at a price for natural gas by defining "commodity value", is in the Alberta public interest.

The bill is a guideline for arbitrators to consider in their deliberations. Arbitrators would not only have the opportunity, but right and authority to use the definition for guidance.

It should be made clear that the government is not setting prices. It is my submission that most contracts are silent on the price criteria and that the Legislature will be filling a vacuum area in the contracts.

Mr. Speaker, with those preliminary remarks, I should perhaps review the situation as it affects natural gas and the pricing of natural gas. I think hon. members will recall that when the government took office in 1971, the hon. Premier, myself and a number of our colleagues, did raise concerns that, from our analysis, Alberta natural gas was leaving the province underpriced. We immediately took steps and means to see how this could be rectified and remedied.

Mr. Speaker, I think that when we look back on the actions of this government and ask what this government has done, one of the most significant and important steps was when it asked the Energy Resources Conservation Board to conduct a field price hearing on the price of natural gas.

This was a new move. It was a change in direction. Prior to that time the Energy Resources Conservation Board had not been involved in the question of price. It was a move the government asked it to take to determine this question on the price of natural gas. I think all members will agree that when the report came down in August of 1972 it was one of the most significant and important reports that this government has received.

I might also add, Mr. Speaker, that since that time, when the federal government brought down energy policy for Canada, a two-volume analysis of energy in Canada, one of the key factors in that report again emphasized that Alberta natural gas is underpriced. So, Mr. Speaker, there was no question about confirming the initial reports of the government on that.

I'm pleased to state that I noticed with interest over the weekend some of the advertisements now appearing on the energy situation, both in Time magazine and Sports Illustrated, put out by Exxon and Imperial Oil. I was particularly interested in one of the Canadian advertisements by Imperial Oil which shows prices in perspective. It relates that "the price of natural gas delivered to customers in Toronto is lower today than it was in 1960." It then also goes on and compares the indexing and some other prices and it states, "... the general wholesale price index has increased by more than 95 per cent, and salaries and wages have increased about 400 per cent."

Mr. Speaker, I suggest to all hon. members that when they read the advertisement they look at the diagrams of natural gas. In the Toronto area the price of natural gas has gone down. I hope they realize that this is Alberta natural gas, and that this government has been endeavouring by every way and means possible to raise the price of natural gas leaving this province.

The hon. members will recall that following the report by the Energy Resources Conservation Board in August 1972, the hon. Premier made a statement on natural gas policies for Alberta. He referred to a two-price system covered by a rebate to shelter the consumers in Alberta.

I might advise the hon. members on that. After that policy statement, our department set up a natural gas rebate study group. They completed the first phase of the study in June. That report was reviewed by cabinet. The second phase of the rebate plan has now been commenced and that is now being carried on by the Minister of Telephones and Utilities.

The initial report indicated that that rebate plan could be carried out through the utilities companies. My colleague will be carrying out the details for implementing that plan, in consultation with my colleague, the Minister of Industry and Commerce, to cover the selective industries involved.

The hon. members will also recall a significant statement made in that policy statement in November to the effect that on price redeterminations, although the board had mentioned five years in its report, it was a government policy statement that price redetermination should take place every two years. That was a very significant and important statement. And I'm pleased to state,

Mr. Speaker, that to date, as a result of that policy statement, many companies have complied. We are receiving reports daily on the question of the two-year price redeterminations in natural gas contracts.

The statement in November was presented in such a way that it would leave industry an opportunity to renegotiate their contracts, to put in these price redetermination clauses. The period of time was given and they were then asked by our Energy Resources Conservation Board to file a report on their activities in carrying out this policy statement. The board then set the date of June 30 to make a report to our cabinet on the results of the activities of industry in respect to our policy statement.

Mr. Speaker, one of the things that did become involved in the Energy Resources Conservation Board setting up that policy statement dealt with the question of confidentiality of pricing provisions and natural gas contracts. We recognize that and we think we have suggested a solution which will be satisfactory to the members of the Legislature as well as to industry.

When the board submitted its report as of June 30, it dealt with the pricing parameters that had been set by the government. But at the same time it kept the particular pricing provisions of each individual contract confidential to members of the board.

In other words, the report which we received and made public, presenting copies to the members of the Legislature, did not contain pricing provisions of the various companies involved. It did, however, give the hon. members an opportunity to see whether it was meeting the pricing parameters set by the provincial government.

Mr. Speaker, in August after receipt of that report, I did report that there was significant improvement. I again report today, from the activities I have observed, that there is continued improvement. We are continuing to encourage greater improvement, not only in the two year price redeterminations but also in the pricing factors.

Mr. Speaker, when I started my remarks - and they are intended to be initial remarks - I did mention the step the government had taken. I think we then became leaders in the field. It wasn't long after that our neighbouring province, the Province of British Columbia - although it doesn't have an Energy Resources Conservation Board to conduct a field price hearing on natural gas - set up a special commission to deal with the question of price and in that line followed Alberta's leadership. They came out with a report that was filed in September, and it was interesting to note the action of the British Columbia government in respect to that report. I would like to draw to the members' attention that they did not suggest any rebate plan to shelter or protect consumers in British Columbia. That was a significant difference.

I would also mention to the members, in looking at that report, that they consider that there is a significant distribution system in British Columbia which is quite different than in Alberta. I think one has to consider that when one reads the report.

Mr. Speaker, very briefly, one other area that is affecting the price redetermination, the commodity value, is Section 11(a) of The National Energy Board Act. I refer to that section, Mr. Speaker, in view of the fact that the National Energy Board has now called for submissions on Section 11(a), and also for a public hearing after they have had an opportunity to consider the submissions.

Mr. Speaker, I think it would be desirable to take just a few moments to refer the hon. members to that section. I think that the hon. members should consider first Section 83 of The National Energy Board Act dealing with consideration of applications to a board for a licence. I think the first thing the Act spells out is:

The quantity of gas or power to be exported does not exceed the surplus remaining after due allowance has been made for the reasonably foreseeable requirements for use in Canada ...

Also, subsection (b) of that states:

The price to be charged by an applicant for gas or power exported by him is just and reasonable in relation to the public interest.

I think the significant words there are "just and reasonable". Read that in relation to Section 11(a), which then goes on to provide by regulation that the

National Energy Board has power to deal with the terms and conditions of ...
[Inaudible] ... licence:

Where in the opinion of the Board there has been a significant increase in the prices for competing gas supplies or for alternative energy sources.

The National Energy Board then makes a report of its findings and recommendations to the federal cabinet.

Mr. Speaker, to our knowledge there has not been such a recommendation to the federal cabinet involving Alberta gas. We continue to watch with interest the activities of the federal government. I can advise the hon. members that when we first met the minister of Energy, Mines and Resources in the federal government, Donald Macdonald, we did raise with him the question that although the Act is clear on the price being just and reasonable, and the regulations are clear as to what steps can be taken by the National Energy Board, the area that is not clear is that if they indicate that the border price of natural gas should be increased then what happens to the increased price? That is, what would happen between the existing price under the natural gas contracts and the border price that they suggest is just and reasonable?

We have raised that with them, and we raised it again at our last meeting last week, that we would like directions as to exactly what does happen when the board or the government makes a decision on what is a just and reasonable price at the border.

Mr. Speaker, one other area I would like to touch on is the pricing index. That deals with what is now referred to as the indexation of natural gas. It is a proposal whereby natural gas prices in the Canadian market would be allowed to fluctuate and reflect prices of competing fuels. More specifically, the proposal has been referred to as an indexing of pricing of natural gas to the cost equivalents of BTUs found in oil, for example, No. 2 and No. 6 fuel oil.

It is suggested that there is a need for a market-responsive pricing system. We have discussed this with representatives of the Province of Ontario. We had hoped that somewhere down the line in our discussions agreement could be reached ...

MR. LUDWIG:

On a point of order, I fail to connect the remarks by the hon. minister with the bill we are dealing with, Bill No. 53. I am not sure whether he is trying to filibuster his own bill or give us some added information that really isn't needed. We are debating the principle of Bill No. 53. Not only is he not allowed to deal with specific sections, but he is also dealing with sections of other legislation. Perhaps I have simply lost him, but I think that he is rather remote from the bill.

MR. DICKIE:

Well, Mr. Speaker, I think if the point were well taken I would certainly adhere to it. I would like to indicate to the hon. members, however, that price indexing really does deal with commodity value. It is relatively the same approach on commodity value when we are talking about price indexing. We are trying to discuss a solution to the price redetermination clauses. I was endeavouring to bring to the hon. members' attention that one of the mechanisms that might assist in that is a price indexing mechanism so that we could deal with the question of commodity value.

