

LEGISLATIVE ASSEMBLY OF ALBERTA

Monday Evening, December 3, 1973

[Mr. Speaker resumed the Chair at 8:00 o'clock.]

GOVERNMENT BILLS AND ORDERS
(Second Reading)

Bill No. 53 The Arbitration Amendment Act, 1973

MR. CLARK:

Mr. Speaker, on a point of order. It was our understanding that we were going to go into the rules this evening.

MR. HYNDMAN:

Mr. Speaker, that wasn't the impression. I know I did communicate with the office of the Leader of the Opposition this morning, indicating that today's schedule would be to proceed with the second reading of The Arbitration Amendment Act, 1973, then The Gas Resources Preservation Act, 1973, and if we got through by 9:00 o'clock we might begin review of the rules committee. So that was the understanding I had communicated, and insofar as I think that was communicated, I can't see any difficulty at this time.

MR. STROM:

Mr. Speaker, the hon. Member for Pincher Creek-Crowsnest is here in the building. He came in with me so he should be right here.

MR. SPEAKER:

Possibly we could go on with the next speaker and the hon. member could be recognized after that.

MR. WILSON:

Mr. Speaker, in speaking to Bill No. 53. Unprepared as I am, Mr. Speaker, ...

MR. HENDERSON:

That's normal.

MR. WILSON:

... in listening to ... You know me too well.

Mr. Speaker, listening to the Premier this afternoon, I thought he covered the gamut, pretty well, of the energy situation in Alberta and Canada with perhaps, Mr. Speaker, the neglect of one very important area and the consequences that would flow therefrom. I'm referring to the business of investor confidence and the sanctity of contract. I just wonder if somebody on the government side, Mr. Speaker, later on in the committee, would advise how the government expects to maintain investor confidence in Alberta when many areas of the industry do not feel that they have sanctity of contract in this province. I'm concerned, Mr. Speaker, from the standpoint of Calgary; many of the people there, for example, who are employed in the oil industry, in the exploration end of things particularly.

Mr. Speaker, it's my understanding that of all the people employed in the oil and gas industry, over half of them are employed in the exploration end of it, which is more labour intensive than is the production and maintenance end of

things. So the exploration end of things is very important. It seems to me that we must preserve the sanctity of contract and investor confidence because of all the people who derive their livelihoods in those fields - and I'm thinking all the way from the presidents of the companies down to the people who do the janitorial work in those office buildings in the evenings and so on.

Further, Mr. Speaker, it's my understanding that Calgary, being the head office city for energy in western Canada - or all of Canada for that matter - that there are some merits to that, in that it's easy for people to get the technical expertise in the one location. It's easy for people to make farm-out agreements and other contracts with others in the industry because they're readily available. But as the companies close up and move away, if in fact that happens to any great degree, we will find that there's less and less reason to maintain Calgary as the oil head office centre for Canada, for example. The same thing applies in Edmonton from the service industry point of view. When these people leave, they don't put ads in the paper and announce that they are leaving. They just wind down their business affairs and move on to other areas.

Already, Mr. Speaker, there are indications from many companies, and I am thinking here of the Alberta or Canadian-owned independents, for example, who are leaving Alberta and who are talking about leaving Alberta, who are investing a larger percentage of their budget elsewhere. We find a winding-down process has started. As that happens or proceeds we find that there is less and less reason for them to maintain their head offices in Calgary. Then we find that there is the potential danger of these people being unemployed, particularly those who do not have the skills that would warrant their transfer to other areas, and of course not everybody wants to accept transfers to other areas.

So the whole thing that I felt that the Premier had glossed over this afternoon, Mr. Speaker, was the area of investor confidence, which should flow from sanctity of contract. I would welcome someone from the government side explaining how they intend to maintain those areas, Mr. Speaker, as the government develops its policies.

One other point, Mr. Speaker, that I feel we must mention. I would be very concerned if the government of the Province of Alberta were making policies for the future energy situation in Alberta on the premise that the United States would not be energy sufficient, with some self-restraint, by 1980.

I understand that the Premier of this province has publicly said that he doesn't think there is any chance that the United States will be self-sufficient in energy by 1980. I would just like to suggest, Mr. Premier, that if the Premier did indeed make that statement without qualification, that is perhaps the most foolish statement he has made in his political career, because the United States ...

AN HON. MEMBER:

Just today.

[Interjections]

MR. WILSON:

... because, Mr. Speaker, the United States has proven that it can accomplish many things that many people never thought it could. I am sure that if it is their goal to become self-reliant, as far as energy is concerned, by 1980, that it will be a fact of life, and Alberta policies in the energy field should certainly take that into regard.

Now, Mr. Speaker, I see that my cohort from the Crowsnest Pass area is with us, and I would like to toss the ball to him.

MR. LOUGHEED:

Mr. Speaker, on a point of order. For the record, with regard to the matter ...

MR. SPEAKER:

The point which the hon. member has raised is a matter of debate. I would think that to set right what the hon. member has said would require the intervention of another speaker.

MR. LOUGHEED:

Mr. Speaker, on the point of order, I think I was quoted specifically as having said that there was no possibility that the United States would be self-sufficient in energy, and that was the specific point that the Member for Calgary Bow raised. I would not like that on the record when it is inaccurate, without an opportunity on a point of order, surely, to respond and quote specifically from the document whereby the matter was raised.

MR. WILSON:

Mr. Speaker, on the point of order, I would welcome the response of the Premier in this regard, because I did say that if in fact he did say it as I quoted him, my remarks followed. But if he didn't say it as quoted I would like to know what he actually did say.

MR. HYNDMAN:

Mr. Speaker, it does seem to me that Rule 34 applies here, which allows the member to speak twice in any debate, under conditions set forth in Rule 34, if he wishes to explain a material part of his speech which may have been misquoted or misunderstood. It seems to me it is within that.

MR. SPEAKER:

It may be a matter of small practical import, but I would have put the thing under the guise of a question of privilege.

