

## LEGISLATIVE ASSEMBLY OF ALBERTA

Tuesday Evening, December 4, 1973

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

GOVERNMENT BILLS AND ORDERS  
(Second Reading)Bill No. 93 The Freehold Mineral Taxation Act

MR. DICKIE:

Mr. Speaker, I move, seconded by the hon. Minister of Lands and Forests, second reading of Bill No. 93, The Freehold Mineral Taxation Act.

The basic principle behind this bill, Mr. Speaker, is to provide a reserve tax on freehold mineral rights. It is not intended to include interests under Crown leases.

Mr. Speaker, the procedure that is intended to be followed under this act will be relatively the same as followed under The Mineral Taxation Act, 1972, with one, I think, very important distinction. There will now be a separate appeal board. Hon. members will recall that under The Mineral Taxation Act, 1972, where appeals were initiated, they were to the Energy Resources Conservation Board.

[The motion was carried. Bill No. 93 was read a second time.]

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

MR. DICKIE:

Mr. Speaker, I move, seconded by the hon. Minister of Lands and Forests, second reading of Bill No. 94, The Mines and Minerals Amendment Act, 1973.

Mr. Speaker, I would suggest to hon. members that there are two basic principles in this bill. First, the Lieutenant Governor may fix a rate of royalty greater than the maximum royalty provided in petroleum and natural gas leases; second, dealing with the Alberta Petroleum Marketing Commission. Those provisions essentially provide 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 thereof shall be sold through the Alberta Petroleum Marketing Commission.

Mr. Speaker, in dealing with the first principle I have enunciated, I would ask the hon. members, when they are considering that principle, to also consider the form of lease that is granted. I have a standard form of lease before me at the present time, and I would just like to make sure that all hon. members are aware that when a lease is granted the lessee takes the lease subject to The Mines and Minerals Act and any amendments to the Act. Mr. Speaker, it is quite clear from the first covenant in the condition of the lease. It reads as follows:

1. The lessee shall comply with the provisions of The Mines and Minerals Act [Mr. Speaker, that includes amendments] and any Act passed in substitution therefor, and any regulations that at any time may be made under the authority of the said Acts, and all such provisions and regulations that prescribe, relate to or affect the rights and obligations of lessees of petroleum and natural gas rights, the property of the Crown, shall be deemed to be incorporated into this lease and shall bind the lessee in the same manner and to the same extent as if the same were set out herein

as covenants on the part of the lessee. Each and every provision or regulation hereafter made shall be deemed to be incorporated into this lease and shall bind the lessee as and from the date it comes into force, but in the event of conflict between any regulation hereafter made and any regulation previously made the regulation last made shall prevail.

Now, Mr. Speaker, in considering the principle in this bill, I would like to advise the members tonight who have expressed some concern about drilling in Alberta, that I have just been informed by one company actively drilling in Alberta, that a recent drilling program initiated by our drilling incentive has resulted in a major oil pool showing a primary recovery of a potential 50 million barrels of oil.

Mr. Speaker, I would like to make a short statement on the question of royalty.

Mr. Speaker, it is the government's intention, following the consideration by the Legislature of Bill No. 94, to proceed to work out details of royalty regulations to be passed by the Executive Council under the authority of The Mines and Minerals Act.

I would like to advise hon. members this evening that following the hon. Premier's announcement on October 4, our department established study groups, described as follows: oil and gas royalties, drilling incentive, land tenure, gas cost allowances and sulphur. Meetings were held with representatives of the Canadian Petroleum Association, the Independent Petroleum Association of Canada and the Canadian Association of Oil Well Drilling Contractors, and we asked them to strike similar study groups to meet with our department study groups. Those various study groups have been meeting and discussing proposals.

On the question of royalties for oil and gas it is the intention of the government to make the effective date January 1, 1974. The date of announcement has not been finalized. A number of proposals and varying approaches have been suggested and considered. No rates have been announced, but during the course of the debate on this bill I would welcome any personal observations hon. members may wish to make by way of suggestions with respect to the form, method, amount or rate of royalty.

Mr. Speaker, in now dealing with the second aspect of the Alberta Petroleum Marketing Commission, I think there was one question raised today that hon. members may wish to consider in the course of the debate, and that is whether this Alberta Petroleum Marketing Commission will deal with synthetic crude oil. Mr. Speaker, it is not the intention to include it in the proposed bill; however, it would probably be added sometime later.

MR. HINMAN:

Maybe I'm doing something in the form of a question, but Section 170.1, page 2, refers to only that share of the oil which is royalty shall be turned over to the Alberta Petroleum Marketing Commission. I wonder if this precludes the inclusion of oil other than that which is royalty? Perhaps the minister would tell us more about it when he concludes the debate.

MR. HENDERSON:

Mr. Speaker, I expected all sorts of competition for your attention about this time. I am somewhat surprised at the silence in the House. Maybe I can stir it up a little bit.

I hope, Mr. Speaker, that I can beg your indulgence in allowing wide latitude of discussion on this particular bill. It can't be separated from the marketing board bill which has made mention of the bill; nor can some of the principles contained in it, I think, as the minister has outlined, be separated from the tar sands. It is very fundamental to this whole question of dealing with the federal government's export tax on Alberta's resources.

I have listened with a great deal of interest over the last week or two to the opinions coming from all the self-appointed experts in eastern Canada on the oil industry in Alberta, and I must say I have heard some very far-fetched statements and opinions as to what this business here is all about. I can understand from some of the statements that have been made why there is so much confusion in eastern Canada as to what our opinions are on the subject. One of the things I have watched with great amusement are the press reports which define a non-Canadian as an Albertan who disagrees with Ottawa on the national export policy or the export tax on Alberta resources. I think that has got to be a pretty narrow definition of who is a Canadian.

One thing that has bothered me also about a great many of the reports that have been forthcoming on this subject is the hypothesis or proposition, and a number of these have originated within this province, that the government and this Legislature may have overreacted in the position it has taken relative to the federal export tax. While each and every one is entitled to his own opinion, it seems to me that in this particular issue one of the fundamentals is that the federal government determines the rules by which the game is played, that Alberta in the final analysis can only react to some of the initiatives taken by the federal government.

It seems quite apparent that the federal government for reasons known, maybe even unknown to itself at this point in time, chose for one reason or another a policy of confrontation in order to try to deal with the question of who controls Alberta resources. In that regard, I want to reiterate what I said yesterday and was said before in the House and simply echo what the Premier said, that the question of negotiating with the federal government over how much Alberta should get out of the export tax has got to be absolutely short-sighted and unsound, because the basic issue isn't the export tax. It comes back to - it has been said many times - who controls the resources. I would certainly hope that we won't find too many members of this Legislature standing up and advocating that Alberta drop the present course of attack it has taken in favour of going to Ottawa with hat in hand and saying to Ottawa, give us back our share of our national heritage - this is certainly not going to benefit the Province of Alberta in the long run.

I think in examining the legislation that is before us and some of the other legislation that has come and is coming before the House, the one thing that seems to me, so far as the government is concerned, has got to be the word flexibility. I see no choice but for this Legislature to grant the government wide latitude in legislative authority to be able to deal effectively with a number of very highly unpredictable factors which are of major significance to the people of the Province of Alberta.

I think first there can be no question, there should be no doubt in anybody's mind, that any windfall profits that would be accrued from the almost ridiculous escalation in crude oil prices on the international market - there is no question about it - belong in the treasury of the Province of Alberta. They don't belong in the pockets of the major oil companies and they certainly don't belong in the pockets of the federal government.

To those who think the export tax is such a big, sound argument, and we should go down and argue for our share of it, we see the inevitable happening already, where the Premier of Nova Scotia, I think it is, is saying the \$700 million a year, the rate that the export tax now is accruing to the federal treasury, should be used to subsidize oil prices in the Maritimes. We have the federal minister of energy himself saying some of the other profits should be used for exploration in the Maritimes, or in the Arctic. They might be very gracious to even agree to spend a nickel or two on tar sands research. I think the people of eastern Canada are expecting Albertans to be a little bit too benevolent to accept that type of policy which has been forthcoming from the federal government. There is no way that the taxpayers of Alberta can be called upon to subsidize national policies of those sorts.