I would just like to leave it to the hon. members that it is something which is being discussed. If something were worked out in there, it would assist in future price redeterminations. There has been some suggestion that perhaps these price redeterminations do become rather long and costly, and that they also leave uncertainty during the time they are in process. This mechanism might be a means of assisting in that problem.

So I think if the hon. member who raised the objection would really consider the mechanism of the price indexing and the definition of commodity value, he could relate the two and see how it does affect the principle of the bill.

I take it the hon. member shakes his head ...

MR. SPEAKER:

The explanation of the hon. minister appears to the Chair to relate the preceding debate to one of the points of principle which arise out of the bill.

MR. DICKIE:

Well, Mr. Speaker, I just raised that in concluding my remarks and I would like to say that these were initial remarks. We would welcome some comments by the hon. members on the natural gas pricing situation.

MR. NOTLEY:

Mr. Speaker, in rising to take part in this debate, I think first of all it should be said that all Albertans who have had an opportunity to read the Energy Resources Conservation Board report of 1972 certainly concur with the conclusion that the price of natural gas is under valued. So I am sure we are all in favour of taking whatever steps are reasonable to obtain for Albertans full market value for the natural gas produced in this province.

I would say, in looking over the amendments to Bill No. 53, that the commodity value of gas definition seems to me to be a reasonable approach and one which I can support, at least in terms of the freehold.

That leads me to the first point I would like to make, Mr. Speaker. When it comes to the natural gas produced from freehold, I can understand why this act would apply. It seemed to me that obviously there is very little alternative to increase the price of natural gas produced from freehold other than through the redetermination clauses of these various agreements.

But beyond freehold, I would like to suggest that in the case of natural gas produced from resources which are owned directly by the people of Alberta, we might well be advised to follow the approach taken in the province of British Columbia and set up a marketing board similar to the marketing board concept which we understand will be introduced for oil later this week.

I would like to point out that as I read over the amendments - this is Section 4(1) and I read this because I think it does relate to the principle, Mr. Speaker - we are making some rather important changes in the right of contract. Whereas in the past, arbitration took place as a result of the mutual agreement of both parties, it is now my understanding that under the terms of this act arbitration can take place at the request of one of the parties. In other words, we no longer have arbitration as a result of the willing agreement between the willing buyer and the willing seller. We now have arbitration being launched at the request of one of the parties. In most cases the producing oil companies or natural gas companies would be the parties seeking arbitration.

I think that is a rather important point to note, Mr. Speaker, because it clearly does alter the contractual agreements presently in existence. And if we will be altering these agreements in any case, then it seems to me that we have to take a look at what would be in the best interest of the public as a whole.

Therefore I would argue that a marketing board concept for natural gas, at least the natural gas produced from resources owned by the province, would probably be a better approach than the encouragement of redetermination and the provision of arbitration where the parties can't agree themselves.

I'd like to suggest, first of all, that we are talking about a redetermination clause every two years. Now admittedly, this is a substantial improvement over every five years. But I wonder, Mr. Speaker, whether or not every two years is really adequate in this time of exploding energy price increases, whether or not the public wouldn't be better protected if we had some mechanism whereby we could make a redetermination more often than every two years.

I can well remember that when we had our hearings on oil royalties a year and a half ago most of us would have accepted the suggestion that two years was adequate, that that would give maximum flexibility to the public sector. But an awful lot of water has gone under the bridge since that time and we now face such a series of differing and escalating prices that I suggest perhaps two years is not really the guarantee for the public that it should be. It occurs to me that one of the advantages of a marketing board is that we would have a more flexible approach in getting fair market value for the natural gas produced in the province.

The second advantage of a marketing board is that the increase would go to the board in the same way as the price has gone from 31 cents to 58 cents in British Columbia. The major portion of that increase will be retained by the provincial government, which is then in a position to either rebate part of it back in the form of incentives to the industry or use it for the public treasury

or what have you. In other words, the windfall from price increases would go to the public treasury. It would then be up to the producers to make a claim and to back up their claim by presenting arguments and reasons as to why they need a higher price. But the onus would be upon the industry to prove their claim for a higher price rather than the other way around.

We redetermine these price clauses and the price goes up from 16 to 26 cents, 16 to 30 cents or whatever the case may be. The company collects that money and then our share, the public share, is whatever royalty is levied. But one of the advantages of the marketing board, at least in the way the British Columbia marketing board is set up, is that the windfall comes to the public sector and then it's up to the private sector to make their claim for a portion of that increase, backed by solid evidence of higher cost.

If, as the hon. minister pointed out, the industry can prove higher costs, then they should have no trouble in getting a higher price, although we have at least some evidence presented by people who have been studying the industry, for example, Professors Wilkinson and Powerie who wrote an article for Canadian Forum in July -- which argues pretty convincingly that the actual cost of production has risen hardly at all. As a matter of fact, they suggested that in some cases it actually declined.

In any event, Mr. Speaker, that is the second major advantage I see of a board rather than a voluntary redetermination of these contracts.

I note in reading the interim report of the Energy Resources Conservation Board of July, 1973, the review of field pricing of gas in Alberta, that while we are making some progress -- and the minister cited this -- there is still a good deal of work to be done.

For example, the percentage of gas for which pricing provisions have changed, are new or are being negotiated, is only 52 per cent. That is, 52 per cent of the reserves under contract are now, according to this document, either being changed or advanced upwards, or at least negotiations are under way. But that means that 48 per cent isn't.

I am just going down the major purchasing companies, and it is rather interesting to contrast the performance of these companies: Alberta and Southern, 100 per cent; Canada Montana, 100 per cent; Consolidated, 0; Mini Islands, 25 per cent; Pan Alberta, 100 per cent; TransCanada, 30 per cent, and West Coast, 24 per cent, for a provincial average total of 52 per cent.

One of the advantages of a marketing board is that as the purchaser, or the broker if you like, and as the seller on the other end, we would be able to, in effect, increase those prices on the natural gas which is produced from Crown land. I think that as far as natural gas produced from freehold is concerned there are constitutional arguments against a marketing board operation.

Now, Mr. Speaker, I just want to say one final thing about the export of natural gas to the United States. In my judgment, the federal government, through the National Energy Board, has tended to look at the regulations under section 11 (a) -- the regulation that the export price is to be 105 per cent of the domestic price -- as the ceiling rather than the floor. I would suggest that we should be getting a somewhat higher price on the export to the United States.

I'm not suggesting we encourage prices which are clearly prohibitive. But I'm advised that liquefied natural gas is being landed in New York and that it commands \$1.80 per 1,000 cubic feet. Therefore even the 105 per cent on gas exported to the United States still means that gas is being exported from Alberta or British Columbia, or what have you, to the United States at substantially less. Even with the marketing board that they have in British Columbia, the export price to the United States is 61 cents per 1,000 cubic feet or a little over one-third of what the Americans are paying for liquefied natural gas. So I think it is pretty important that the National Energy Board reassess its approach toward natural gas pricing at the export level.

I know it's almost blasphemy to say this, but perhaps a better approach than fiddling around with The National Energy Board Act, Section 11(a), would be the introduction of an export tax on natural gas. Again I suggest it would be constitutionally proper for the federal government to levy an export tax.

But where we can move in that particular direction with natural gas, it would just bring back in even sharper focus, I think, the need for this province to concentrate on who gets the proceeds from any export tax. I have felt for some time that the export tax was a good tax in principle. But the proceeds

should be rebated to the producing province. Certainly this would be a strong position that we could take. I would like to suggest a position that could be advanced in concert with Manitoba and Saskatchewan at a national energy conference.

Mr. Speaker, I'd like to underline the fact that the premiers of both Saskatchewan and Manitoba have made it clear that while they support the principle of an export tax, they fully recognize and indeed demand that the proceeds of such a tax should come back to the producing province, less perhaps a small percentage for the administration of that tax. But the proceeds of any export tax should come back to the producing province. I think that's a valid position to take.

It seems to me that the application of an export tax on natural gas exported to the United States would indeed go a long way toward getting what the Americans are now prepared to pay for natural gas. Not that we would probably want to charge them \$1.80 per 1,000 cubic feet. But I'm sure there is a great deal of latitude between the \$1.80 price for liquefied natural gas in the East, and the present prices commanded for Canadian natural gas in the United States market.

In general then, Mr. Speaker, I would say that as far as this bill is concerned, redetermination of existing prices on freehold would certainly meet with my support because I think we do have to increase the price of natural gas. But when it comes to the natural gas produced from the Crown land, a marketing board would, in my judgment, be a sounder approach.