MR. LOUGHEED:

Mr. Speaker, I am reading from the text from the CTV production, Question Period, of Sunday, November 18, 1973, where I was asked this question by Mr. Charles Lynch: "Well Nixon is shooting for self-sufficiency by 1976 ... 1980." and I answered, "Well, I question that they are going to be able to do that having regard to their position ..." Mr. Lynch went on to say, "You hope they do though." I replied, "Beg your pardon." Mr. Lynch said, "You hope they do. That would then enable us to become self-sufficient." And I answered, "No, I think it's the other way around. I think we should strive for self-sufficiency first and then do a good enough job in developing the Alberta tar sands that we can provide additional excess capacity for the whole part of North America because I really don't think the Americans are going to be that successful at self-sufficiency and for that reason the North American economy will benefit by a certain element where resources leaving Canada."

MR. DRAIN:

Mr. Speaker, I feel somewhat unprepared, especially when I am called upon to follow a person of the eloquence and speaking ability of the hon. Premier. However, be that as it may, unfortunately my role here does not lend itself to handing out bouquets, so I will not go too far with the bouquets.

We are looking, Mr. Speaker, at Bill No. 53 and the implications. Basically, this is the vehicle whereby an escalation factor can be built into the cost of energy. Energy, of course, is probably one of the most essential components of our way of life. There is a direct correlation between the standard of living and energy. So obviously a large expansion in the cost of energy will have very major repercussions insofar as the standard of living is concerned. The thinking in Canada to a great degree will tend towards the contention that, in fact, we should be insulated from this possibility. In my view, it would be out of the question to accept that as a reasonable philosophy.

When we hear of the world energy crisis, my view is that, in fact, thus far we have only encountered the tip of the iceberg. Certainly, we are not, in reality, short of energy. However, in order to develop and make available the energy requirements even into 1980, which is some seven years down the road, requires a statesman-like approach of all levels of government, both federal and provincial. The hon. Premier's remarks certainly tended in that direction. I am not, by nature of being on this side of the Legislature, really in awareness of what did occur that caused the hon. Minister of Federal and Intergovernmental Affairs to become affronted. I am amazed, but there may be some reasonable explanation. Also, I would like to think that it wasn't a childish explanation. When he was playing ball with the Edmonton Eskimos he didn't take the ball and go home because he didn't like the way the other fellows were playing. So, I am prepared to ...

[Interjections]

Well, maybe he did. I've never seen him play.

So, I would say that unless there were some very subtle reasons for taking this viewpoint, I think that the viewpoint should always be to keep on talking in the hopes that men of good understanding will ultimately come together.

The two-price system of gas was mentioned in the Premier's discourse. I don't like the wording of the two-price system because we are talking, really, about a one-price system; we are talking about a price for gas and we are talking about the Provincial Treasury following Social Credit principles, Mr. Speaker, giving back to the owners of the resources of the Province of Alberta part of what is rightfully theirs as shareholders in the province. So, I would say, let's not talk about the two-price system. Let's put it in the proper context, that in reality what we are doing is redistributing part of the income from the natural resources; in this case, specifically gas. So that is one ... I would have assembled these notes if this had been left over until tomorrow.

However, the problem in relation to natural gas and the pricing thereof enters into three dimensions. One, the present field production, and a strong case can be made for maintaining the price as is on present production, if there was no necessity of expanding the market and enlarging into the base of the production for future fields.

Another thing is that in order to have a substantial future supply of gas there has to be an escalation in price. One, because gas is a premium fuel; gas is an irreplaceable commodity and it has a sophistication to be utilized in the chemical industries and all the other various fields, which would lead one to believe that, in fact, it should be reserved for this particular area. So the way to give direction to utilizing gas in the proper manner is to save it free from any government controls. However, it would be imprudent to think that this could be done overnight. The economic implications of a policy going in this direction would be quite serious. I refer back now to the impact on the cost of living in Canada.

There should be a phasing-in and there should be the development of substitute fuels through a national energy policy. We talk about coal and coal gasification as one particular substitute fuel relating to the whole of Canada. We do not take into consideration the lead time involved. We talk about a tar sands plant and we talk as though it can be a hop, skip and jump proposition, but unfortunately it cannot go that way. We talk about atomic energy plants and we're talking of a nine-year time lag from the drafting time to the ultimate development of this particular facility, while as time marches on, energy utilization increases. Unless a rapport is developed between the federal and provincial authorities that will lead to the development, without antagonism, of a sophisticated policy that is going to fill the void between now and the ultimate time when more sophisticated means of energy take over, we can expect great difficulties. We can expect that the result of a non-policy, a non-awareness of policy is going to lead to a tremendous public outcry for government intervention.

I am prepared to accept that government functions quite well in some areas, in the areas of public utilities for instance, even in the areas of the petrochemical industry in which the Polymer Corporation became involved. When you get involved in something as sophisticated as oil exploration, the time lag before a government body could develop the expertise and the know-how to function adequately in this area would result in a lot of people in Canada buying extra blankets and going to bed early at night. It might have an effect on the population of the future - I don't know.

So we're looking at a lead time in development of the alternate energy sources. We are looking at a world distribution problem that is really awe-inspiring. We are looking at the Middle East where 63 per cent of the world's oil is located. We are thumping ourselves on the back in Alberta where we have 2 per cent of the world's energy - when we include all our resources. So we are really a very, very small frog in relation to the energy picture.

I venture to think that even if the problems of the Israeli and Jewish people were overcome, there would be very little incentive on the part of the Arab nations to accelerate their production to meet the world demand, because obviously they have discovered the simple answer. And the simple answer is, why bother producing more? Just simply raise the price. You come to the same position anyway. And the Arabs are also aware that they are dealing with a diminishing resource.

What should the proper take be in relation to the gas royalty? How much should accrue to the people of the Province of Alberta?

I am not advocating windfall profits to the oil companies. I would think that the people of Alberta definitely - by right of ownership, or right of heritage - should be entitled to a reasonable amount of money for their depleting resource. Possibly to fantasize we would set that at 25 per cent. Immediately, we would then be faced with the outcry that vast windfall profits would accrue to the oil companies, or in this case the gas companies. And probably this is so.