So the government must have the authority to deal with this whole question of windfall profits, take every measure at its option and use every option available to it to see that the profits go into the public treasury and accrue to the benefit of the people of the Province of Alberta.

I think also the government very obviously must have the latitude in legislation to deal with the question of national energy policy, because I don't think the federal government at this point in time has a clue as to what a long-term national energy policy should look like. We see it taking a lot of short-stop or ad hoc measures to deal with the question of trying to get more Alberta crude into eastern Canada, but that is simply holding its finger in the dike and has nothing to do with long-term energy policies. I certainly hope that when the first ministers meet to discuss the matter, that conference isn't going to get bogged down in discussing those short-term problems. They're not of major significance in the long run as far as this province and this country are concerned in total. But the province must have the authority, in my view, in legislation to deal with whatever does come out of the federal hopper in the form of a national energy policy.

When I look at the situation where we have a minority Liberal government in Ottawa that's beholden to the NDP for its tenure, and we have a federal Minister of Energy, Mines and Resources who apparently favours a national energy company to get into the exploration development business of resource development in

Canada and in Alberta - no question about that particular issue so far as the NDP is concerned - I think the whole question of the future of private enterprise in this particular field of development, oil and gas, is at a very critical stage. There can be no doubt about it. Obviously, I think the government has to have the flexibility to be able to respond and come up with the initiatives to deal with that particular matter.

I note with alarm the proposition that the federal government should use export money to get into tar sands development in Alberta. I have to say very bluntly and frankly I would just about as soon have the Russians in the tar sand development in Alberta as have the federal government. I think we might be able to deal with them a little bit more reasonably and make them subject to some Alberta policies and legislation, but the federal government has got no business becoming directly involved in this type of resource development in any province.

I think the provincial government should react very strongly to proposition that the federal government would become directly involved. In my mind it falls in the same category as the export tax. It's very critical to the question of who controls the development. A Crown corporation of that type involved in tar sands development in Alberta, I'm convinced, would become a law unto itself and would to a large extent be beyond the legislative control of this particular Assembly.

I think also, Mr. Speaker, that the government's policy has got to have the flexibility to deal with the whole question of royalty rate structure and price, because it is difficult to see how they can assure the people of the Province of Alberta that any windfall profits that do accrue from the sale of Alberta resources are going to go into the provincial treasury without taking price into account, somehow or another, in the royalty structure. Anybody who has any knowledge of the business would know in some cases a 10 per cent royalty rate is going to be too high and in other cases that 50 or 60 or maybe even 70 per cent is going to be too low. Very obviously the royalty structure has got to recognize the fact that a well producing 100 barrels a day from 5,000 feet has entirely different economics attached to it than a well producing 100 barrels a day from 15,000 feet.

It brings to the floor the question of to what extent the government is going to have to become directly involved in the economics and bookkeeping of the industry. Because in order to apply the judgment values to the royalty, I think one of the significant questions is, to what extent can the industry average out all its royalty rates, and so on and so forth, and come up with a royalty structure that is somewhat comparable to what we've had in the past? Or will royalty rates have to take into account the development costs? In actual fact what we're talking about when we lift the ceiling off the royalty rates and institute a new program which is designed to put the profits that are now going into the federal treasury from the export tax and divert them into the provincial treasury where they belong, we're talking about judgment values as to what portion of the profit margin that the industry enjoys can be taken by royalty and be put into the provincial treasury. I don't know what all the problems are, but I can certainly foresee some when it comes to dealing with a general royalty and trying to apply it across the board to all the different types of wells, and so on, in the Province of Alberta.

One other thing I think, Mr. Speaker; the government - and I don't see it in this legislation as yet, but maybe the marketing board will deal with it - has to have the flexibility to respond to the possibility of a negative attitude on the part of Ottawa towards tar sands development. It's almost inconceivable to imagine what would happen in light of what is going on in eastern Canada.

On the other hand, I am not that optimistic that there is that degree of realism in the federal government about this matter. It seems to me that it is inevitable that if the federal government should come up with a decision which means that the Syncrude project goes down the drain, for example, it is going to be a long time getting another project off the ground. The provincial government is going to have to bring conventional production under export control because it is a fact that the significant majority of the money that the oil industry spent in Alberta in the last three years or so, or five years, has been aimed at installing additional producing capacity to provide them with the capability to deplete existing proven reserves at a faster rate. There was information tabled in this House earlier this year, both the National Energy Board statistics and our own energy board statistics, which show quite conclusively that conventional production in all probability will peak out sometime in 1977-78.

When one looks at the market demand and any possibility of the federal government precluding a realistic tar sands development program, it is obvious

the provincial government in the long run, under those circumstances, is going to have to bring oil export under the same basic criteria as they have gas. I don't think we have reached this point yet, minimum reserve figure and exports in excess of that, because I think we are going to have to husband those reserves much more expertly than has been the case in the past. The simple criteria that a field could be produced, at whatever rate, up to a maximum rate that is sound from an engineering standpoint, that won't reduce the ultimate oil recovery, will no longer be an adequate ground rule for determining the maximum rate from conventional reserves or conventional fields. So, if the government has not got this in mind or does not have this principle incorporated in any of the legislation before us, I am very much of the opinion that it should have the legislative authority if circumstances dictate - and I hope I am speaking of an extreme position - but nonetheless, in looking to dealing and managing the total resources of the province, I think the government should be equipped with the authority to put oil under export control.

I would like to suggest to the government they should do the same thing with coal and hydro or energy - electric power - because the day isn't too far off probably when coal will be exploited and utilized by underground methods to generate electricity without mining it. One can foresee the possibility, with Alberta's coal reserves, of exporting electric energy out of the province.

I think the government is well advised, as a matter of policy, to equip itself with the legislative authority to bring all energy resources within the Province of Alberta under statutory export control. The extent that they have to utilize it, and when, is a matter of judgment and timing. But in the final analysis one is not going to be able to separate these various types of energy; whether it is oil or gas or coal or electricity, to some extent they are interchangeable.

I would like to come back again to the question of the flexibility in their legislative program to deal with the question of continued private enterprise development within the oil and gas industry. I think it must be apparent to all and sundry that, in this exercise and this method of confrontation that the federal government has chosen to deal with this issue, the industry is caught in a real bind. When the province is forced to take the steps it is now taking to lift the ceiling on royalties and talk about injecting a price factor into the royalty structure with some sort of broad sliding scale, one of the very significant questions is, to what extent is the industry going to be left with the financial resources to continue to explore and develop additional conventional oil and gas? In my mind this should be of greater concern in the long run than the basic question of tar sands development, because the province faces a difficult task, Mr. Speaker, in judging the magnitude or the degree to which they can go with the royalty increase without completely destroying investor confidence in the business. I think the exercise that the Legislature has gone through in the last two years is very significant in this regard because - and I am not being critical of the government. I don't criticize this legislation. As a matter of fact, I favoured doing this the last time we went through the other exercise of putting reserve tanks in. But nonetheless, when the commitment was made for a five-year royalty period - and then I think due to action on the part of the federal government - we had no choice but to respond and in effect renege on that commitment.

It is bound to have a very significant influence on investor confidence in the conventional industry. I hope that when the government and the people of Alberta look at what the industry has basically done for the Province of Alberta, it isn't going to be forgotten. I doubt very much if the public, the taxpayer, would be prepared to put up the substantial sums of money there would have been to bring the oil industry in Alberta to where it is today. So the government has to have the flexibility to deal with the question of trying to maintain some incentive for private enterprise to continue to operate in the industry.

In this regard, Mr. Speaker, I would simply close by saying that I think that it is extreme short-term political expediency to witness any political parties in the province going through an exercise of outbidding one another, hopefully for votes in the next election, by trying to name arbitrary royalty figures that the rate should go up to. There are none. The government has to have, if the industry is going to remain viable, a lot of flexibility in a very broad range on a sliding-scale royalty structure of some sort.

I think the legislation we have before us now basically gives the government that authority. I suggest - notwithstanding the fact that I don't think anybody is overwhelmed with almost two years in a row of having to change the ground rules under which the industry operates - that it is nonetheless a

matter of absolute practical necessity so far as protecting the interest of the citizens of Alberta.

MR. SPEAKER:

The hon. Member for Calgary Mountain View followed by the hon. Member for Spirit River-Fairview.