One thing the minister didn't point out when he spoke to us is the difference in British Columbia as to a two-price system. It's worth noting because the major distributor of natural gas is the B.C. Hydro. They are simply going to be subsidizing the loss from higher prices for natural gas at the hydro level. So in fact there will be a cushioned effect on prices for most consumers in British Columbia. But as the price of natural gas goes up from 31 to 58 cents, that cushioning will be borne in large measure by B.C. Hydro.

I would just conclude my remarks, Mr. Speaker, by pointing out that since the government is already prepared and committed to go the route of a marketing board for oil, it would seem to me that bringing natural gas under the marketing board too, is elementary sense and would be the quickest and most efficient way of obtaining full market value for gas produced in this province. At the same time, it would ensure that the beneficiaries of that full market value would be the owners of the natural gas, the people of Alberta.

While the producers may be able to claim a price increase if they can prove higher costs, the onus should be upon them to prove higher costs rather than their getting the windfall and our getting a little bit that trickles down. Better that the reverse be the case; that the people who own the natural gas get the full benefits of whatever increase our natural gas merits on markets elsewhere in Canada and on the continent.

MR. HENDERSON:

Mr. Speaker, I'd like to comment briefly on the legislation that is before the House, and offer some response, I think, to some of the comments that have just been forthcoming from the hon. Member for Spirit River-Fairview.

I'm somewhat surprised to hear him argue in the House in favour of escalation of the market price of Alberta gas when he doesn't seem to want to go along with it on Alberta oil. At least I don't get that impression from listening to the tune that his federal party leader sings. There doesn't seem to be too much difference between federal and provincial policies within the New Democratic Party. I admire them for their consistency, but I can't follow their logic.

I think, Mr. Speaker, the suggestion that a marketing board is the desirable approach to dealing with this business of increasing the price of natural gas, simply because B.C. is taking a marketing board approach and the government is proposing a marketing board approach for oil, is somewhat superficial.

In dealing with the question of B.C. and what they have done, I think there is considerable difference so far as the political implications of that action in B.C. as compared to Alberta are concerned. The big difference is that B.C. is not exporting gas to other parts of Canada. They are selling it on the international market. I think there would not be too much sympathy in this country for an American purchaser who went before the Supreme Court of Canada arguing that the B.C. legislation is unconstitutional.

On the other hand, we already have the situation of the Province of Ontario contesting the action that the Province of Alberta has already taken in its effort to increase natural gas prices as being unconstitutional because it affects their economy. So I suggest that the precedent of the British Columbia government is not a sound principle to follow in establishing a gas marketing board in this particular case in Alberta.

It may well be that the situation will reach the point some time in the future when such action might be necessary. But I think the government is wise in not taking it until it has explored every other avenue or channel through which it can get the price of Alberta natural gas up. There is the possibility of the constitutional complications coming to the fore and the legislation being challenged. The whole concept of provincial marketing boards in general, as it relates to interprovincial trade, has constitutional problems in principle alone.

I think there is also another factor, Mr. Speaker, that separates the question of the marketing of oil as opposed to gas, and the proposition that the arbitration approach is preferable in the case of gas and the marketing board approach in oil is sound at least to the extent that it doesn't present some of the same problems. This is tied in with the fact that Alberta gas is marketed in other parts of Canada.

The gas industry was developed only because of long-term contractual commitments that were made on the part of producers and were accepted by the Crown. It was the price of getting the industry established, and going, and operating. I'd be the first to agree that the time has come. Market conditions have changed very dramatically in the last few years. The change in market conditions coincided with the anniversary year of 1972 when the royalties were revised, and it was a very appropriate action to take steps to increase the price of gas exported out of the province of Alberta.

Naturally when one starts interfering, I think, just in principle and point of law with long-term established contracts particularly where the market that we are talking about - it could be the problem that relates to marketing in other parts of Canada - the marketing board approach should not be pursued except as a last endeavour.

On the question of oil, however, there is not the matter of long-term contracts. The only contract I am aware of that has any time factor attached to it relates to the sale of Alberta oil in the domestic or international market; that I think is the tar sands plant. Once again it was essential in that case because of the capital investment and the high risk, that the producer and processor have some long-term commitment as to the sale of that product.

In those particular days Alberta conventional crude was in a tight prorationing situation. There was concern that the synthetic crude would not compete with conventional crude in the market. With that exception I don't think there are any long-term contracts in existence for sale of Alberta crude. The sale is on a day-to-day basis. So from the constitutional standpoint the possibility of the legislation being challenged for oil is, I think, somewhat less than it is in the case of natural gas.

I look with continuing concern on the proposition from the Member for Spirit River-Fairview that the natural gas should come under the same export tax as oil does. I gather that that philosophy is acceptable to the NDP because basically they would like to see all policies in Canada made in Ottawa. As I said before, I don't think Canada can survive as a nation with all policies the length and breadth of Canada being dictated in Ottawa.

Fundamental to the question of export tax, be it on gas or oil, is the question of ultimate control over the development of those resources. If the export [tax] on gas or oil is going to stand as a federal policy, and this province does not respond with whatever means are available to deal with it in principle, in the final analysis this Legislature and the people of the Province of Alberta lose any semblance of control over future development of those resources in the province. This is fundamental.

When somebody argues in favour of an export tax on this particular resource - gas and oil - what he is basically arguing is that notwithstanding the constitutional arrangement under which Canada exists and the political system operates, the provinces of Canada should surrender constitutional jurisdiction over development policies for those natural resources.

I think it is difficult to argue that proposition from the standpoint of any logic one way or the other. It is something you agree with or disagree with. I

disagree very violently with it. The NDP favours it in principle. Consequently there is a big communication gap on the matter because we are not on the same frequencies.

I feel very strongly that any proposition to urge the federal government to impose an export tax on natural gas is contrary to the best interest of the people of Alberta. For the love of me I can't understand a provincial politician getting up and arguing in favour of it. It is not the voters in Ontario, Quebec, Manitoba and B.C. who are electing him. It is the voters in Alberta. Surely his prime responsibility has to be to the voters in Alberta.

So I think the question of the export tax on gas is just as obnoxious - in fact it is more so - than it is on oil because it is already compounding, an error in judgment on the part of the federal government. If allowed to stand, it will produce some very severe and long lasting constitutional strains which I have some strong reservations whether this country could withstand.

On the question of two-year price reviews on gas, it comes down to a question of judgment. Agreed, the market situation has changed very rapidly in the last few months. I would like to suggest it would be a mistake, however, to assume that that is necessarily going to continue because these prices have to reach some sort of a plateau.

While I intend to comment at greater length on that particular matter in a later debate on government oil marketing legislation, I think the government has to provide for the possibility that prices could peak and come down again. Even on gas it is possible to some extent. The situation that has produced the energy crisis in the United States and the problems in eastern Canada, really doesn't relate to a supply problem. It is the political situation between the State of Israel and the Arab nations. I would like to suggest that if the situation between the Arabs and the Israelis could be resolved in a political sense, the Arab countries are just as apt to go back to fighting among one another over the marketing of oil as they did previously and as I think history well records. And one could see some significant declines.

I don't think it is probable but I say it is possible if the Middle East political situation were resolved between the Arabs and the Israelis, the government has to be in a position to deal with the prices of energy. So the suggestion that the two year basis is too long, that one year would be better because the prices are going to escalate very dramatically and continuously is, I suggest, probably not valid.

The two year proposal is a significant improvement over the old contracts - the old policy of a ten-year review of royalties and no review of the question of price. I therefore suggest that in total - considering the pros and cons of arbitration, process versus marketing, the constitutional aspects of the marketing boards, that the arbitration procedure does not present, the implication of long-term contracts for marketing gas that do not exist in the field of oil marketing, and the completely negative effects of the export tax proposition on the economy of the Province of Alberta and the control of Alberta over its natural resources - the principles contained in the bill are basically sound and should be accepted by the members of this House.

MR. TAYLOR:

Mr. Speaker, I want to make one or two comments in connection with the bill. I would like to commend the hon. minister for bringing in the amendments. I think it has the effect of strengthening the bill tremendously and adding a great deal of information which is going to help resolve cases where agreement cannot be reached.

I like the sections of the amendment where Albertans are going to be required by law to be part of the arbitration. I think this is wise. Too many times we think that people from a far country or from further afield have more ability to resolve some of these things than people right at home. I actually think the reverse. While I have nothing against getting people from other provinces or other countries at times, I do think that all things being equal, Albertans should have a better background and better understanding of this situation than people from outside the province. So I think the sections of the Arbitration Amendment Act, the amendments requiring by law that the arbitrators - at least some of them - will be Albertans is a very sound procedure.