Therefore, there are several factors that we have to accept. One is that the cost of finding the raw product is going to increase; there should be imports of more capital into the oil industry, but there should be a direction.

Now how can this direction be set up? I would think possibly there is the old reliable income tax, which immediately enters into the picture for 50 per cent. Now, if this is not a satisfactory figure, certainly it could be negotiated because government has this particular power. Hence, a fair royalty basis of 25 per cent, and an income tax proviso that would acknowledge the money spent on exploration.

Now, true socialists could probably argue that the money spent on exploration is in fact a capital input. It might well be that this is so, but nevertheless you are strengthening the productivity base. As the Premier touched on in his remarks, he referred that the Alberta Energy Board is now reassessing its position insofar as the gas reserves of the Province of Alberta are concerned, because of the simple fact that we now have an accelerated price which makes the previous non-economic producers now economical.

So, Mr. Speaker, another thought comes to my mind, and that is the Mackenzie Valley pipeline. We see a tentative position taken by El Paso Natural Gas, they are going to build a gas line to the Prudhoe Bay field. They are going to liquify this gas and haul it by tankers - a loss to the United States economy and a tremendous loss to the Alberta economy, because there is no question that Alberta is the frontier oil centre. The spin-off in jobs and so on is very important.

So, in the responses that this government intends to make at the ministers' conference and to the federal government, I believe there should be emphasis placed on the importance of the Mackenzie Valley pipeline to ensure future supplies for the people of Canada, because building the gas line in Alaska and going in the direction that El Paso has taken puts you many more years down the road in the ultimate development of the Mackenzie Valley pipeline.

If there was assurance that the Prudhoe Bay gas and the Mackenzie Valley gas would come through Alberta, Alberta could look in a broader manner at the amount of reserves that it is necessary for us to keep on hand. Hence, we would be in a position to assist to a far greater degree those people in the United States, and the looming energy crisis there and the problems that are developing in eastern Canada.

If there was assurance, in fact, that the Mackenzie Valley pipeline would be built, why has there been such a negative reception of the very logical Mackenzie Valley pipeline development? I think probably one of the reasons is that in reality the investment outlook in Canada has been in a state of flux.

There have been many noises made by irresponsible people that certainly have a spin-off. The Americans are no longer accepting Canada as a true neighbour and friend to the degree that they have in the past. This is an unfortunate development. I would urge that the government bend its best efforts towards furthering the idea of a federal to federal government arrangement between Canada and the United States which would result, in fact, in the building of the Mackenzie Valley pipeline.

Now the outcry will be that this is out of the question, that this is a sell-out of our resources. Nevertheless, face the realization that we are dealing with a diminishing resource. It will be many, many years before Canada has the economic wherewithal to build this particular pipeline.

The solutions that have to be arrived at, in dealing with the energy problems of the future, are those that require tremendous inputs of capital, men and material and which require sophistication and statesmanship on the part of all those involved. I would think possibly an acknowledgement [could be made] that we are, in fact, even in the province of Alberta, unable to insulate

ourselves from world realities, that we will be affected by what occurs in eastern Canada as well as what occurs in the United States.

Certainly, when we equate the costs of energy to the costs of everything and we realize how vital this component is, we must more and more realize that this is a North American problem. However, I want to emphasize that if Bill No. 53, in fact, achieves a more equitable price for Albertans for this diminishing, valuable asset, this will be a step forward. In fact, the progress in solving the energy problem of the future can only be related to the price for which the product is sold.

MR. YOUNG:

Mr. Speaker, the remarks I have are quite limited and I hope will be quite brief. Really, we have heard several good speeches this afternoon dealing with Bill No. 53 before us.

My contribution is because of a concern I have, primarily in one area, secondarily in the area of investor confidence, since this was raised by the hon. member from Calgary Bowness. It seems to me, Mr. Speaker, that it's vitally important that the public recognize and realize that there is a vast difference between natural gas pricing and marketing, and oil pricing and marketing. I think this is a distinction which has not been sufficiently recognized and that's why I rise to it.

If we look historically for a moment, we can think back to the time when Alberta and the companies with natural gas holdings in Alberta were trying to develop markets. Now natural gas is something which, as we all know, is piped and has a rather limited market area. Even now we pipe natural gas into the northwestern states, the western states and the Toronto-Montreal area.

But we don't have off-shore competing natural gas. The only competition for natural gas as a form of energy is through competing forms of coal and oil. Any price competition, any price marketing, or any price-making structures, if you will, are competitive energy sources.

What I'm trying to say is that there are no other sources of natural gas competing in the Alberta natural gas market area. There's a bit in the United States, but really it's not significant at all in Canada, and I doubt that it's very significant even in many sections of the United States.

I think it's important that we realize that at the time of our struggle to establish markets for the natural gas which we have in Alberta, companies went out and fought for those markets, worked for those markets, and established those markets in an economy which was as truly laissez-faire, if you will, as we'll ever see in terms of energy markets. They established those markets in competition with coal and with fuel oils of different types, especially in the home-heating market, and for that matter in the commercial manufacturing area.

Subsequent to these developments, as natural gas began to become more significant, we had a growth of regulation, a growth of legislation. The companies in those days did what all businessmen try to do. They tried to establish long-term contracts - they had to make long-term contracts in order to get at those markets. No one at that time could foresee what would happen in the energy picture. No one a few years ago, three years ago, could foresee what was going to happen today.

I have a report in front of me which discusses the U.S. energy situation. It talks about the advice given to the President of the United States, by supposedly the most qualified people the industry could assemble, in terms of fuel requirements. How wrong the first report was and how wrong in the opposite direction the second report was two years later. It has just moved so quickly. The demand has exceeded all expectations, has increased more rapidly than all expectations.

What has happened in the United States, when natural gas was not found in sufficient quantity at the going prices, many people depended upon oil to supply the energy which the experts had anticipated would be supplied by natural gas. So we had confusion in the demand for oil.