MR. LUDWIG:

Mr. Speaker, it is interesting to hear remarks made about all the experts on the issue. When I look at the other side and look at some of the perturbed faces, I'm convinced of two things. One is that they are reacting rather hurriedly to a situation that developed not too long ago, and were not prepared to act when there was a sudden increase in prices, but then reacted rather viciously and precipitously when Ottawa made the first move. So I believe that, notwithstanding the fact that this is a complex issue and that perhaps there isn't too much time to be wasted, there ought to be some opportunity given to all the members perhaps by means of the Committee of the Whole, and the industry for input, notwithstanding the fact that the circumstances have changed, conditions have altered, and perhaps things have moved faster in the last month than maybe they did in years before.

The claim by this government that they want to consult with those who are most affected is not being lived up to. That happens to have a phony ring when it comes from the Premier, that they want consultation, and he rises and becomes very vindictive and annoyed that sometimes Ottawa doesn't consult with the province. But the same kind of treatment is extended to that industry that through the years started with No. 1 well and made Alberta the finest piece of real estate in North America.

I'm sure that the hon. Minister of Mines and Minerals might stand up and say, we have been consulting with them. So have we. There are many questions unanswered, there are many concerns expressed today, there are many doubts, and grave uncertainty, so that now when we see this legislation before us - Bill No. 94 and the bill that we discussed at length the other day and Bill No. 93 and other legislation - it's my candid opinion that if the NDP should ever get into this province as a government, it can take over the whole industry without a single amendment.

It's rather interesting that we are going to have a passing, or sort of a demise of what we subscribe to - and not too sincerely - as a private or individual enterprise system. We'll see the demise of it because the extension of the principles we are subscribing to now to other issues when it suits the government's purpose will be a formality.

The principles we are dealing with and the laws we are passing today are a radical departure from what we had last week. Some might disagree with me. I am entitled to my opinion. I believe, if you read the legislation carefully, that the cabinet have the authority - I'm not saying they will - but they have the authority to put any industry, any oil company, out of business if they so choose. Perhaps that is coupled with the fact that the provincial government has enacted legislation enabling it to go into business; this might be the motive.

At present, I haven't had enough time, nor has anybody had enough time, to study the ramifications of all the legislation. There seems to be sort of an indecent haste to get this thing through, although yesterday I would have sworn that between the hon. Minister of Mines and Minerals and the hon. Premier they were stalling for time, and maybe more. But all of a sudden we are hit with these major bills, although some are not long and, like Bill No. 93, may have only a minor amendment; nevertheless, we could not pass them, no one in here has a right to vote on any of this legislation without knowing the specifics, the details and the intent of the government.

I remember we listened for years here and the hon. Minister of Mines and Minerals, who was then in the opposition, looked like he might be a sincere and devout reformer. Now times have changed. I'm not going to talk about whether politicians are bound by what they said yesterday. Apparently they're not. You can call that whatever you wish; I have some words for that. But what was sacred yesterday no longer matters today, and when he used to stand up and preach private enterprise and preach consultation with industry and preach about administrative tribunals and appeals from them, that no longer is desirable. After all, they're the government now, they know best. In fact that had been repeated often, so why should anybody worry.

But the actual takeover machinery of all the oil industry is set up here. Certainly they can get back and say they are not going to do it, but they have the power. The cabinet can decide to what extent they will apply the squeeze to industry if it suits their purpose, and apparently if they did not intend to do it, then the legislation would really not be necessary.

I'm saying that we have no right to vote for this until we get the specifics and the details, because how do you expect industry which has now been shaken by the constant change of position by this government, when now they are confronted with something that not only they - how can they be expected to know, when the government can't tell us what they're going to do. They want us to endorse this thing and rely on their integrity. That is asking an awful lot, bearing in mind what happened in the past, to rely on their integrity, primarily, and on their good judgment.

Talking about experts, we've got a whole front line of experts down there but when it was obvious that there was going to be some kind of major change in energy conditions in the world they did not only act and be ready for an emergency, but it took them - there was a slow reaction to what Ottawa did. It was furious when they reacted; they did not act, but they reacted.

I believe that one can say an awful lot about the fact that this government now is demanding, with its majority, that it be given power to govern, to regulate, to control the oil industry, which has to be given some credit for having invested heavily in a province when perhaps other fields were a bit greener. Now the payoff comes; they will have the control, in a most uncertain way, of the future of the hundreds of millions of billions of dollars which were invested in this province.

The hon. Minister of Mines and Minerals was a champion of the belief that there should be a minimum of authority to govern by regulation. We all heard this over and over again; it became like an incantation. At times I thought he had nothing else on his mind, but he was sincere - I believe he was. But I also believe he would like to forget those many, many speeches he made, because he is now the Minister of Mines and Minerals, and of course it is now a different ball game. In fact, they will probably tell us that too, shortly.

If they are consulting with the oil industry, I doubt whether they are getting the message. There is a deep and serious concern about the uncertainty about what happened in Ottawa. But there is no point in pointing the finger at Ottawa and crying and moaning that Ottawa has no oil policy, when the Premier admitted yesterday that we're going to implement one, primarily because we haven't got one, at least one that can effectively deal with the situation, with the rapidly changing conditions. I am not saying that they musn't act, but they must not, in the interest of convenience, and in the interest of a conflict with Ottawa, demand such powers to be able to indirectly or, I should say, quite directly put these companies out of business, out of any desire to become further involved in oil exploration and the oil industry in Alberta.

The matter of the Syncrude arrangement was mentioned briefly. I would like to comment that I was very disappointed at the level at which this issue was handled. From where I saw it, I got the impression - I stand to be corrected if someone disagrees with the facts as they developed - that there was an announcement, with a lot of fanfare and advance, a lot of bell clanging, that we're going to get the best, we're going to get the best, and the Premier kept on and on.

I used to listen to propaganda during the war, and that was the technique used. Keep saying something often enough, somebody will believe it. He kept saying, when we got the deal, he got on the air, he was all flustered and excited, we've got the best deal possible, we've got it made. Syncrude gets up, Mr. Spragins gets up on the air after him and says, we got such a good deal, we are elated beyond words. Then I heard the hon. Premier say that we've got a deal now. Look for Alberta and Canada, and if Ottawa doesn't approve it they will be responsible for killing the deal.

That kind of diplomacy doesn't belong in the present day and age at a level between two provinces. I was surely surprised. Maybe all the facts were not given, but this is the way I saw it, the way many people saw it; they made a deal with no commitment as to position by Ottawa, no request for commitment of position by Ottawa. And then to stand up and sort of bait them, and say, well, if you don't agree, you'll kill the deal. This was a confrontation via the media and not through diplomatic channels, if such exist between the two levels of government.

I think that while I am at this point I should state that when they talk about setting up a department to improve liaison and communications with Ottawa, I could stand here and say that never, since I remember, have good will and communication with Ottawa been worse than they are today. I think that the level of the office in Ottawa, the Alberta office, perhaps has something to do with it. I wonder whether they have people in there of sufficient stature that ministers of the Crown in Ottawa would want to confide in them and deal through them on confidential matters as in liaison in communication with this province. I doubt it very much. I frankly would not want to. I understand that the Minister of Federal and Intergovernmental Affairs is advertising for staff, I hope to upgrade that office. That office is important; communications with Ottawa are not only important, they are necessary. They are unavoidable.

I also heard the declaration of breach of relations with Ottawa made by the hon. Minister of Federal and Intergovernmental Affairs. It was done with more seriousness and, I should say, preparation and length than perhaps the declaration of war between the Arabs and Israel. This was indeed a tragic situation, a desperate situation. He got up and announced a breach of relations with all the hostility and tension developing therefrom. I thought for a moment that if we had armies, we would be at it. I suppose it is good that the good Lord probably didn't intend small people to command armies.

But there was that antagonism, there was that confrontation through the media. That is not the level that we use to do business with Ottawa. The only concern that I have is that when the hon. Premier felt big enough and felt right enough to try to deal with these matters on the basis of political confrontation instead of a business-like, sensible diplomatic manner, then he should have been sure of his ground. He had no support in Ottawa, no effective support in Ottawa, because even the Conservatives are not with us on this issue in Ottawa.