I also like the amendment that defines the commodity value of gas. I think this is very important because that commodity value is going to be determined, to some degree, by the volume-weighted average price of substitute energy

sources. Then secondly, in PART 2, the premium value of gas must have reference to the inherent special qualities of gas as compared to other substitute fuels.

I think both of these items are very sound. I believe that the undervaluing of gas right up to the present time is due to many, many factors. When we talk about bringing gas up to its fair and just value, I believe that the words have to be understood, what we mean by "fair value of gas". If outside export [prices] of gas became ridiculously high, would fair value mean meeting that price, even for friends or part of the country? I don't think so.

I don't think we can base everything on the value the Arabs put on oil today. The Arabs are putting on the highest price possible because they are hoping to force people, through that commodity, to become Arab supporters rather than Israelite supporters. Already we've seen one great nation turn against the principles in which it formerly stated it believed. It has gone to the other side in order to make sure of getting its supply. Fair, in my view, isn't that type of thing.

When we talk about the fair value of oil or gas on a world market, I think that without unfair items being shoved in - such as is being done in the case of oil by the Arabs today - there are three or four items that must be met. The first one, in my view, is fairness to the owner of the resource, whether it's wheat, oil or gas. Too many times we forget the fairness to the owner.

We all, as MLAs, emphasize the fairness to the consumer. We depend on consumers to elect us to this Legislature. I don't think we fool the consumer a bit by stating we're going to be fair to him if, by being fair to the consumer, we're unfair to somebody else.

In connection with gas and oil, the owner of the resource to a large degree is, as the Premier has already said, the people of the Province of Alberta. They do deserve a proper value for that resource and particularly so when that resource is going to be depleted. A few years down the road there won't be that resource by which the people secure the revenue. So they do deserve a proper return on that resource.

The consumer also, of course, needs to be considered, because we want the price to the consumer to be as low as possible too.

There is also the producer. I wonder if we would have this problem today if a number of years ago a former Minister of Mines and Minerals hadn't gone to England, Eastern Canada and finally to the United States to try to interest people in the oil and the gas of the Province of Alberta? Finally the Americans were willing to take a chance with their money and came in to explore on the strength of the fact that they would be treated fairly.

We sometimes forget the producer in connection with this. We may say it's Imperial Oil, it's Gulf, it's large international corporations or it may be smaller independents formed by people right in this province. In any case, I think we have to be fair to the producer and fairness to the producer, in my view, is that he should be able to secure from that industry his capital cost plus a reasonable and a fair return - not an exorbitant return, but a fair and a reasonable return.

When I see some of the figures quoted by the minister from Ottawa particularly, where some companies have profits of 30 to 49 per cent higher this year than in any other years, in my view that is exorbitant. That profit is going to the wrong place. In my view that profit, or at least a portion of it, should be going to the owners of the resource and not to the producer.

But I want to make it abundantly clear that I believe in a free enterprise system where it is not a sin to make a profit, but it is a sin to make an exorbitant profit at the expense of others. If free enterprise ever goes down the drain, it will be because of monopolies and greedy people who want to make an exorbitant profit without considering the other people at all.

Well, the consumer in this province deserves a fair price. We want the gas to be a fair value to him. The same in Canada. The producer is the same, and the owner of the resource.

But there is another point I think we forget. One of the things that appeals to me in regard to the province, the government securing a larger portion of the return from this resource, is the fact that the resource belongs to the people first of all.

Secondly is the hope that some of that is going to be used to explore and find more, to carry out research so that there can be new fields and new endeavours in this particular field. Unless someone is going to provide money for the research and for the searching, it will not be done. And if the profits are cut down to the core for the producers, then the producer may well say, well, let somebody else worry about the future; we'll take all we can get today.

I think there is a responsibility on the producers to use some of their profits for research and for searching, but I also think there is some responsibility on the government of the province, the people of the province who have the heavier interest, in making sure that we continue to have more and more searching done in order that we can find all that there is.

How that will be done through the marketing board, we will have to see. But I would hope that of the profits that come to the Crown, there will be something provided for further search and for further research.

I am told, though I can't prove it, but I am told that the American government, in cooperation with some of the large corporations in that country, is now spending several millions of dollars every year to research atomic energy in the hope that there will be a breakthrough and that it might then be possible for the Americans to do away with their energy crisis. Whether that is true or not, I have no doubt in my own mind that some of our large companies, such as Imperial Oil and Gulf and so on, are spending considerable sums of money in research in other fields of energy.

I don't think that the companies connected with Syncrude would for one minute risk many millions of dollars in finding a better way of separating the sand from the oil if they weren't satisfied that in the next few years there was going to be a market for that oil. I frankly think there will always be a market for oil, but it may be cut into, the same as coal was cut into by the introduction of oil, gas, propane and so on.

I don't think there is any disagreement in this Legislature that gas is undervalued. In securing a proper value for the gas in this province I hope that the regrettable banner that somebody introduced - where it came from I don't know, but I saw it on TV and people in the East referred to it, every time we talk about this with anyone they refer to this banner, "Let the Eastern bastards freeze in the dark." Mr. Speaker, I pointed out to the people with whom I came in contact in Ontario particularly, that this did not find its origin among the people of Alberta. There is no thought in the minds of anyone in Alberta, I'm sure, that would say let the easterners freeze while we have all the energy to keep ourselves warm. That would be a ridiculous position.

The value of gas to Canadians I think has to be based on the commodity value and the other fuels that are available. But I think we want the people of Canada to have the best price possible, too, a fair price so we get a fair return and they get it at a fair value. Unless we work on that basis, I think we simply are trying to take advantage of people in this country who don't happen to have under their soil the oil and the gas that we have and for which we can claim no benefit, no ... [Not recorded] ... and I think it's there for the use of the people.

In saying that, the people of Alberta surely should not be expected to subsidize the rest of Canada. I would like to see the people of the Maritimes, Quebec and Ontario get the best possible price for oil and gas and heating fuel and so on. If a subsidy is required it shouldn't be at the expense of the people of Alberta; it should be at the expense of the people of Canada, and we're part of that. But whatever means are used - maybe there are many and I'm not going to discuss any of them - that should be done at the expense of the people of Canada and not at the expense of the people of Alberta.

I remember a similar incident during the Second World War when we gave a million bushels of wheat to Britain as Canadians. I don't know of anybody in Canada who objected to that. But it was not done by the Canadians. It was largely the wheat growers of western Canada who made that donation. That donation should have been made by Canada. And the subsidization of fuels in Ontario, Quebec and the Maritimes should be done by Canada. We should all pay our share of it in order to make sure every Canadian will have all the heat he needs and all the heat we can acquire.

I'd also like to say something about fair value to the people in the United States. I don't think we could rest easily in the warmth of our own homes if we thought people in the United States were freezing and cold. They should pay the proper value I think, based on world prices if they can get it elsewhere and we shouldn't be selling it, giving them a market value, under normal circumstances.

But I do think we should make sure that our surplus - charity begins at home, but our surplus should be made available.

I was rather delighted as a Canadian when I heard the Prime Minister say the other day that the amount of oil exports to the United States this year exceeded that of other years. There's no thought of turning our backs on our friends. When people use that simile, I just don't agree we're doing that. I appreciate the fact, and I remember that when we were short of fuel during the last Great War the United States was quite prepared, even though Americans were rationing gasoline themselves, to let us have a fair amount of it. The only stipulation they put on it was that we use the same rationing they used in the United States. I don't think we could be fairer than that. Now, because the table has turned and they happen to be down and suffering a severe energy crisis, let's not shove our foot in their face and kick them in the shins. Let's try to help them out to the greatest possible degree. We have the fuel.

As the hon. Premier said, and the hon. Minister of Mines and Minerals said, we don't have an energy crisis in this province. Let's be thankful for that and let's make sure we use that to the very best to get fair value, not exorbitant value but fair value, and we don't cut ourselves off from a place and later on be sorry that we tried to grab the last pound of flesh or the last - what do you call it - the last item of blood - the last drop of blood that we could possibly get from this. Let's make sure that while we live we let others live too.

I'd like to say a word or two in connection with the contractual agreements. I'm a little alarmed, Mr. Speaker, by the number of pieces of legislation that seem to be breaking contracts. While there may be reasons at times - I think there are reasons at times - to break contracts, I would prefer that that be done by some method of negotiation or some method of proceeding through a court rather than by legislation. I think if any one of us enters into a contract with another, we expect the other person to keep that contract.