What I'm trying to emphasize, what I think should be emphasized, is that there is no way we can have an international pricing situation for gas as we have for oil. There's no off-shore competing gas.

The bill before us would equate - as one criterion to be used by the arbitrators - the fair value in terms of thermal value. I think this is a

realistic, reasonable, and very prudent criterion to include in striking a gas price. There is no doubt that the arbitrators will also have to take into account the convenience of natural gas, the conservation elements, et cetera.

Mr. Speaker, there is one other point that I'd like to make before I get to my last one. We have had a great deal of discussion about the problems in natural gas pricing as opposed to oil pricing in terms of export market in the U.S. As I understand it, the National Energy Board has within its ability the power to increase the price of natural gas exports outside Canada if it were so inclined.

Mr. Speaker, it seems to me that not only do many members of the public not understand the difference in gas pricing as opposed to oil pricing, but that, in fact, probably a good many of the Executive Council of the federal government don't understand that distinction either. Else why would we have the situation, which appears to be common knowledge and commonly recognized, that our natural gas has been underpriced for some time now? It's well recognized here by all parties this afternoon in the House. It appears to be becoming more recognized by the federal government, yet the federal government holds within its power, through the National Energy Board, the mechanism to increase the price of natural gas exports if it so wished. It has failed to do this. I think that Albertans, and for that matter Canadians - because it's affecting the distribution of gas and the market for gas - have a good reason, and a right, not only to ask, but to demand an explanation.

Mr. Speaker, my last point relates to the matter of investor confidence. I think the hon. member for Calgary-Bowness ought well to have considered his remarks about investor confidence. What could create greater investor confidence than an increase such as we have begun to see in natural gas pricing, which has produced increases in reserves, which, by the figures I understood to have been quoted today, will add a net increase in our reserves this year of some 10 per cent over what they were before. Is that not a good source of investor confidence? Is higher price not a source of investor confidence? Surely the screams about the increased pay-outs which many people apparently regard as exorbitant pay-outs in case of higher prices in our oil industry must surely have created some investor confidence somewhere.

I listened to some of my friends. We have forever been told in the last few months about the high dividends of the oil companies. If that is true then that surely has to produce some investor confidence, it seems to me.

Investor confidence in government, as I see it, is built not so much on paper contracts as it is on full knowledge and confidence that the government of the day is realistic, knows what it's doing, knows where it's going, knows what the energy market looks like, and the roles that it and industry have to play, and as well, the government's role with respect to the public interest. I think that's what creates investor confidence. I think that's what this government will achieve through this bill.

MR. DIXON:

Mr. Speaker, there are just one or two items I'd like to touch on in the second reading on the principle of this bill.

I was most impressed with some of the remarks of the Premier today. I understand and I sympathize with the tough position he has had over the last 12 months in trying to formulate an oil and gas policy, in particular a gas policy, which we are speaking of primarily in this bill.

He has had more than his fair share of problems because one of the unfortunate things - the federal Conservatives, even when they were in government, and now they're in opposition, are of no assistance to our Premier because they have no policy and never had.

I'm not going to take much time. The Premier mentioned TransCanada Pipelines. I'm sure as an Albertan, as a Calgarian, he was as lambled as I was when the famous pipeline debate was on, when TransCanada Pipelines and the hon. Prime Minister at that time, Mr. St. Laurent, were anxious to get the trans-Canada pipeline going. The Conservatives were the ones who fought it tooth and nail. We probably would still not have the trans-Canada pipeline if we'd waited for the federal Conservatives to bring it in. Then, on top of all this, he's got problems with the Conservative government in Ontario which has been fighting us all the way down the line.

So his job has not been easy and I was very pleased to hear many of the items that the hon. Premier brought up today, in particular, the one that points out that industry is the greatest user of our gas outside our boundaries.

I'm not as optimistic as the hon. Premier and the members opposite when it comes to bringing in industry because of cheap gas. If that was the reason we'd be loaded with industry. At the present time in Ontario industrial gas costs somewhere in the neighbourhood, I believe - I have figures here - of almost 60 cents ...

MR. ZANDER:

Well, what is it in Alberta?

MR. DIXON:

... per 1,000 cubic feet compared to the industrial users in Alberta who are only paying 20 cents. In other words, industry in Ontario is paying 3 times that amount. So you can see that we are going to have to encourage them not only with the gas price but also with other features. Maybe the hon. Minister of Industry and Commerce will be able to use the opportunity fund to advantage as well. I'm sure they're going to have to use things other than the gas price.

That is the reason why I think the hon. Member for Calgary Bow was so concerned about investors' confidence. I don't blame the industry for being a little gun-shy when it comes to Conservative policies, because it keeps thinking back to the federal Conservative policies.

I am not saying that the hon. the Premier has those same policies. But you can see that once they were hit with what they were hit with when the Conservative government was in federally, and also as they see the operations of the provincial government in Ontario, that we all have to work together to ensure that Alberta is protected and, as the Premier has pointed out so many times, that Albertans get a fair share for their gas. I was pleased to see that he has changed a little from what he did a year ago last November, when he talked more about the two-price system rather than a rebate, which really it was in a way. I think that this is the thing that got them so concerned in Ontario, and I think this is going to help us.

I would like to point out, too, that I could be critical of TransCanada Pipelines, and I am, to a certain extent, because they have a monopoly. But at the same time, I think you have to be fair, Mr. Speaker, to TransCanada Pipelines. They found a market and they financed it at a time when it wasn't easy.

Ontario has also been urging TransCanada Pipelines, not so much TransCanada Pipelines but companies in the utility business in Ontario, just as our own Premier said here today, to invest in production and exploration for oil. We all know that one of Alberta's pioneer companies, Home Oil, is controlled by Consumers' Gas of Toronto. Also, Northern and Central Gas Corporation owns another large gas utility company which is very active in this province, Canadian Industrial Gas and Oil. Union Gas, I believe, is the only one that hasn't any actual control of any particular company, but at the same time I think that you will see that they are in certain deals within our province at the present time, as far as exploration is concerned.