You might say they are, but I am saying they are not. I would like to be convinced that they are. It would be indeed amusing, at the present time, if the Conservatives in Ottawa held office, [to see] whether we would be standing up, jumping up and down, and defying them to give us what we say we are entitled to, and where our support would come from. It would come from the 19 MPs I hope, from Alberta, and that is questionable. They get lost in their political caucus in the East.

The trouble with this confrontation, and the Premier's sort of preference for political confrontation rather than business-like negotiation, the problem with that is that we don't have MPs from the West who will speak for the West. We are virtually without a voice in Ottawa. So I believe that the matter of political confrontation was foolish. It was not in the best interests of the people. But when the Premier felt he was riding a popular issue he flogged it for all it was worth. I now appreciate the fact that they all had enough sense to back off properly and start being sensible.

I think that at this time it would be proper to commend CFCN. We might still be in a state of hostilities with Ottawa, and no talking, no discussion, no communication, had not CFCN intervened. There is an opportunity for the media to bring these two together and point out the folly of their previous actions. I believe that the people of this province breathed a sigh of relief when we got to the position where we started talking again.

I believe that the oil companies - the hon. Minister of Mines and Minerals seems to be smiling about this - that it was rather unusual that this government is the spokesman for the industry, this government is the spokesman for everything in Ottawa, but just a bit more than a week ago the representatives from the oil companies were in Ottawa, trying to talk sense to people and trying to talk for themselves. They did not rely on, they expressed no confidence in, the ability of this government to present their case in Ottawa and win anything for us. They went there alone. I suppose they came back feeling that they were between the devil and the deep blue sea as far as this dispute is concerned.

Today, Mr. Speaker, we are witnessing the demise of the private enterprise system, as such, when we look at the total impact of these bills. As I stated before, if we had an NDP government today in this office, it could take the industry over without a single amendment to what is before us. Now, I would like to be proven wrong. I should just extend some sympathy to my colleague, Mr. Notley, because had they been implementing legislation like this, the Conservatives would have been screaming foul. They would have been proclaiming the end of all time, the end of all good things in this province, and that we are being had. But it's a lot different when they are implementing it.



I'm wondering, I don't think the debate is on yet. It might be but I'm not sure.

What will the Conservatives say in Ottawa when the Liberals bring in their energy marketing board? I'd like to compare notes and put them all together. There would be some red faces I think. I don't know about the Conservatives from Alberta, they might choose to remain silent, but the Conservatives elsewhere will be screaming socialism.

Perhaps when we look at the Liberal government, a minority government - but here we have an overwhelming majority and, sadder than that, every person on that side professes to be a free-enterpriser and got elected on the free enterprise ticket. Every one of them pledged to defend the private enterprise system. Today we are watching the demise of the system and the mover, the prime mover, is the arch Conservative, be it by inheritance and not by conviction the Premier.

Has anybody heard him preach private enterprise? I don't know, maybe I didn't assess his many pronouncements properly in this regard. I think I'm right, Mr. Premier, that you are a private-enterpriser. I think those who supported him and those who preached and believe in private enterprise and fought for it probably feel something a little sharp in their backs right at the present time, because the ground rules are being altered right here, once and for all.

I think today we are standing at the point of no return, unless of course we were to hear somebody stand up and ask that we have hearings, study this issue some more to see whether this is not a short-range opportunistic kind of legislation or whether this is going to lead Alberta in the next giant leap forward. We have progressed tremendously for more than two decades now - 1947 to 1973.

One can't deny the fact that the private enterprise system is still the best system of producing and marketing most of our commodities. I'm not saying that the private enterprise system is a sacred cow which we must not tamper with, but on the other hand I am saying that we must not bring in legislation rapidly, turn it off and say this is the end. From now on we're going to call the shots. You are going to have to dance to the tune that we play. We are going to take whatever we think is expedient.

[Interjections]

When I hear somebody saying he would sooner see Russia than Ottawa run Syncrude I'm saying that perhaps, the way Alberta is going, the Arabs ought to take it over and then see who will cry.

Nevertheless, I think there are going to be an awful lot of red faces politically particularly, if nobody on that side stands up while we are attending the demise, the funeral party, for the free enterprise system - that at least there is one private-enterpriser on that side with gumption enough, with a speck of decency left, to stand up and say, well, I'm not supporting it.

I know that Mr. Peacock, the hon. Minister of Industry and Commerce, is a private-enterpriser. I'm not so sure about some of the other ministers, but I know he is, he has said so often.

[Interjections]

Yes. Yes. That means something. I know that he won't change his tune because it is expedient to do so.

AN HON. MEMBER:

He has got the funds.

MR. LUDWIG:

Yes. It isn't a case of desperation where we are short of money, where we are desperate, where we are going to be bowled over, or where we are going to be broke tomorrow so we are desperate. It's a case that we are ringing the death knell of the private enterprise system at a time when we are at the peak of prosperity.

What are the alternatives? If there are any, the people who have been studying this issue have not come up with any. I'm saying that we should take more time. What is the hurry now? What is the hurry to rush these bills

through today when nobody in this House, except perhaps those who drafted it, had advance notice and sufficient opportunity to study them. I don't think anybody did. Maybe several people did but that is not good enough.

I'm sure that some of the experts on that side - there might be a couple of engineers in the House who have a background in this industry - but even the Minister of Mines and Minerals is more outstanding in things he doesn't answer than the things he does.

I was surprised today when we got a very legitimate and simple question from my colleague from Lethbridge about shallow wells - and shallow tactics. What he has done is, he has said, oh, no, they are not all shallow. When somebody else asked him how many there are, he said he didn't know. Well are you so positive he didn't know? For all he knew they were all shallow. I thought it was misleading, but then, that's his privilege.

Something else that is happening in this House that we are concerned and disturbed about, when we bring in legislation like this in such haste, is watching, from this side of the House, the Minister of Mines and Minerals being reduced in status in the department, gradually during the spring session and particularly now. I doubt whether he can write a letter without endorsement or consultation with either the Premier or, more so, with the hon. Minister of Federal and Intergovernmental Affairs. I was impressed with the fact that the Premier said, oh well we now have a team approach to the whole thing. Yes, the team approach would be all right because we apparently have more confidence in the hon. minister, Mr. Dickie, than has the Premier. We were very saddened to see him pre-empt him on almost every issue ... stand up and take questions away from him. It's some team when the minister is reduced to the status of a water boy. Rather embarrassing, and I'm sure Mr. Dickie knows exactly what I'm talking about. We found his prestige and his influence in that department sort of falling gradually but surely. Who emerges as the strong man in the ...

MR. APPLEBY:

Point of order, Mr. Speaker. I wonder if the hon. Member for Calgary Mountain View would clarify whether he is supporting or opposing the bill.

MR. LUDWIG:

I'm asking you people to stand up and be counted.

AN HON. MEMBER:

[Inaudible] ... working both sides of the street, you know. You can't do that.

MR. LUDWIG:

Oh, no, that's your specialty.

Mr. Speaker, I stated that he was pre-empted because even the right to declare an end to all friendly relations with Ottawa fell to whom? Fell to the hon. Minister of Federal and Intergovernmental Affairs. If he thought that was his finest hour, many people didn't. They thought he looked extremely weak, extremely foolish, and looked, as I stated once before, like a reluctant bride uncertain of his lines. The humility of kissing and making up was probably worth it. I'm sorry the television wasn't on him then because it must have been a rare occasion, a time for rejoicement. We should take a day off. So now we can talk to Ottawa.

Mr. Speaker, I believe there will be other opportunities to deal with other bills but I'd like to urge this government to give the members an opportunity to study every portion of these bills; to consult with those who are involved, to go back to the constituents and see whether there are any matters which ought to be raised which have not been raised in the House at the present time.

I think we should stress the fact that the feeling of instability, the feeling of uncertainty by the industry, is not just something which I may wish to say from this side. They tell us every day: they told us today; they told us yesterday; they told us almost every time we met with them that they are worried, because not only did Ottawa's action rock them but they don't know at all where they stand in relation to their business, to their investment, to their projected spending and possible earnings tomorrow. If the hon. Minister of Mines and Minerals feels that I'm not expressing the correct concern, the true concern, let him stand up in the House and tell us where they stand.