When we as a province or we as a nation enter into a contract with another province or another nation, or we enter into contract with an oil company, even if it happens to be an American-dominated oil company, let's not gain the reputation that there's no sanctity of contracts - that when we enter into a deal, we get the very best deal possible and then we try to live up to it.

The contractual agreements, I think, should be very carefully reviewed before we start breaking them by legislation, which is very easy and simple to do because we're only one side of the contract. I think we will gain much strength in this province if our government does recognize the sanctity of contracts and does not try to use legislative processes to change conditions in contracts while they are in operation. I hasten to say that there may be an occasion, but let's make it the exception rather than the rule that we deal with in this type of item.

There's one other thing I'd like to mention in connection with the "every two years". As has been mentioned by a number of members, the picture is changing very rapidly. Maybe two years is too long or maybe it's too short. But I think that whatever period we enter into we should maintain the reputation that this province has had for many years, and that is a province of stability.

If we're going to remain a province of stability, we have to be fair to the producers, the small ones and the large ones. We have to be fair to all concerned and we have to have contracts that will reflect stability over a reasonable length of time. In the judgment of the government, if two years is that period where we can have stability, then I can certainly go along with that. But I think stability should be the key word in dealing with this particular item.

Many people have said that the situation in connection with oil could change overnight if the Arabs and the Israelites suddenly came to peace. It could also become far worse than it is today if the war grew and became a global conflict, as well it might. I don't know whether we should be criticizing Moses or not, but Moses took 40 years to get his people to the land of milk and honey, then as Golda Meir said, he settled in a land where there wasn't any oil.

It's rather serious today, but I think we can recognize that picture over there, and I hope this country will not change its position in regard to the rights of the Israelites in that particular part of the world. It doesn't come into this bill, but there's certainly a very close connection, when we talk of our oil and gas, with what's happening in the Middle East.

Mr. Speaker, I support the bill as amended.

MR. HARLE:

I would like to get into this debate for a few moments. I think one of the criticisms levelled in this problem of gas prices is that while they have been quite low this has meant there has been an ever-increasing consumption of gas. I think it's perhaps incumbent on Canada to realize that there are limits to the amount of reserves available and that perhaps ways should be found to conserve gas for future generations.

I'm thinking particularly of better insulation in our climate, perhaps the introduction of daylight saving time to reduce the electricity requirements in industrial areas, and also perhaps the removal of price concessions to large consumers of gas. These price concessions result in lower prices for the large consumer and have a tendency to increase consumption. The exponential growth that occurs in natural gas usage is something that I'm sure all of us should be aware of.

There is a need in Alberta to develop an industrial base, and this of course can be done because of the availability of natural gas. A two-price system in the province would quite obviously mean there is a possibility of an industrial base set up on the natural gas which exists here. The criticism seems to be that that two-price system only extends to Alberta and that it should extend to the rest of Canada. I think that if we are to see it in the rest of Canada, this can only be the result of a national energy policy. Because, of course, there are constitutional problems as they relate not only to Alberta, but Alberta trying to unilaterally establish a two-price system across Canada.

With regard to price increases, the criticism seems to be made, especially from eastern and central Canada, that this results in higher costs of production for industries in Central Canada and that this affects their ability to compete with products manufactured in the United States which also use gas. I think this is a problem which we have to resolve from the point of view of the usage of all our natural resources -, whether it be gas or copper or zinc or the other products which we also depend on in Western Canada.

There is also the criticism levied that forcing up the price of gas would result in a greater use of coal for the generation of electricity in Eastern Canada, thereby creating a pollution problem in major industrial areas.

Yet I was quite disturbed by the speech of the Prime Minister on November 22 on TV when he said, "Energy is not a resource like others", and then he went on to describe the problem of heating our homes and implied that this was something which placed gas in a different category.

Frankly, I would like to suggest that if that reasoning is valid, then what about the increased prices for our food and what about the increased prices involved in our housing costs? Surely, if heating is that important, then I would think the use of other resources in Canada is equally important. Because we can always eat a little more and perhaps put more insulation into our houses in order to conserve the use of gas in our homes.

So I think it is right for us here in Alberta to say we must put the price of gas up where it is a fair market value, so we can obtain that fair market value and thereby pay a fair market value for other products of other provinces in the food business and also in the housing business.

I think it's most important for Canadians to realize that the increase in price and the demand for the increase in price has come about through public hearings. This is significant because, in other words, we, the Alberta government, are not in the business of either exploring for or producing gas or distributing gas because when a government can get into this business, surely there is a conflict of interest between what it is doing in the distributing field and actually controlling the price of gas in the province and, of course, across the country. This defect shows up very plainly when you have a government actually in the business of distributing gas as it has been suggested, they are doing in British Columbia. Because surely it then becomes, what is the major policy: the control of the industry, the adequate development of the industry or are they after some other purposes?

Thank you, Mr. Speaker.

MR. LOUGHEED:

Mr. Speaker, because of the magnitude of the energy problems that face this Legislature and this government, and because there perhaps has been by the nature of events a heavy emphasis on matters of crude oil, I thought it might be

useful if I spoke on second reading of this bill with regard to some of the recent developments on natural gas pricing in relation to this important bill which involves the whole issue of the principle and cornerstone of our administration regarding natural resources and assuring that we receive a fair value for it in an arbitration act, an amendment to The Arbitration Act, which I think will have profound implications for natural resource development in this province both in the immediate future and in the long term. Because the amendments to this particular Act, The Arbitration Act, involve the whole area, the whole ambit, of natural gas pricing; they establish a definition of commodity value of gas, they raise the way in which there will be arbitration within these long-term contracts, and for that reason, in my view, have great significance for the natural gas policies of Alberta. I thought, therefore, that I would like to take some time today on this particular Bill No. 53 to deal with the natural gas policies for Albertans as they stand today and conclude with some new suggestions and some new thoughts by way of policy which may be important to the Legislature, important to the industry and important to the people.

I believe that the matters that are involved - and I recognize the pressures on the Chair in this session involving questions of relevancy - because we are dealing and it is difficult not to move from crude oil to synthetic crude oil to natural gas to the oil sands, and to coal. We heard that in these remarks, and I appreciate that difficulty. But I felt that in dealing with the Arbitration Act in the matter of commodity value of natural gas it would be important to develop some observations at this time.

As the minister mentioned, in moving second reading of the bill, it relates back to the statement we raised and tabled in this Legislature on November 16, 1972 on new natural gas policies for Albertans, in which we concluded with this question, "What does all this mean to Albertans?", and answered it with four items.

- (1) It means Albertans' fuel costs will be the lowest in Canada.
- (2) It means Albertans, through their government, will start to receive a fair value for their natural gas taken out of the province.
- (3) It means Alberta's economy will become more competitive with the rest of North America and this should improve job opportunities for our citizens.
- (4) It means that Albertans would have improved prospects of finding the yet undiscovered new gas reserves in this province as an asset for our people.

The hon. Member for Drumheller has mentioned the question of fair prices to the owner and that is of course, one of the cornerstones of our position. This particular policy statement of last November involved, for the first time, the active involvement as a full partner with private industry, of the Alberta government in the question of pricing. It involved too, our respected Alberta Energy Resources Conservation Board.

In my judgment the action has been of great benefit to the people of this province. We as a government have taken the position and continue to take the position that there should be no further authorization by way of permit under the Gas Resources Preservation Act, for removal from this province unless they come within the pricing parameters set forth in that statement. Those parameters involve the important question of renegotiation and hence arbitration and hence this particular act.

In our view this decision has, because of its timing, literally saved millions and millions of dollars to the people of Alberta and also created by that very action, new reserves to the people of Alberta because of the upward pressure on price.

The statement involves too, a two-price plan by way of rebate and I should mention in passing, Mr. Speaker, the importance of dealing with a matter that has been raised. That is the fact that we started the two-price system, and so why are we objecting to it when the federal government is involved with an export tax on crude oil which is a two-price system? Mr. Speaker, they are not comparable in any way whatsoever. What we are doing is establishing fair prices for all the people who buy our gas and then, by way of rebate system, by way of a dividend system if you like, assuring a return to the people of Alberta as a fiscal and economic policy of our government. To use the fallacious argument that we launched the nation on a natural resource basis on a two-price plan by

way of natural gas to justify the export tax on oil is fallacious in every way that I can express.