I am only bringing these points out to emphasize the fact that if we are going to get anywhere with the federal government, we must cooperate wherever possible. I think that we should be very, very careful that we don't base our policy on what has been termed the opportunity price, because we are in business not just while the Arab-Israeli conflict is on, but for many years to come.

As the hon. Premier mentioned today, we may have to look at a staged-in price, which I think is only right, because we are going to have to have these customers who won't leave us and won't affect our industry when the so-called energy crisis is over. I am more or less convinced that energy crisis is largely a political crisis in Canada. Therefore, I think that we have to be doubly sure that whatever policy we come up with is a long-range substantial policy for years to come. I think that this will help to maintain investor confidence within this great province of ours.

I would like to leave a suggestion to the hon. Premier and, in particular, to the Minister of Federal and Intergovernmental Affairs, and the hon. Minister of Mines and Minerals. I would be so bold as to suggest that, before the premiers' conference is held, Alberta and the federal government meet, maybe for a week prior to all the other provinces coming in, and lay out whatever the

federal government policy is and whatever the provincial government policy is. I believe that if something like that isn't done, I think you are just going to create a nice meeting where everybody meets but when they leave there has really been nothing done.

As the Premier pointed out, we have 81 per cent of the oil and gas production within our province at the present time. Therefore, I think we have a valid right to say we should get together with the federal and provincial government and try and work our policies, or finalize our policies, let's put it that way. Let's be more constructive yet, finalize our policies, and then call the other provinces in and say: can we work within Confederation? Can we solve our energy problems? These are our policies as a province and as a federal government. I think that the Canadian public and in particular, the other provinces would go along with that.

One disappointment that I have, Mr. Speaker, with the present government is the attitude that they have taken on the gas fields at Suffield. The hon. Premier mentioned today, and other members opposite, I know, have mentioned the fact that private enterprise is going to look after things and more or less left the idea that industry had sort of neglected Suffield, that they weren't interested in it. But of course we all know the reason that Suffield wasn't developed is because it wasn't possible to develop because of the federal government control on it and, all credit to the government opposite, we were able to negotiate a deal. Exploration drilling is going along at a fairly good rate to prove up the area.

But I think that private enterprise should have been brought into the area from the start. If it was that good, then I think that we should have probably been able to get a better deal than ever, with anyone that wanted to bid to do the exploration and do the whole thing right up to production.

I believe that investor confidence is shaken whenever government starts talking about going in, whether under the guise of the Alberta Energy Corporation or anything else. I think the greatest service that this government can do for the people of Alberta is to encourage individuals to invest in the companies that are already set up, or other companies that may be set up by private enterprise, because that's their business. They know more about oil and gas, the people that are already in it, than those who will be coming in at a later date, either our own Albertans, or Canadians who decide that they like to get into the business. So we should give them every encouragement.

I notice that the federal government has put out an energy program here which they are sending to all the people of the Province of Ontario, I am sure, and probably to the rest of Canada. But I am a little disappointed that Alberta's position has only about a half a dozen lines. I think that it is unfortunate that they didn't spell out Alberta's position to the same extent that they spelled out their own and then let the people decide. I am a great believer in giving the people the facts and they'll decide on how they want to go. They usually have good farmer's common sense, as the term is used. They can make their own decisions.

Mr. Speaker, the main point I would like to urge the Premier, in particular, and his ministers who are directly concerned with the gas industry, to have a meeting with the federal government and say, this is our policy; we want to know what your policy is, and then we will call in the rest of Canada. For that matter, we can go to our customers beyond our boundaries to the south - the American people - because they are in a position of energy shortage at this time. They helped us in time of need and I think we should help them in time of need if at all possible, providing that our own interests are looked after first, which I think is only a natural thing to do.

Mr. Speaker, with those few remarks, I could say that I am in agreement with the principle of Bill No. 53. Thank you.

MR. KING:

Well, Mr. Speaker, like the hon. Member for Calgary Bow, I am unprepared. I hadn't expected to participate in the debate on this particular Bill No. 53, but I have really been concerned at the direction that some of the debate has taken.

I think that maybe with respect to Bill No. 53, a lot of people have misled themselves when they refer to this as the energy session, and when they consider that we are here to deal with an energy crisis. That is not a phrase that should be used to characterize the intent of Bill No. 53 nor the provisions that will be achieved by what will be, in effect, a two-price system for natural gas.

I would just like to make a few remarks about this. While it may be well and good to talk about our difficult relationships with the federal government over petroleum products, it may be well and good to talk about problems of distribution of petroleum, we are not talking about a problem issue when we deal with Bill No. 53 and natural gas. We are talking about a tremendous opportunity about which I haven't heard too much either this afternoon or this evening.

The hon. member opposite suggested that it must surely take more than the presence of natural gas or petroleum products to develop an expanded base of secondary industry. I don't know if he was either in the Legislature or in the province in the early 1950's when the lack of action of the previous administration allowed Polymer Corporation to establish its operations in Sarnia. The result of that was the development of a petrochemical industry in Ontario which might, with a little bit more activity on the part of the previous administration, as easily have been here.

Another thing related to Polymer Corporation which should be said about natural gas is that it is not simply an energy source, it is also a feedstock or a source of feedstock for an extremely important and an increasingly important world industry, that is, of course, the plastics and the chemical industry. He says that it must surely take more than the presence of natural gas or petroleum to develop an expanded base. What then does Dow Chemical have in mind when they propose a \$350 million development for the Fort Saskatchewan area? Or another chemical company, when they propose a complimentary \$250 million project for the same area? Or some of the companies already in Alberta, when they propose to expand their industrial base?