I'm saying that he doesn't know, the Premier doesn't know and, last but not least, the hon. Minister of Federal and Intergovernmental Affairs doesn't know. I think since they don't know, that they can't give the Legislature some indication what the facts and figures are going to be, or at least talk at some length to explain what their intentions are. But to have them stand up here and say, we are going to shove this all through in a couple of hours, we want you to rubber stamp it, and if things go wrong we'll say, well, they didn't stand up and object, I think is asking more than we should support. It behooves every member in this House, particularly on this side of the House, to express any concern which he may have. If he feels this is the way we want to go, then that is also his prerogative, his right to say so. We can't possibly witness such a tremendous change which certainly will be some type of milestone - it will be some kind of mark in our history - that we altered the system of doing business with industry.

I think perhaps we might have been forewarned that this was coming when the hon. Minister of Industry and Commerce brought in Bill No. 50. It was obvious that that was setting up a company which can go into business. I had my doubts whether I was fair enough in criticizing him the way I did about, I believe, Section 15, until I read the similar act in British Columbia implemented by Premier 'Barrette'.

[Laughter]

That's what they call him in Quebec, Mr. Speaker. After his visit with Mr. Levesque, the TV and radio didn't refer to Mr. Barrett, but "Mr. Berrette".

The bill that he implemented in B.C. was identical to the one that the hon. minister, Mr. Peacock put in. That is a fine state of affairs when the socialists have to copy Conservative legislation to implement their program. Pardon me, Harry! Somebody did an about face here, and of course, the Premier has flipped in midair so often that he wouldn't know whether he stands or opposes something when he stands up. If he wants to challenge me I could give him several instances. The most glaring one is that he was also one of those people who felt that we are going to stop government by regulation, by OCs. I wonder if he would deny that. I've heard that so often that it also sounded as if it was one of his memorized spiels. It sounded good. We'll get those people out of office because they are governing by regulation; the Legislature is meaningless. And now what does he do. This is probably the most flagrant request for a blank endorsement of legislation to fill in the real legislation, the real things that can hurt by regulation.

I am sure that every lawyer on that side at one time or another preached, wrote briefs or at least subscribed to the view, no government by regulations. I think there are a lot of administrative law reforms, briefs, books and committee reports - the hon. Minister of Mines and Minerals was on it and some other people made representations to it - that made a tremendous stand, a very learned and a very determined stand, against this business of the new despotism, that we get the cabinet in, and guess what happens after that? You may as well have a one-man dictatorship, because it's government by regulation. They don't even have to tell the back-benchers what they are doing. They don't anyway. It's a fact they have their proxies, and so we should bring in an amendment, Mr. Speaker, that they can be proxy, because at least the air would be a little fresher in here if those fellows weren't here. You can forecast in advance exactly where they are going to stand no matter what a minister says. As I have stated earlier, there is an expression that says we might vote against our principles but never against our party.

I think we should take a stand on the fact we ought not to permit government by regulation. This wouldn't be such a sad state of affairs if they didn't have all the smirks on their faces; that they feel, well, you talk away - we're going to do it anyway, whether you like it or not.

I remember now-retired Mr. Justice Porter, very adamant against government by regulation. He quoted in a famous speech he made in Calgary quote, to The New Despotism. But most of all I used to be concerned when I was on the government side as a back bencher that perhaps there was too much of this. But we had to wait for the Conservative government with its battery of lawyers to show us really how this is going to be done. If we were students, they're masters, spelt with an 'n'.

Mr. Speaker, I am taking my stand against this bill, not so much in what they are trying to do, because in desperate circumstances and in their state of unpreparedness they really don't know for sure whether they are doing the right thing or not. Maybe they have to try something even though it might be trial and error. It might be the very cause that may put them into a nose-dive

because they are not sure at all whether they are doing the right thing or not. We should demand specifics. We should demand explanation. We should demand the filling in of the blanks before we vote for this.

I am appealing to the hon. Minister of Mines and Minerals who was the leader in this attack, and I am sure has not changed his mind entirely, that it would be better for all concerned if they knew, at least had some idea which way we are going, because this is just a framework. This is, in fact, the very scaffolding upon which the private enterprise system can be hung up, and left there if the government so chooses. I am not saying that they are going to do anything that would undermine the industry, a very good industry and a necessary industry, but the power to do it is there, and I believe that if they are going to make any major move they can recall the Legislature. They can recall the Legislature in three days if they have to, which is probably as fast as some of them can make a decision anyway.

Mr. Speaker, I am opposed to voting for this bill unless we have more time to study, unless we have more specifics, more details, and if the government hasn't got them, let them get the details. They have the wherewithal, they have the departments and the staff. If they can't get them, they should stand up and tell us that it is impossible to do what I am asking, and we will then understand where we are.

In all this legislation I am hoping we have some consultation with Ottawa because it just happens that the government of Ottawa is just as much the government of the people in this province as this government is. It collects taxes and we are concerned with what it does with our money. It is not a case of a hostile area or that we need confrontation; we don't need confrontation, not with Ottawa or with any other province, including Ontario.

Mr. Speaker, after those few remarks, I hope that somebody on the other side can give us some of the answers to the numerous things that are left blank as far as this bill is concerned.

MR. NOTLEY:

Well, Mr. Speaker, before I get into this debate, I must say that I have heard many comments made about the Tory government across the way, but the charge that they are really creeping socialists in disguise is a new one.

Nevertheless, I would like to deal with the three major principles that are contained in this particular piece of legislation. Principle No. 1, that we are going to repeal the ceilings in the oil and gas leases; principle No. 2, the flexible royalty rate, and principle No. 3, the establishment of an oil marketing board.

Turning first of all to the question of repealing the ceilings in the leases, Mr. Speaker, I should note in passing that when this matter was discussed a year and a half ago, the government took a very strong stand, that they were absolutely opposed to repealing the ceiling in the leases, that this would in fact be breach of contract. I say that because I listened with a certain amount of amusement today to the minister, in introducing the bill, suggesting that really the question of taking away the ceilings was not all that big a thing but, in fact, was the sort of thing which was consistent with the leases in the first place.

I think we have to face the fact, Mr. Speaker, that whether we like it or not this Legislature is in fact altering, by legislation, the contracts. I think that there is a good argument for that decision. I think that the argument for it is that the conditions have changed very dramatically in the last number of years. When those ceilings were originally inserted in the contracts we had a totally different energy picture. We had a buyers' market. Now we have a sellers' market.

In those years our oil wells were operating at less than 50 per cent capacity. Our problem was trying to find markets. Today, our wells are operating at peak capacity and our oil is wanted not only by American refiners in Chicago, but finally the Government of Canada has recognized the need for a Montreal pipeline and eastern consumers also recognize the importance of Alberta crude oil. So there's a very important change in that respect.

I think too that the very rate at which we are producing oil is another factor. When the ceilings were inserted, again if we examine the rate of production, the rate was not all that great. But in the last ten years, especially in the last three or four years, the rate of production has gone up very substantially to the point that today we are producing over 550 million

barrels of oil each year. During that period of time the price of the oil on the international market - and this is up to the time that the price freeze was imposed - had risen from November, 1972, until August, 1973, by 95 cents a barrel.

During that period of time the argument has at least been made that the costs have gone down. I want to quote, Mr. Speaker, because I think it's worth quoting, a couple of paragraphs from an article contained in The Canadian Forum, the June-July issue. The article is called "Who benefits? The Alberta energy price increases" and it is written by Frank Roseman and Bruce Wilkinson.

Hon. members, Mr. Speaker, will recall Mr. Roseman as one of the economists who presented a report, or a brief, to our energy hearings when they were held in May, 1972. I think many of the members will remember that particular brief as being perhaps the most eloquent and, I think, from a facts and figures point of view, the strongest possible proponent of higher royalties.

This is what Professors Roseman and Wilkinson have to say about the decline in the costs of production. I give the date, June-July issue of The Canadian Forum, because I would welcome from some of the members across the way, those people who are connected with the oil industry, facts and figures which would rebut this statement, if in fact these facts and figures can be obtained. But I quote from this article:

The decline in costs has occurred for two reasons. First, beginning in 1965, the Alberta Energy Resources Conservation Board took steps to reduce the number of wells operated - or in the case of new fields, the number of wells drilled - to extract the recoverable resources. Second, the more rapid growth of demand than of proven reserves enabled the industry to increase the rate of production, and thereby recover more quickly the large costs of exploration and development, thus reducing unit costs through increased utilization of capacity.