Mr. Speaker, another key part of our policy situation here is the fact that we think that these new natural gas policies and the pressure on price and what it will mean in terms of reserves, will go a long way towards improving the prospects for Albertans by way of processing upstream and this means jobs. Of course, added to that also is the matter of the rural gas plan that we had before the Legislature in the fall.

In total, Mr. Speaker, all of this means to Albertans those four items that I raised and read again in the statement of last November, just a year ago.

In the Speech from the Throne this year we set forth our position with regard to the development of natural resource policies which I think needs reiterating at the start of this particular energy session.

The development of natural resources policies where:

- (a) sufficient resources are conserved for the future requirements of Albertans and their children,
- (b) the resources are only disposed of at fair commodity value and with adequate return to the owners of the resources - the people of Alberta, and
- (c) the development of resources is directed toward processing in Alberta to the extent practical to expand job opportunities for our citizens.

Mr. Speaker, in that one short part of the Speech from the Throne in 1973, was the basic foundation of the natural resources policies of the Alberta government today. There have been a number of developments we have taken. One of them of course, is involved in a new approach to the natural gas industry in the Suffield Block.

I noticed some concern when the hon. Member for Stettler was speaking. I thought we had made it clear that although the Alberta Energy Company would be involved in Suffield, it would not be involved in a development way, that our plan and our intention is to farm out an agreement with the producing industry. But that there will be a new way, a new development through the Alberta Energy Company remembering that in that particular case in the Suffield Block the intention will be that Albertans will receive their portion by way of royalties. In addition there will be an opportunity for developers with the Suffield Block through the Alberta Energy Company. The actual development wells, the actual operation, the drilling will be done through the private industry and the private sector as we have known it here. It has created that new step in natural gas policy. Our judgment at this stage is that the results are encouraging and an additional ten per cent new supply from an area that, up until then and up until this government moved into action in this area, had been left undeveloped.

Mr. Speaker, in looking at the situation as it has developed by way of progress, you have heard from the Minister of Mines and Minerals about the question of pricing and certainly although it is not as good as we would like, I am pleased that as a result of our action there has been an improvement in a very substantial way. I noticed the Member for Spirit River-Fairview drew the distinction in referring to the report between the various companies that are involved and I want to conclude my remarks with regard to that and TransCanada Pipelines in particular.

The important matter of federal reaction to our natural gas policies is something of interest I think, to all Albertans. In An Energy Policy for Canada, Volume II, at page 322, they note that "The wellhead price of gas has risen only moderately during the past decade." And that, "Recent negotiations in Alberta, however, have resulted in substantially higher prices. They confirm the stated objective of this government.

I think it is fair to say that although there may be some disagreement with regard to timing and its impact upon the consumers, there has been pretty well all along a recognition by the federal government that natural gas prices are too low, that they are under fair value, and that the Alberta government is on the right track in this particular policy situation.

The parameters of course, I think are important. When we look at Bill No. 53, Mr. Speaker, if we are going to leave it to the situation of long-term

contracts - and I will come to that in a moment - we are involved under the Arbitration Act, as some of the members have pointed out, with a renegotiation every two years. We are making considerable progress in assuring that the contracts for natural gas do have the renegotiation every two years and as prices move up, that is going to place the producing industry and their partner the provincial government in a very strong position.

But it is also going to make arbitration that much more important than it ever has been in the past. If that lag is perhaps too long - and I appreciate the remarks made by the hon. Member for Wetaskiwin-Leduc - that judgment decision of the two years is a difficult one to make. At this time it is our best judgment as to what we should do in terms of renegotiation. It does mean that if we are not going to have this continual lagging process of natural gas, if we stay with it in terms of the present arrangements, it is important that The Arbitration Act have the teeth proposed by way of these amendments. That is why I consider the great importance of Bill No. 53 for all Albertans, in terms of its development.

We have had the report, and I will just mention it in passing, of the rural gas plan. Some 5,000 new customers are involved in the province as a result of it. I think that we will be discussing, as mentioned by the Government House Leader and the Minister of Telephones and Utilities, the question of its effect on propane during another bill that will be introduced in the House and our concern with regard to plastic pipe.

We are moving forward on the matter of the rebate plan and hope that in the first half of 1974 we will have the rebate plan for natural gas. We still have by far the lowest cost in Canada, but we intend to ensure that it be maintained. I think it is important that this be done as soon as possible in 1974 with regard to the residential consumer in Alberta at least. There are some complexities and complications involving commercial and industrial use.

I mentioned during the question period, Mr. Speaker, the problems involving electricity and Edmonton Power, and I almost finished my remarks. We are going to hold a meeting with the City of Edmonton on December 12 to discuss ways it can be worked out so that the impact will not be on the consumer whose electric bill stems from utilization of natural gas. We hardly think it is fair to those consumers or those municipalities that in good faith moved into the utilization of natural gas.

We do want to avoid wastage and to follow the report of the Energy Resources Conservation Board down the road in the longer term by way of better utilization of coal for our citizens, and not utilization of natural gas for thermal development.

I just want to say a brief word regarding processing upstream. I know the Minister of Industry would love to get to his feet. I am sure he will somehow find a way to do it - to talk about the fact that the petroleum base is shifting. I was delighted with the report in the Financial Post of November 17 stating that as a result of all the recent developments, expansion-minded industry leaders in petrochemicals "are turning toward one of the continent's biggest and largely untapped supply areas - Alberta." That means jobs, jobs in a very important way for all of us.

Members are aware of some of the projects that have been announced and are being discussed. I think it is clear that they are involved in that because they can have the security of supply, the stability that the Member for Drumheller was referring to. That stability is a very important part of our administration's attitude toward resource development.

A key, assured, relatively low-cost feedstock for petrochemicals places this province in just a superb position to assure that we can have the broadening of the base of our economy that we have to have in the next decade or so to make Alberta realize its full potential.

I think it is important that we recognize that if we are going to be involved in building world scale plants to sell products here, be it ethylene or be it some of the other derivatives that are involved, and when jobs are dependent upon world markets, we in this Alberta Legislature, and we in Canada, can't draw curtains around our province or our nation. We have got to look at the whole world.

I think one of the serious setbacks - you can argue the logic, if you like, although I can't see it and neither can the Member for Wetaskiwin-Leduc - of the export tax. But surely there is no way you can argue the fact that that particular decision was made by the federal government on September 4 and

September 13 without any consultation with the United States government, who have been brought in, as the Member for Drumheller mentioned, in good faith to operate here.

We as a government are attempting to develop world scale petrochemical plants. We are attempting to utilize the market in the United States and we are attempting to see that there will be a reduction in tariffs for Alberta-produced petrochemical products. Relationships between Canada and the United States in trade are critical, as the Minister of Agriculture and all of those here in this Legislature know, with regard to agriculture and agriculture processes. We should keep that in mind when we look at the developments that have occurred.

Mr. Speaker, of course it is not just the ethylene plants, it is the derivatives, it's the development of the whole field of plastics. It is the potential that is opening up for this province in the very exciting way that we have seen in the last six to twelve months. I think, too, it will involve the question of refinery location, the processing of our crude oil and our synthetic crude oil and where the refineries will occur. The problem of the environment certainly will be there, but we have got to be in the position that we are not exporting jobs with our natural resource policy.

Mr. Speaker, I hear and I read at times statements regarding natural gas that simply make it very difficult for me to understand some of the statements made about energy policies in Canada today - some of the statements being made about people freezing, some of the statements being made about positions of this government and about fuel oil. I heard one federal minister talking in Alberta about the question of using crude oil for home heating purposes. It is this basic misunderstanding of the nature of the energy situation that I think should be discussed in this Legislature.

One of the keys is the lack of appreciation of the important tie between crude oil and its uses and particularly its use with regard to home heating, and natural gas and its use for home heating, and our market, and how it exists today and how we got that market. It seems to me that some people's horizon of history is of about six months duration. Because what we have to look at is, where do we sit at the moment in terms of the Alberta natural gas production.

Alberta provides 81 per cent of the Canadian natural gas supply, 81 per cent. So obviously we are the key and operative province. British Columbia and Saskatchewan are the only other two significant provinces. Saskatchewan is in the position, unfortunately, that they have not been able to discover enough to cover their own particular needs, even though they have some production of natural gas.

British Columbia, as we all know, has had some supply problems this winter. And we of course, in our way of doing things as Canadians, and as a province recognizing our special responsibilities, have offered help to British Columbia.