Mr. Speaker, the presence of these things here, and a two-price system for natural gas, are going to mean some very important and some very specific advantages for the citizens of the province, for the citizens of my constituency. The effect of this bill is going to be increased employment for the engineers who live in my constituency. It is going to mean increased employment for the new Canadians who live in my constituency and who go from construction job to construction job. It is going to mean, over the next decade or over the next two decades, literally thousands of jobs for the residents of Alberta. It is going to mean that with careful stewardship of our resources we can point with pride to a lower rate of unemployment than any other province in the country. It is going to mean millions of dollars in payroll. It is going to mean millions of dollars in spin-off benefits in associated companies. It is going to mean increased corporate tax. With the leverage that is provided there, both directly and indirectly, it is going to mean a lot of other very important things to the people of the province, such as changes in the transportation rates and the transportation advantage that accrues to the people of Alberta as they go through this process of industrialization.

Mr. Speaker, it is well and good to say that we have our problems with the federal government or with other provinces over this 'umbrella' resource, energy. It is well and good to say that we should be concerned about windfall profits and how they are going to accrue to the people of the province. These are things we certainly should be talking about. But when a bill such as Bill No. 53 appears before the members of the House, then I think we should take it as an opportunity to recount some of our blessings and to recount some of the real strengths that lie with the people, the citizens of the province, through the successful development of their natural resources. This is one of the things that stands out very clearly in my mind with respect to Bill No. 53, and I hope that all the members of the Assembly are thinking about it, for themselves, for their constituencies, and for the development of all of the opportunities their constituents could enjoy. I wanted to get that off my chest.

MR. STROM:

Mr. Speaker, I must say that I have enjoyed the discussion that has taken place on Bill No. 53. When I first looked at it and recognized that we were going to get into the debate on second reading, I certainly had not anticipated that the debate would be as wide-ranging as it has been. But inasmuch as you have permitted the latitude that you have, I feel sure that anything that I say, Mr. Speaker, will certainly come within the gamut of Bill No. 53.

First, let me say that I am of the opinion that the amended bill presented to us today is certainly superior to the original bill that was tabled at the earlier session. I think that it defines the commodity value of gas, for example, very well. The other sections that it deals with are very clear and certainly I don't have any argument as far as the sections are concerned.

I would like, at the beginning, to make a reference to the remarks made by the hon. Member for Edmonton Highlands.

First of all, I would like to remind him that the Polymer Corporation was set up by the federal government. I think that it is fair to say too that the federal government had the industry placed where it felt it should be and undoubtedly gave considerable direction to it.

Secondly, Mr. Speaker, I would say this. If my memory serves me right, and I am sure that it does, I recall that in about the year 1970 one of our industries located at Fort Saskatchewan was in real danger of having to close down, not because they were unable to get the raw product, not because the raw product wasn't available to them right at hand, but simply, Mr. Speaker, because there was a problem with markets. I recall very, very vividly having that meeting with them and having the discussion with them.

To get back to the problem that we are looking at today, or to the situation that we are discussing today, it is certainly not comparable to the situation that faced the previous administration, which the hon. Member for Edmonton Highlands saw fit to refer to. I think he ought to recognize that.

Now, Mr. Speaker, I think it is only fair to say, as was said by the hon. Member for Wetaskiwin-Leduc, that the development of the gas industry in Alberta was due in large part to the fact that long-term contractual agreements were drawn up. I don't think anybody will particularly debate that point. I would say here also - because I feel we are trying to make the oil companies, the gas companies, the whipping boys for the situation that we are facing today - I think it is only fair that we give them credit for their part in making the prosperity of Alberta what it is today. It is not something which is just due to government acting unilaterally, but rather the industry taking advantage of legislation and regulations which permitted them to know what the future held for them. I would like to go on record as saying I believe the industry has done a remarkably good job in developing it to the stage that we are at today.

Mr. Speaker, the second point which I would like to make is that there really were no significant price increases in either oil or gas until the year 1972. If you were to examine a graph, you would find that the prices have remained reasonably stable. In fact there was a slight dip during one period of time and then it came back up again. The most notable changes were taking place in the pricing structure in 1972, or just prior to that. Again, I wonder if it is recognized by the public that these increases were really not due to any action taken by the industry itself. I think that is rather lost upon the general public.

It is my view that the increases which we have witnessed within the last year and a half or two years are due, in large part, to the governments of the countries in which there is oil development increasing their take. Because of this we have witnessed the rapid increase in price which is taking place. Certainly, I'm not going to suggest for a minute that that is what happened within our own country because I think the problem we have been facing in the Province of Alberta and, to a lesser extent, within the Dominion of Canada, is that we now recognize that the consumer is prepared to pay more than he has paid in the past. I don't think, Mr. Speaker, that at this point in time anyone can clearly state what the consumer is prepared to pay for energy. If we were to ask the industry, I'm sure we would get varying replies as to what they think the consumer is prepared to pay for this commodity.

All I'm saying is, up to this point in time I don't think anyone can state positively what the ultimate price might be. I think it's fair to say that the situation we are facing today is a very uncertain situation and, as I think someone suggested, exploding energy prices have been brought about due to the take of the various governments in which oil development is taking place.

When we come to gas, I appreciate what the hon. Member for Edmonton Jasper Place had to say, and I certainly agree that we really have not had, nor will have, any clear guide as to what the pricing for gas ought to be, except as it relates to the prices asked for other energy sources.

Here again, I have to say we were on the verge of developing a competitive system back about 1970. At that time, I think the honourable members who were around will recall, Consolidated Gas was making contracts with gas companies within our province at an increased price from previous gas prices at the wellhead.

Alberta, at that point in time, upon the recommendation of the Alberta conservation board, accepted the recommendation of the board to grant export

permits out of the Province of Alberta. It then went to the federal Energy Board. They, in turn, gave consideration to the application and decided that it was not in the interest of Canada to permit the export of gas to Consolidated. We were then faced with the situation where competition was not permitted to take place which would have, I am sure, had it been permitted, started the upward trend which everybody recognized should take place.

Now, it is true that the position that we are in today is one that does not permit competition to prevail. As a result we are not witnessing the increase in the price of gas that we should have. I listened very carefully when the hon. Premier was speaking this afternoon and, of course, I heard him suggest that it is for this reason we must have government involvement in the setting of the price of gas.