Detailed numbers are not readily available on all the cost reductions made possible by these types of changes. But based on data reported in the Canadian Petroleum Association Statistical Year Book, the costs of operating wells (including flow lines and related facilities), decreased 6 cents per barrel over the years 1960-62 to 1969-70 in spite of increasing wage rates and other price increases. The reduced costs owing to fewer wells having to be drilled in developing new fields would have to be added to this figure.

The point I'm making is that in the face of lowered production costs on one hand and higher profits on the other, and in view of the fact that we are in a completely different situation than we encountered a number of years ago, I think that there is a strong argument for saying, all right, the 16.66 per cent ceiling might have been a reasonable approach 10 or 15 years ago, but this is 1973, not 1960, and therefore we have to take away that ceiling in order to obtain for the people of Alberta the maximum benefit.

On that particular part of this bill, I would have to say quite candidly that I support the government's position. It would be a little ironic if I opposed it because hon. members will recall that I made the same argument for repealing the ceilings in the leases a year and a half ago.

The next question I think we have to look at, Mr. Speaker, is, what is the financial position of the industry, and can they afford any increase in royalties? The second principle is that we're going to have a flexible royalty system, presumably a system that is going to be based on higher royalties as the price goes up.

I must agree with the hon. Member for Calgary Mountain View when I say that this Legislature would be in a much better position to discuss this legislation intelligently if we had some guide as to what the royalty rates are going to be. I find it a little difficult to understand why we don't have that guide, Mr. Speaker, because a year and a half ago when we had the royalty hearings, the government did, in my view, a good thing, not only from the viewpoint of the Legislature, but as well from the standpoint of the people of Alberta, by preparing a tentative position paper where it set out the general guidelines as to the royalty increases that it was considering. On the basis of that position paper, the opposition could assess its position. But, more important, the people of Alberta were also in a position to evaluate the government's position.

Well, unfortunately, we don't have that kind of background paper. What we are asked to do, Mr. Speaker, is essentially sign a blank cheque to the provincial government to allow the Executive Council, by order in council, to bring in whatever royalty rates it thinks necessary. Frankly, in doing that,

it's my judgment that we as legislators are abdicating our responsibilities unless we are at least given, in pretty definitive terms, the guidelines that are going to be used for the royalty structures that are proposed.

Having said that, Mr. Speaker, it's my submission that we can increase the royalties in this province even within the present price structure. As I said a moment ago, the price of oil has risen by almost \$1 a barrel, 95 cents a barrel between November, 1972, and August, 1973.

The important thing to remember is that the difference between the industry revenues and the industry expenditures in Alberta has been growing. That's a pretty vital thing for us to keep in mind, Mr. Speaker, because that difference represents the capital outflow from the Province of Alberta.

Just to give you an illustration of what is happening; in 1967, for example, the oil industry in the Province of Alberta - we're not talking about the other provinces - had gross revenues of \$911 million. That year it had total expenditures in the province on exploration, development, land, production facilities, production costs, gas plants, royalties, and other - that includes wages, salaries, advertising, et cetera - of \$850 million. In other words, there was an outflow that year of \$60 million.

Mr. Speaker, that has changed rather dramatically, because this year - and I'm quoting, in case members are interested, from Oilweek, February 19, 1973 - the projected income of the oil industry is \$2,186 million. I should also make it clear that this projection was made before the 25-cent-a-barrel increase that occurred in April, and the 40-cent-a-barrel increase that occurred in August. It's probable that the total revenue for the year will be somewhat higher than this figure of \$2,186 million.

On the other hand - this is the significant thing that I want to underline, Mr. Speaker - the expenditures within the province, again on exploration, development, land and production facilities, et cetera, come to \$1,318 million, or a difference of approximately \$868 million; an outflow, Mr. Speaker, which by any standards has to be looked upon as being a pretty serious exodus of capital. It is rather ironic that people who continually talk about the need to bring in capital - that we don't have the capital in this province to develop the things that are required - turn the other way when they see these large oil companies taking out almost a billion dollars in surplus revenue this year.

Well now, Mr. Speaker, the next thing that I think should be noted is that the larger the company, the less they are really reinvesting in the province. I think a strong case can be made for the fact that many of the smaller, independent companies are doing a first-rate job, that the money they make is, in large measure, reinvested in the Province of Alberta. I don't think you can say that about the large corporations.

Again, if we take a look at the exploration drilling by some of the companies - let's examine Imperial Oil, the largest company operating in Alberta - last year, 1972, Imperial Oil drilled 1 exploratory well; Shell, 0; Gulf, 9; Mobile, 3; Texaco, 11; a total of 24 wells, by these five major companies, out of 921 exploratory wells.

Mr. Speaker, I think what that shows is that the large corporations, the large multi-national corporations, are using this province as a source of capital to develop their oil plays elsewhere in the world. Now, I don't think we should be surprised at that. That is the way multi-national corporations work. That is the way they have always operated, whether it has been in Canada or other parts of the world. Whether it is in Europe, Asia, Africa or South America, or what have you, the normal course of action for any multi-national corporation is to come in, spend some money, but out of the profits made then those profits are used to generate expansion elsewhere in the world, and that is precisely what is happening in Alberta today.

So, while I, as one member of the Legislature, recognize the important roles played by the smaller independent companies, I think the time has come when we, as a government in this province, as a Legislature in this province, begin to get tough with the giants of the oil industry.

Another thing that I think is also worth bringing to the attention of the members of the Legislature, Mr. Speaker, is the profit picture of the industry generally, because it is hardly a case of the poor oil industry which is just getting by. You know this is hardly a problem of a welfare industry because the profits have never looked better. If you take Texaco, for example, their earnings for the first nine months of 1973 were up 26 per cent; Chieftain

Development Limited had a net profit up 48 per cent for the first quarter; Hudson Bay Oil, a 35 percent increase; Home Oil, a 133 per cent increase; Gulf Oil, again a very substantial increase, 72 per cent; Husky Oil, up 80 per cent for the first six months of 1972. So that the industry is doing pretty well by almost any standards. It appears that the larger the company, the more money they are taking out of the Province of Alberta.

So under those circumstances, it is my submission to this Legislature that we can increase the royalties within the present price level. I am going to say something more about the price level in a moment, but even at the present level of approximately \$4 a barrel there is room for higher royalties. For that reason I would support number one, the removal of the ceiling in the leases and, number two, the concept that royalties should be higher; but registering at the same time the caveat that, as members of the Legislature, I think we should have been given at least a position paper which would have outlined the limits the government proposes on this matter.

Mr. Speaker, moving on from there, let me just take a moment to answer the question which you often hear, that the industry needs more money so they can spend more in finding new reserves of oil and gas. That appears, at first glance, to be a pretty reasonable argument, but again let us look at The Oilweek's statistics - and this, for the members' information, comes from Oilweek, February 19, 1973. Let's take the year 1967: the oil industry had an income of \$911 million. Of that income, they spent \$177 million, or approximately 20 per cent, on exploration, and that is a pretty reasonable percentage of their income to spend in ploughing back and finding new fields of oil and gas. On the other hand, in 1973, six years later, their income rose from \$900 million to \$2.2 billion. Now you would think, with all that extra money coming in, they would have really stepped up their exploration, that literally hundreds and hundreds of millions of dollars would have gone into exploration in the Province of Alberta. That, at the very least, they would have maintained the same percentage, which would have meant about \$440 million in exploration. But no, we look at the projection and we find exploration \$195 million, or an increase of only \$17 million, and that is in the face of our incentive drilling program.

So I really ask the members of this Legislature whether or not higher prices are going to get private industry to do the job, because you look at the statistics and you find that year by year, even though the revenue has been going up sharply, the fact of the matter is, a smaller and smaller portion of that revenue is being ploughed back in the form of drilling to find fields here and at the same time to produce jobs in this province. Sure Alberta companies are drilling wells. The companies which have head offices here in Alberta are drilling wells, but it doesn't create that much employment when Alberta companies are spending money they make in Alberta to engage in oil plays off the North Sea. It may provide a few jobs in the office but the momentum, the capacity potential for job creation, is really being shifted out of the province. I think that we have to do something to bring that back.