But the breakdown of the utilization of Alberta natural gas raises some important policy questions. Only sixteen per cent of it is being used today for Alberta needs. The forecast is something I would like to come to in a moment. Eighty-four per cent leaves this province, twenty-seven per cent of our total production is utilized in the province of Ontario, and only a tiny fraction in Quebec. Forty per cent of our natural gas production is exported to California and to the Midwest in particular.

Now with regard to natural gas we are involved, as a number of members have pointed out, in long-term contracts. This involves, of course, the economics of that particular area and of the homes in that area and any disruption or any abrupt change by us of natural gas policy - and when I say "by us" I mean the Alberta government or the national, federal government - would have profound implications.

The question may be raised, in fact I think it has been raised, as to why the previous government and the federal government allowed so much of our natural gas production to go to export. There were very valid reasons for it.

First of all, there was the clear policy position of the previous government, which we endorsed, of a 30-year requirement for present and future Alberta needs. There was then a very significant surplus. It was necessary in order to have a cash flow to the producers and to provide jobs for Albertans to go out and find more natural gas and in fact to have this incentive to discover by way of markets.

Now as far as Ontario was concerned, they obtained all they wanted, up to now. The Province of Quebec made a policy decision which the federal government

endorsed that they didn't particularly want very much of our natural gas, that they would rely upon Venezuela and other countries to provide crude oil which would be used for home heating purposes and rely on Arab oil as well. And they did that, they said, for strictly price situation. Because quite obviously natural gas in the homes is cleaner; for that reason I think it's a desirable way for Canadians to heat their homes.

Because of the reactions of the governments of Ontario and Quebec and the federal government, because of the reaction of the utility companies in particular in other parts of Canada, the markets simply weren't there and the industry went out and developed the markets as best they could. And the markets were in the United States. So there was that extensive use of natural gas by markets in the United States. That is where Alberta's natural gas goes today and it creates some important policy questions for us.

When I hear some of the comments that have been made today about the energy crisis, as it has been termed in this nation, one of the things that I find puzzling is how our natural gas is being used. If one refers to this energy analysis which, in my view, is a good document, on page 320, it's clear that what has happened is that Canadian consumption of Alberta natural gas has not been in any significant growth degree for residential use in the homes, but for industrial use. On that table [the report] shows that residential, in 1955, amounted to 38 per cent and today it amounts to only 23 per cent, while industrial, which then amounted to 43 per cent has leaped to 56 per cent.

The trend, even with the pressures on crude oil pricing, is still going on. Oil Week of November 19 has pointed out that, "Industrial users continue to show the way in the rate of growth in the domestic market ..." in Canada.

So when we talk about energy and natural gas, let us keep in mind that the growth in natural gas demand in Canada is primarily a growth, not to heat homes in this nation, but a growth in terms of industrial use.

Also, I think, as the Member for Stettler pointed out effectively in his remarks, this creates a factor where there is a utilization of natural gas for perhaps the wrong purposes. Certainly the utilization by Ontario Hydro of Alberta natural gas rather than Western Canadian Coal is a pretty obvious case in point, and it creates a situation where because of the artificially low prices for natural gas, natural gas is being used in Central Canada for industrial purposes and, in fact, probably not necessarily the most desirable or efficient use.

This brings us to one of the areas we have today in Canada relative to concern of supply, the Province of Quebec in the area of Montreal. Could we all not stop for a minute in this Legislature, Mr. Speaker, and visualize what a very different situation it would be this winter if five, eight or ten years ago it had been in a national policy of energy that what we should do is move extensively into the Montreal area with Alberta natural gas in terms of home heating? And if there had been a major push on by TransCanada Pipelines, by Gas Metropolitan, by the Quebec government and by the federal government to ensure that the citizens of that area, who are now concerned about supply in terms of heating their homes, had made that conversion in their homes to natural gas from the province of Alberta?

I think, too, it is significant for us to pause at this moment in the history of this developing saga of energy to consider what might be the situation in the Province of Ontario today if they had moved, and rather than our being shifted into the United States market by way of export - which is going to be very difficult to adjust to - if the situation in Ontario had been a policy by the gas utilities, a policy by the Ontario government, a policy by TransCanada Pipelines, and particularly by the federal government, to emphasize residential distribution of Alberta natural gas in the homes and for the people living in the provinces of Central Canada.

Now I really think a crash program could be worked out and we for our part would do what we can to see that that happens, provided we receive fair value.

A recent report of November 24 in the Financial Post referred to the fact that Quebec may place more emphasis on natural gas, and we've had those discussions with their government and other discussions are going on. But the report made a comment that I felt was disturbing. At the moment I have not had an opportunity to get to the final root of it, but I intend to because the report says that, "sources in Quebec assert that TransCanada [Pipeline], which now acts as a purchasing intermediary, tends to favor its larger customers in Ontario to the disadvantage of Quebec." I would think that would be a matter of some concern to our national government in terms of today's alleged problems of

shortage in Central Canada. All I'm suggesting is that what this nation should do when it gets involved in discussions in crude oil is look very carefully at the potentiality and the desirability, provided we receive a fair price here. Certainly in terms of comparing Alberta natural gas prices today with Arab oil prices, it's quite a bargain.

It would be a highly desirable national energy policy to have us develop a great deal more utilization by our Canadian citizens. As they are in Alberta today, it is removing in our rural gas program to assure that the citizens of Canada heat their homes by Alberta natural gas, a secure stable source of supply and I think they'd pay a fair price for it.

Mr. Speaker, the Province of Ontario is, particularly, a factor in this situation. They are involved, as I read the statistics, with a very significant portion of the natural gas in that province being utilized for industrial purposes.

There is an argument with regard to the question of consumer costs. My statistics from the Consumer Price Indices of Statistics Canada show without a question of a doubt, that the household operation for domestic gas - just look at these figures for 1961, if you use that as a base. For food it's 100; for domestic gas in the house it's 100. In March, 1973, food is 145.7, which is roughly comparable to the total index. Domestic natural gas is the lowest of anything in the table by a longshot; it is 103.1.

If you take into consideration the total situation that has developed, domestic natural gas has gone through that entire period as a significant bargain. We've been selling cheap natural gas out of this province for a long period of time and I think all Albertans - and I know that this position has been endorsed by the official opposition - support our position that we've got to get fair prices and fair value for natural gas, that we are exporting a depleting resource. And when I say "exporting", I mean removing from the province, a depleting resource.

Mr. Speaker, when you look at the Ontario-Alberta issue over natural gas, to me it simplifies into one issue, jobs, and the future industrial strategy of Canada. Are the jobs going to be crowded into the area around Sarnia, Toronto, and Hamilton or are they going to be spread across the whole western region and, in particular, Alberta? That's what the issue of natural gas pricing is all about.

We've seen, as I've mentioned, a very strange situation. Some of the people talk about why are we - you know, they come here and they make these speeches about why are we exporting our natural gas to the United States. And they come from the very area, Ontario, that is bringing in 13 million tons a year of coal from West Virginia. They are not prepared to talk about the freight rates and the need to have a decent transportation policy in this nation, to have jobs here in parts of this province and parts of British Columbia producing the coal for Ontario Hydro to provide the electrical generation down there. That just doesn't make sense in terms of national energy policy for Canada. So when they talk about these issues of why we are exporting natural gas, I say, well, why are you importing coal into Ontario for Ontario Hydro?

It is pretty clear to me that Canada has to be deeply concerned about its ability, through its communicators - and I accept the responsibility of being one - to understand and become aware of some of the things that have happened in terms of national energy policy and will happen in the future. I get a report - I refer to the one in the Calgary Albertan of October 24, Canadian Press out of Toronto,

Ontario Hydro applied Tuesday to the National Energy Board for approval to increase export of electricity to the United States by more than one-third.

Well I suggest that we give a look then at what the export tax is going to be on that electricity, if we are going to have some fairness and some equity in Canada.

So far as we are concerned regarding prices, I think the key is competitive fuels. That, of course, is what we are looking at in The Arbitration Act and we suggest that there be a review of the whole utilization of natural gas for residential purposes. We have accepted as a basic premise, and as I mentioned in the question period today, Mr. Speaker, as the major producing province in Canada we have accepted the concept of staging-in of prices regarding crude oil. We have also accepted that similar premise - in fact our performance on that basis, I think, has already been shown in the last year regarding a staging-in of prices, from a consumer point of view, in natural gas. I do think it is very

important for people throughout Canada to understand that we are being asked to do this. We are being asked to stage an end to protect the consumer in other parts of Canada. That consumer in terms of natural gas should surely be the residential residential consumer first of all. But there should be a recognition of the equities of confederation as I mentioned today.

Now there are a number of ways in which we can look at the handling of natural gas, and I would like to conclude my remarks by dealing with them.