Here again, I do not argue with the statement made but I simply want to make this observation: it seems to me that these exploding energy prices have led us to forsake principles observed in the past, under which we operated in the past, that is, trying to keep government out of the operation as much as possible. I am just a little afraid that with more and more government involvement we are going to find the operation of the industry will not be as successful. It will not operate as well as it would have, had we permitted a degree of competition to enter in and had a hands-off policy by government as much as possible.

The thing that disturbs me now, Mr. Speaker, is with government involvement, at this point in time, I can only see it leading to further government involvement in the days which lie ahead. I do not think this is going to be in the best interest of Albertans in the long run, and I do not believe that it will be in the best interest of the industry in the long run, either.

As I said earlier, Mr. Speaker, I appreciate that we are in a very difficult period. It is rather hard to come up with a policy that will operate for any length of time. I would only urge the government to give very careful consideration to any changes which will be made.

If I were to express a view as to how it should be handled, it seems to me we should have had the federal government call a high level conference to which the provinces would have been invited. They would also have invited the U.S. government, so that together they may have been able to sit down and discuss ways and means of resolving the pricing structure, ways and means of resolving the distribution problems that we are facing.

I am disappointed that the federal government did not call such a conference. I would certainly hope that our Premier, even at this late date, would give some consideration to that type of conference. It seems to me that we cannot at this time isolate ourselves from our neighbours to the south. It seems to me that we ought to try to operate with them rather than suggesting that we are going to isolate ourselves and only think in terms of Canada. I'm not sure what the results of that kind of conference would be, but I feel confident that it would be a means of creating a better understanding and a better relationship between the country to the south and our own nation.

I would like to close by saying, Mr. Speaker, that I am prepared to support the amendments of Bill No. 53.

MR. CLARK:

Mr. Speaker, there are just five or six very quick points that I would like to make in dealing with the bill.

First of all, I would be remiss if I didn't acknowledge our thanks on this side to the government for giving us advance copy of this legislation and, in fact, all the legislation I understand we are to deal with this session, other than the Alberta Energy Marketing Board legislation.

Secondly, Mr. Speaker, I'd like to say that we welcome the announcement made this afternoon by the Premier regarding the indication from the government that they are striving toward a much more competitive situation in the - shall we say - the gas distribution business as it affects the gas being exported out of this province, particularly to eastern Canada. We welcome that announcement and certainly we will look forward with a great deal of interest to the progress that is being made in that area.

There are three or four points I would like to direct to the hon. Minister of Mines and Minerals and ask him to comment on them, either as he concludes the debate or perhaps when we become involved in the Committee of the Whole discussion.

The first area deals with Section 4. I would like to ask the minister how that squares with The Bill of Rights, and if a great deal of consideration has gone into that particular area. Also, dealing with the same area, in the establishment of the arbitration approach there is a provision made that when one person is involved that person ordinarily would be an Albertan. Where there is more than one person involved in the arbitration, might I ask the minister if the government has given serious consideration to making some sort of stipulation that the other people be Canadians?

I'd like to make the comment that in general principle we are in support of the principles outlined in the bill by the minister, as has been indicated by a number of my colleagues on this particular side of the House.

The concluding comment that I'd like to make, Mr. Speaker, simply is this. When we are dealing with this bill, or when we are dealing with the other legislation before this so-called energy session, hopefully we will look at what is presented from the standpoint of the effect that this is going to have on the economy and the stability of the Province of Alberta, and what it is going to do for jobs and job opportunities for Albertans in the time that lies ahead. Certainly we would be remiss in our responsibility if we didn't look at the greater interest that we as Albertans have - and I'm thinking there in terms of a greater interest, as far as Canada is concerned, in this whole question that we are considering during the course of this debate.

Whether the minister wants to deal with these matters in the course of concluding second reading or whether he wants to do it in committee, I'm easy, as long as he will reply to those comments.

MR. SPEAKER:

May the hon. minister conclude the debate?

HON. MEMBERS:

Agreed.

MR. DICKIE:

Mr. Speaker, in concluding the remarks in the debate on this bill, I'd like to first say that certainly there has been a comprehensive review of the principles involved. There have been additional comments, particularly by members of the opposition, that I think can be well answered in other debates. We do not propose to end them in closing the debate.

However, one item dealing with the principle of the bill has been raised by the hon. Member for Spirit River-Fairview and the hon. Leader of the Opposition. They refer specifically to the arbitration provision in the amendments, which is Section 4(1). I think, Mr. Speaker, that really involves a concern I should bring to the attention of the House, as to how that arose. I would like to read to the hon. members the submission on that section, because it does deal with how arbitrations are conducted:

A review of the arbitration clauses in existing standard forms of gas purchase contracts indicates that a large number of them are permissive in nature rather than mandatory. In other words, they only provide where the parties fail to reach agreement on price redetermination, including effective date thereof, they may submit to arbitration if both parties agree to do so. The effect of this type of arbitration clause is obvious. If one party disagrees then the matter may never be resolved and the provisions of the Act would be inapplicable. This would be detrimental to the seller and to the policy of the Alberta Government.

Mr. Speaker, that was considered by the law officers of the Crown. It was an excellent suggestion and that was the purpose for its incorporation into the bill. I hope that answers the hon. members' questions in that regard.

Mr. Speaker, before concluding, I think the hon. members would permit me to make one or two short observations.

First, the hon. Member for Pincher Creek-Crowsnest mentioned the Mackenzie Valley natural gas pipeline. He expressed concerns about it, the interest in seeing it as a joint participation between Canada and the United States. Mr. Speaker, I can only reiterate again the effect of the federal government's export tax. If you were an American today, you would be thinking of participating with Canada in such a natural gas pipeline. So when you are

considering the export tax, and some members have considered it, please consider those aspects also.

Now, Mr. Speaker, the hon. Member for Calgary Millican, as I understood him, said there were no federal Conservative policies respecting oil and natural gas. I would remind him that it was the federal Progressive Conservative party that brought in the 1961 national oil policy. I didn't mind him forgetting that, Mr. Speaker, but it was only a number of months ago that I outlined the national oil policy to him in this House and I didn't think he could overlook that.