Now that leads me to the question of what we do over and above the present price of \$4 a barrel or thereabouts. The government is presumably going to try to increase the price to something in the neighbourhood of \$5.50 a barrel, I assume. Just reading the various press statements, the approximate price of the Montreal market may well be, by the time they get through staging-in their prices, somewhat higher than \$5.50 a barrel.

In other words, the marketing board, as I understand it, is going to be used to increase the price. All right, fair enough.

The question then is, who gets that increase? Well I don't often agree with my friend in the left-right caucus, the right wing member, Mr. Henderson, but I do believe that he made a very good point when he argued that the windfall from the price increase should come to the treasury of the Province of Alberta. It shouldn't simply be funnelled back to the oil companies and our economic grant only be calculated in the form of a sliding royalty scale. I suggest there is room for increasing the royalties within the present price, but over and above that extra price, that present price, the frozen price. As the price goes up in Canada, that money should come to the provincial treasury and the only amount the industry should be able to get is that amount which they can prove they need because of demonstrated increased costs.

We have heard a lot in this Legislature about the people of Alberta owning the resources. Well, I accept that point of view. I think, as the owners of the resources we have the right to claim any windfall for the provincial treasury. If the producers want a portion of that windfall, it seems to me they should have to be able to prove in black and white, in dollars and cents, why

their costs have gone up. If they can prove it, fair enough. But I don't think they should automatically get that \$1.50 or \$1.90, or whatever it is, passed down to them and then our portion trickles down in the form of royalties, albeit adjusted royalties.

Mr. Speaker, I feel that there is another question that we have to look at with respect to the marketing board. If the marketing board is going to operate essentially as the Liquor Control Board, where we buy from the distilleries and the breweries then sell at a higher price and take that difference in the form of profits, well and fine. But if it's going to operate like the Wheat Board, where the final price is simply passed on to the producing oil companies, then I think it would be a bad thing.

But there is another question that we have to look at with respect to the marketing board. I know we'll be discussing that in legislation later on, but I raise it now because I would like the Attorney General to give the Legislature as thorough as possible an analysis of the constitutional position of the Government of Alberta on this marketing board.

I don't think there is any constitutional problem if we set up a marketing board which buys from the producers of oil from Crown land and we set one price for all of Canada. I don't think that there would be any serious argument over the constitutional validity of that particular position. But, what would our constitutional position be if the government decides it wants to set two prices, a price for Canada, but also an external price. Because if we are ever to nullify the export tax, the only way it can really be done, as I understand it, is to, in effect, set two prices in Alberta. And the reason I say this is this, the Chicago market, where we export most of our present crude oil, is going up very rapidly and, while there has been an increase in the Montreal market, there is also a difference between the Montreal market and the Chicago market.

Now, Mr. Speaker, if the Government of Alberta is prepared to accept the proposition that our prices in Alberta should be based on the Montreal market, accept the proposition that an export tax should be levied on a difference between the Montreal market and the Chicago market, then there is no problem. But if the argument is that we in Alberta should be able to set a price for Canada and a price for the Montreal market, then it seems to me we are getting into some pretty serious constitutional hot water.

I'm sorry that when the minister introduced this debate he didn't at least outline in the Legislature what the government proposes to do with this marketing board. We've seen various press clippings but I hardly think that press clippings constitute a substitute for an explanation by the minister in the Assembly. Perhaps they plan to do this on the other bill respecting the marketing board. If that is so, I look forward to it when it comes in. It seems to me that we are going to find ourselves in some difficulty if we want to, in effect, set a price for Canada and also set a price for the United States.

No one in Ottawa - I know that members in this House are, with the exception of myself, solidly opposed to the export tax - but no one in Ottawa is really laying claim to federal control over the resources in this province. As far as provincial control over natural resources within Alberta, the granting of permits, the levying of royalties, what have you, are concerned, there is no claim by Mr. Macdonald or by David Lewis, or any of these people who have been pictured in Alberta as such a group of evil villains trying to take away our natural resources.

The fact of the matter, that natural resources come under Section 92 of the BNA Act, is not challenged by any political party in this country today. But I think there is a recognition that while we have control over our natural resources within the boundaries of Alberta, once that oil goes out of the boundaries of Alberta, once it goes into inter-provincial trade or external trade, then, quite clearly, the federal government does have something to say, because the power of trade and commerce under Section 91 of the BNA Act comes into play.

What I am saying, Mr. Speaker, is that in practical terms any national energy policy has to recognize a duality of jurisdiction. The province has control, as the owner of the resources on one hand, over such things as the granting of permits et cetera, the allocation of leases and the conservation legislation. But in terms of inter-provincial marketing and external trade, quite clearly the BNA Act would come down pretty squarely on the position that the federal government would have jurisdiction then.



I would hope that, rather than continuing a policy of confrontation, we in Alberta would recognize that no one, I notice, has challenged the constitutionality of the export tax. I believe that even the Premier, when he was interviewed on one of the TV programs, acknowledged the constitutional validity of the export tax. So whether the government likes it from a policy point or not, it can't be suggested that the export tax is unconstitutional.

What I think is necessary, then, is a recognition that a national energy policy is a two-way street that is going to require federal input as well as provincial input. If we go down to the national energy conference or they come here, wherever the conference is held, with that spirit, it seems to me we can make some real yards not only in defending the position of the people of Alberta as producers of oil, but at the same time going a long way to recapturing some good will in the rest of Canada.

Mr. Speaker, might I say just a word or two about the constitutional aspects. There are a number of cases, but the landmark decision appears to be the farm products marketing case, 1957. In handing down his decision, Mr. Justice Kerwin said, and I quote:

He thought it impossible to stipulate any minimum proportion of such latter sales or intended sales as founding federal authority, but one thing was clear - once a measure "aims at 'regulation of trade in matters of inter-provincial concern' ..., it is beyond the competence" of a province.

Mr. Justice Rand said:

The regulation of export from a province is beyond provincial authority - a limitation applicable as well to inter-provincial as to foreign export.

One of the most qualified constitutional experts in Canada, Mr. Speaker, is a professor at the University of Alberta, who, I understand, taught contracts and constitutional law to both the Premier and the Attorney General. He wrote a book entitled, *The Commerce Power in Canada and the United States*, by Alexander Smith, Professor of Law, The University of Alberta. He says on page 159 of his book:

One has only to refer to cases like the Board of Commerce, Snider, Terminal Elevator, and National Products, Marketing cases to witness the procedure in operation. Experience demonstrates that acts and transactions while objectively appearing to be confined to a province may upon closer examination, disclose ramifications in an extra provincial dimension. An act is not necessarily a local act because it is performed within a province. A contract for the purchase and sale of cattle formed and performed in Alberta is not a local transaction where the animals are purchased for shipment to Montreal. It is not a local transaction for the reason that, when viewed in the wider context, it is revealed as an integral part of a larger activity transcending provincial frontiers.

Now, Mr. Speaker, when I hear the suggestion made that one of the ways we are going to try to get around the export tax is that foreign refineries will come to Alberta and beg for oil in Alberta, and somehow that way we can work out our two-price system, frankly, it seems to me that Dr. Smith's position would nullify that. I have a great deal of respect for his ability in the whole field of constitutional law.

I would be interested in hearing from the Attorney General what the constitutional basis is of the marketing board, which authorities have been sought and what their advice has been as to the constitutionality of the marketing board. I say this is only relevant if the government proposes to try to use the marketing board to nullify the export tax. If we aren't prepared to do that, if we are really talking about just a one-price system, then, of course, that particular question isn't relevant. But if we are talking about a one-price system, Mr. Speaker, then, whether we like it or not, as a province we have to accept an export tax.

That brings me right back to a position I raised yesterday. I think the government was seriously mistaken by not bargaining over the proceeds of that export tax when it was levied last September, particularly mistaken now when we recognize that the export tax is \$2.20 a barrel as of today for December oil. When we're exporting almost a million barrels a day from the Province of Alberta, that's a tremendous amount of money, over \$60 million.

Now, when the staged price increases take place, no doubt the export tax will go down. As I suspect that our staged price increase will be based on the Montreal market, there will always be some difference. I surely don't suggest

that any member across the way would want to see Alberta oil sold on the Chicago market for 40 or 50 or 60 cents a barrel less than its worth, simply because that's the going rate in Canada.

I don't think anyone in the government would argue that particular point of view. If it isn't prepared to try to nullify the export tax in Alberta, then it seems to be inevitable that the export tax has to be retained, or the other option is for the federal government to move and to establish a national marketing board too.