I have assessed the British Columbia situation, and I don't think it is a good answer. Essentially what has happened in British Columbia is that they have moved into a situation where they have, subject to the negotiations worked out, perhaps increased their field wellhead prices by a significant margin. But even with that significant margin they were so low in the first place that they are only catching up to where Alberta is today. I suggest that you watch where Alberta is going to be in terms of six months from now. But British Columbia has done this in a way, without having a two-price plan or a rebate plan, which is going to cause some hardships in that province to either the residential consumers or to the industrial consumers, or is going to cause some real distortions in terms of their relationships with their neighbours to the south. One way or another that province is going to have some real difficulty with its gas policy position.

As far as I am concerned we came in November of last year with a rebate plan, the details of which will be presented. If the decision in the Province of British Columbia is that the industrial consumers in that province are going to pay for their action then, of course, the situation is pretty obvious. What is going to happen is that the relative position of British Columbia, with its new government, is going to suffer relative to other parts of Canada and Alberta in particular in terms of jobs for the future. We already start off in a very favourable competitive position in terms of employment.

When you look at the British Columbia action, and we will be discussing more of it later, I refer you to Oilweek of December 3, and particularly on page 17 where they summarize it in a pretty effective one liner, "The situation regarding drilling in British Columbia is, they had a bad year."

Mr. Speaker, we don't want to have bad years in this province. We want to recognize the importance that the industry plays both in terms of jobs, but also in terms of finding new resources for our people and new discoveries.

Mr. Speaker, I would like now to move to the question of reserves of natural gas in Alberta. In December 1972 a report was issued by The Alberta Energy Resources Conservation Board entitled "The Energy Resources of Alberta A Summary". I refer honourable members to page 16 where it shows that we have by way of natural gas reserves in December 1972 for our province, 47.5 trillion cubic feet. I mention too that that does not include the Suffield situation.

Now we thought that one of the outcomes of our pressure on higher prices would be to improve the position regarding reserves. That was one of the factors we raised in the statement of last November. Today I had a discussion with the Chairman of The Alberta Energy Resources Conservation Board in which he told me some facts, and I said, Mr. Chairman I would like you to hang up and phone them back and have my secretary take them down because of their significance to this province and to this session of the Alberta Legislature.

The message from the chairman of our board is as follows:

Preliminary indications from the Board's studies are that the higher field prices now expected for natural gas will result in an increase in recovery from present known gas fields of at least 4 trillion cubic feet, (about 10 per cent of our reserves), worth well over \$1 billion.

Mr. Speaker, the significance of that, I am sure, is obvious to all members of this Legislative Assembly.

The Chairman went on to say:

The higher gas prices will also lead to increased gas recoveries from fields yet to be discovered and will result in the recovery of gas from areas which otherwise would be uneconomical to develop. The total of these future effects will probably be even greater than the effect on present known fields.

The significance of that for Albertans is very important indeed.

Mr. Speaker, on Friday there was a report by The Alberta Energy Resources Conservation Board again which was tabled in the House today by the Minister of Mines and Minerals. That report dealt with energy requirements for the future. The report stated that three most significant developments which will affect Alberta's natural gas and propane requirements occurred just before and since the September 1972 hearing. These are first, the recognition that natural gas recently has been underpriced and the expectation that its price will increase substantially in the immediate future; secondly, the announcement by the Government of Alberta of a price rebate plan for Alberta consumers of natural gas; and thirdly, an unprecedented increase in interest caused by serious shortages elsewhere in North America compared to the growing demand in Alberta of white hydrocarbons as raw materials for petrochemicals.

The board recognizes that these three developments, and especially the last mentioned, will have a significant effect upon Alberta's future requirements for natural gas and propane for industrial purposes. The board therefore feels that it is necessary for them to reopen the hearing and come back to this Legislature and to the government with a final report where they are going to reassess, no doubt, the total situation regarding our 30 year requirement, regarding our existing permits. In another discussion with the chairman today, he pointed out to me the significance all of this has for the citizens of this province by way of synthetic gas from coal in due course for the people of Alberta, by way of reserves.

We have ahead of us decisions regarding royalties which certainly are complicated, and natural gas, and we hope to make, early in 1974 an incentive system.

In conclusion, Mr. Speaker, the government views the fair value principle as the cornerstone of our policy and that natural gas pricing is a key in Alberta growth. We are dealing with contracts where there is a renegotiation need every two years in all our contracts. The Arbitration Act, of course, supports this situation.

When we conclude our debates on the bills before the House here in December 1973, the government will face decisions regarding royalties and incentive plans immediately, certainly with regard to the rebate plan by the Public Utilities Board in terms of natural gas prices, and the final report of The Energy Resources Conservation Board on reserves. There will be some developments regarding petrochemicals and also regarding, end use, as I have mentioned, of coal for thermal power.

But there are two final matters I would like to raise in concluding my remarks.

First is the matter that has been raised by the Minister of Mines and Minerals regarding the opportunity price for natural gas in the United States. This is a difficult one. It brings to us the question that the Member for Wetaskiwin-Leduc has raised as to whether or not we should include at the outset the question of natural gas and its by-products in our proposed Petroleum Marketing Commission. It is our view that the constitutional questions are of such a nature that we will start with petroleum. But in due course we will move to natural gas, provided after exploring all the various alternatives there is not a better way of doing it.

We are concerned, as the Member for Wetaskiwin-Leduc has pointed out, with the matter of longer term contracts and their implications. However, we are not in any way, in any of the slightest ways, prepared to accept that it is a sound policy for Canada to have a natural gas export tax, as the representatives of the Toronto New Democratic Party are so strong in presenting to the Legislature. We don't think that's in the best interests of this province or of Canada.

One of our views and one of our basic policy positions is that we agree with the objective of an export tax as it has now unfortunately been conceived regarding crude oil in terms of isolating Canadian consumers from the special pressures the Member for Drumheller was referring to; the abnormal pricing that might arise out of foreign policy considerations in the United States. But we think there are many better ways of doing it, and we're exploring all of them.

One of the most obvious matters is the question of looking at Section 11(a) of The National Energy Board Act and having a proper interpretation of that Act. It has, as the Minister of Mines and Minerals said, not been one, Mr. Speaker, where they have in fact had an example that we can follow. But millions of dollars have been lost for months by the failure to move on Section 11(a). Everybody got very excited and moved, I think, precipitously with regard to crude oil. But it is our judgment that the move needs to be made in terms of

natural gas to get the opportunity price. We think that the federal government is starting to move in this direction. Section 11(a) may be one way to go. The involvement in our marketing commission may be the other way to go. But at least let us move to assure that we are getting the opportunity price for natural gas in the United States. I think it's a critical action we must take.

Finally, Mr. Speaker, I would like to suggest that the time has come for a change in natural gas distribution in Canada. We've been faced with the situation of the monopoly buyer for other parts of Canada by TransCanada Pipeline acting both as a carrier and as a buyer. We've been in a situation where that company, as has been mentioned today in the Legislature, has not moved up its natural gas prices to come within the parameters that we have been looking to and that we have been acting [on].

I've mentioned the question of residential use of natural gas in Canada. I think, Mr. Speaker, that the Government of Canada and the governments of the central provinces, including Manitoba, have an onus on them to work with their natural gas utilities and with their public utilities boards to assure that there is a change in this system. I think what we have to see is an end to TransCanada Pipelines being a buyer with regard to new gas. I think these gas utility companies - Winnipeg Gas, Northern and Central, Consumers Gas, Union Gas, and Gaz Metropolitain - should be coming out here to Alberta if they have an interest of their consumers, particularly their residential consumers, to buy and explore, to look for and to find sources of supply. And I think that at least with regard to new gas, TransCanada Pipelines should be in a position of being merely a common carrier. I think this change will be a major one for Canada.

Mr. Speaker, let them come here to the marketplace to pay fair value. Let them come here and meet their obligation to the residential users and the potential residential users of Alberta natural gas, and they will find a government and, in my judgment, a Legislature that is prepared to deal with them in a fair way with stability. I think the end has got to come to bargain basement cheap gas and the time has got to come where these gas utility companies have got to meet their obligations to both their customers and to Canada.

Thank you.

MR. DRAIN:

Mr. Speaker, I beg leave to adjourn the debate.

MR. SPEAKER:

May the hon. member adjourn the debate?

HON. MEMBERS:

Agreed.

MR. SPEAKER:

The House stands adjourned until 8:00 o'clock this evening.

[Mr. Speaker left the Chair at 5:31 o'clock.]