Mr. Speaker, I certainly couldn't let the comments go about the Suffield gas reserves. The hon. members will recall that the government did engage an independent consultant in Calgary from the industry to prepare a comprehensive report on what approach should be taken. That report came in with the recommendation that we drill 77 evaluation wells, and I emphasize evaluation wells. That report was submitted in this Legislature. I don't recall anyone standing, on either side of the House, and objecting to drilling those 77 evaluation wells. I think, as I recall the figures, the position in the report stated that there was a possibility of drilling these 77 evaluation wells in this unique situation, having gas wells around the area, that the province could realize in excess of over \$100 million for an expenditure in the neighbourhood of some \$2.5 million. Mr. Speaker, I think that most of the members who did read that report agreed with it. I think members in the petroleum industry did not object when they realized that they were evaluation wells. I am pleased to report, Mr. Speaker, that of the 77 evaluation wells, we have now completed the drilling of over 40 and they have all been successful.

Mr. Speaker, in just a short note, I might pay tribute too to the former Deputy Minister of Mines and Minerals, Mr. Somerville. I think those of you who have worked with him realized his great concern in making sure before he spent a dollar to look at the dollar two or three times. He has done an excellent job in watching the government funds for the drilling of these 77 evaluation wells.

Mr. Speaker, perhaps I can conclude this remark by saying that there is no question about industry being concerned at all. All those contracts were let by tender in the usual government way. We are all very successful and we haven't had any concerns expressed to us on the way the drilling of the 77 evaluation wells was carried out.

Mr. Speaker, I could not let go by either the compliment of the hon. Member for Edmonton Highlands or the devastating way he destroyed the arguments from the Member for Calgary Millican on the question of natural gas. As I understood the argument presented by the hon. Member for Calgary Millican, he said he felt that the Premier was optimistic, because the natural gas that we have here would bring industry to Alberta.

Mr. Speaker, he is just out of tune with the times. If you could only hear now and read some of the articles on the petrochemical feed stock, well you have to generate excitement when you see the potentials of Alberta, when you see the real problem. He talked about a price differential, but, Mr. Speaker, I would like to emphasize one point to the hon. member, the supply factor involved, the opportunity we have here now with the petrochemical feedstock for petrochemical plants. These are the plants that would create the jobs and the job opportunities the hon. Premier and the hon. Member for Edmonton Highlands referred to.

Mr. Speaker, too, the hon. Member for Cypress raised the question of recognizing what industry has done and I think the point was well taken. However, I think there was a suggestion that the members on this side haven't done that. Mr. Speaker, I would like to recall to the hon. members the excellent television presentation by the hon. Premier in presenting the Syncrude proposal and agreement. You will recall that was done in September, and I would suggest to you, if you recall the first ten minutes of that program you will recall the recognition that was given to industry and the job it has done in the Province of Alberta.

Mr. Speaker, I also was interested in the comments of the hon. Member for Cypress when he dealt with the Consolidated situation because really, Mr. Speaker, I think there was a time when, if the government had stepped in, perhaps they could have stopped the monopoly situation of TransCanada PipeLines which has led to some of the difficulties we have in the price of natural gas. So, Mr. Speaker, I think we are trying to correct some of those difficulties of the monopoly situation today and we will continue to do so. But if he is reflecting back, perhaps the hon. member can ask himself, could we have taken a different approach at that time and would it have avoided the problems that the present administration faces?

Thank you.

MR. SPEAKER:

Before putting the question on the second reading of Bill No. 53, I should perhaps mention some of the remarks which have been made by hon. members concerning the exceptionally wide latitude of the debate. It has seemed to the Chair, rightly or wrongly, that with legislation of this kind, affecting such an important part of the life and industry of the province, perhaps the rules of relevance should not be too strictly applied lest they hamper the debate and perhaps destroy some of the value which it might have in relation to the legislation and the welfare of the province.

[The motion was carried, Bill No. 53 was read a second time.]

MR. HYNDMAN:

Mr. Speaker, I should now like to ask unanimous leave of the Assembly to move to second reading of Bill No. 96, The Gas Resources Preservation Amendment Act, notwithstanding Rule 57,

[The motion was carried.]

Bill No. 96
The Gas Resources Preservation Act, 1973

MR. LEITCH:

Mr. Speaker, I move, seconded by the hon. Provincial Treasurer, second reading of Bill No. 96, The Gas Resources Preservation Amendment Act, 1973.

Mr. Speaker, The Gas Resources Preservation Amendment Act as it now stands in essence has one requirement and that is a permit before natural gas or some of its components can be taken out of the province. As it now stands it applies to all gas within the province, that is, natural gas produced both from Crown land and from freehold land. The purpose of this bill, Mr. Speaker, is to remove from The Gas Resources Preservation Act the requirement for a permit in order to take gas from freehold lands out of the province. The reason, Mr. Speaker, for introducing this amendment is primarily to strengthen the constitutional validity of The Gas Resources Preservation Act.

Mr. Speaker, there are rather severe limitations on a provincial government's constitutional authority to legislate over the flow of products out of and into the province. However, the position is much different, Mr. Speaker, when the provincial Legislature is dealing with the produce or products from land it owns. In that case, Mr. Speaker, its constitutional authority is much wider and it is able to legislate with respect to what happens to the produce or products from its own lands. Therefore, Mr. Speaker, the entire purpose of the bill is to remove an area in which there was some constitutional question about the validity of the legislation and, in the result, strengthen the position of the bill.

[The motion was carried. Bill No. 96 was read a second time.]

MR. HYNDMAN:

Mr. Speaker, I move the House do now adjourn until tomorrow afternoon at 2:30 o'clock.

MR. SPEAKER:

Having heard the motion for adjournment by the hon. Government House Leader, do you all agree?

HON. MEMBERS:

Agreed.

MR. SPEAKER:

The House stands adjourned until tomorrow afternoon at 2:30 o'clock.

[The House rose at 9:32 o'clock.]