I would suggest that in the long run this may be the best route, because a national marketing board which would purchase the oil could then work out prices between the willing buyer, the board, and the willing seller.

It would balance off the rights of the producing provinces - both Alberta and Saskatchewan - against the rights of the consuming public, not only in eastern Canada but in western Canada too, and at the same time on the difference between whatever the sheltered price is in Canada and the United State. Then an export tax could be levied with the proceeds. I underline what I said yesterday - I would hope that we could still maintain the argument that the proceeds from any export tax would come to the producing province.

I say that again, Mr. Speaker, because I really suggest to the government that it blew a tactical position last fall. If it had not argued over the principle of the export tax but, rather had concentrated on the question of who got the proceeds, it would have had some powerful allies. It would have had allies in the other three western provinces.

Moreover, whether the Premier likes to admit it or not, the New Democratic Party, which holds the balance of power in the House of Commons, has as its official convention policy that the proceeds of any export tax, whether it is on lumber, oil, natural gas, or what have you - Ontario Hydro was suggested yesterday should be rebated to the producing province.

Here was a wonderful opportunity for us to build friends in an effort to get back the proceeds. When the export tax is 40 cents a barrel I really wouldn't have been too surprised if the federal government had rebated it. Now that it's \$2.20 a barrel and we haven't established a principle, I think we're going to have a little tougher time. Even so, Ottawa is suggesting that a very large portion of this money be rebated to the producing provinces.

So, Mr. Speaker, I would like to suggest in conclusion that the policy of confrontation which we have followed for the last two and one-half months has really caused us, as a province, to miss the boat on a good deal of money. More important, I think that it has isolated Alberta from the rest of Canada.

I stand in this Legislature in support of export tax, and in doing that I'm not taking an anti-Alberta position. Some may think so, but in travelling around the province I have been impressed and encouraged by the number of people who think that an export tax should have been levied, and who quite frankly say that this was a sensible, pro-Canadian position.

I do think we have a valid claim on where the proceeds of that money goes. When we're looking at a \$2.20 a barrel export tax, when we're looking at - even in the future, when the price freeze comes off - a substantial difference, then I think we're out of our minds, literally out of our minds, not to bargain as hard as we can and to find friends in bargaining.

We're not going to find friends by the kind of remarks which, I think quite frankly, were rather unworthy of the Premier. He talks about the Toronto NDP. It is rather ironic that the one Tory Premier in western Canada, and a western Canada with three NDP governments, talks about the Toronto NDP. I think it's ironic, too, that when we heard yesterday that the government is prepared to consider quid pro quo sheltered energy prices versus lower freight rates and tariffs, there hasn't been consultation with the other three western provinces.

Last summer, as I watched the Western Economic Opportunities Conference, I was impressed, as I think most Albertans were, with the very effective presentation the Premier made on freight rates and tariffs. In making that presentation he had the support of all Albertans, regardless of their political ideology. But, you know, the Premier wasn't the first person to make that submission. Hon. members on this side will remember that former Social Credit MPs made that submission, and before them the UPA MPs made that submission. You can read the words of people like Bill Irvine who represented the Alberta constituencies in the House of Commons many years ago, and they made the same submission.

They were never able to get to first base because we never had a leader in the West. I think the energy resources provide a leader, and I think it's unfortunate that Alberta didn't insist that energy was placed on the Western Economic Opportunities Conference agenda in order to try to reach a trade-off to deal with some of our long-standing and historic grievances. I find it disappointing when I read in Hansard that the Prime Minister says that he was prepared to discuss energy. For some reason energy wasn't placed on the agenda.

Now, Mr. Speaker, we have had confrontation. I think the time for confrontation has passed. I would hope that our cabinet will reassess its position, recognize that the long-term best interests of Alberta are served by a strong national energy policy that recognizes not only the rights of the producing provinces but, equally important, the rights of all Canadians, and that any coherent energy policy has to involve the federal government. I think that if we take that position we will be finding a lot of friends and slowly but surely moving out of the position of isolation which I think Alberta has been in for the last two and one-half months.

MR. SPEAKER:

We have had two or three speakers in a row from the opposition side. For the purpose of an equitable alternation perhaps we could have the hon. Member for Smoky River.

MR. MOORE:

Thank you, Mr. Speaker.

Mr. Speaker, I know that all members were once again interested in the remarks by the Member for Calgary Mountain View. It really doesn't take a great deal of imagination in this Legislature to get up and speak for 30 minutes on practically every subject that arises.

AN HON. MEMBER:

... [Inaudible] ... more than you got.

MR. MOORE:

It does on the other hand require a bit of homework and perhaps a little research to speak in an informed way on every subject that arises.

Once again, the hon. Member for Calgary Mountain View, Mr. Speaker, gave no positive thoughts at all regarding alternatives to the legislation which has been presented by the hon. Minister of Mines and Minerals. I think that the minister in his opening remarks was interested in receiving some comments about royalty rates, as he mentioned; about some possible alternatives to the energy positions taken thus far.

I was also interested, Mr. Speaker, perhaps not surprised but once again concerned, about the position taken by the hon. Member for Spirit River-Fairview with regard to the federal government's energy tax. That, Mr. Speaker, only confirms my suspicions that that member could in the very near future be running for a seat in the federal Parliament, out of the City of Toronto.

His suggestion that we should, for short-term financial gain, view Ottawa's export tax in the manner of trying to retain for Albertans a part or share of that; in my view that only serves to sell out the long-term interests of the people who live in Alberta today and the people who will live here in years to come. Certainly I don't think there is any question in the minds of most members of this Legislative Assembly that the federal government is desirous of, and would very much like to develop, policies and support throughout Canada which would allow them to be in complete control of Alberta's resources.

When you consider, Mr. Speaker, that in this province we have some 80 per cent of Canada's conventional crude oil, not to mention those gigantic oil sands reserves; some 85 per cent, Mr. Speaker, of Canada's natural gas, plus a substantial amount, I believe in excess of three-quarters of the total coal in this country, it becomes very important to Albertans that the short-term views of those who support federal government intrusion into the area of natural resources are shot down effectively by Albertans right across this province, as I am sure they have been and will be.

It is also necessary, Mr. Speaker, in discussing the federal government's export tax, and in discussing what we are going to do about it from an Alberta point of view, to discuss in relation to the bill before us the question of

royalty rates and what they might be. I take the view, as the Member for Wetaskiwin-Leduc has done, Mr. Speaker, that in these very rapidly changing times insofar as crude oil prices, energy supplies and wars in other parts of the world are concerned, it is not possible, on a weekly basis, to even fix oil royalties in relation to the world prices.

When we were all privileged to sit in on some four days of oil royalty hearings during the Legislature more than a year ago, it seemed to me that the best advice that we could garner from those in the industry who talked to us at that time, the best advice that I was able to gain from the sources, the Executive Council and so on, was that we might, in the course of the next five years, have increases in the price of crude oil on a world basis that would amount to possibly no more than 75 cents per barrel over a five-year period. I think we were looking, Mr. Speaker, at increases in the neighbourhood of 10 to 15 cents per barrel per year, in our estimations at that time.

I want to suggest, for those who think that perhaps those estimates were not correct or that we could have done better, that there is no possible way, going back over that period of a year and a half, that any one individual or group of individuals could have gathered the information which we have today which relates to the Middle East conflict, which relates to all kinds of things that happen on a world-wide basis - it is simply not possible to determine. That, Mr. Speaker, has to be the very reason why this legislation has been introduced today, which leaves with the Executive Council the flexibility of determining what those royalty rates will be on a weekly, monthly or yearly basis.

I think, Mr. Speaker, just by way of expressing my concerns to the Minister of Mines and Minerals on the question of those royalties, I would say that if we view the approximately 23 per cent royalty in existence today as being the maximum, and if we go back to our oil royalty hearings of a year and a half ago when we expected that crude oil prices today would probably be in the neighbourhood of \$3.20 or \$3.25 per barrel, we should strike a figure somewhere in that neighbourhood of perhaps between \$3.25 and \$3.50 a barrel. I recognize that that has to be a judgment decision. Then relate to that figure any costs that the industry may have incurred since that time that are greater than they were before that period, and add those costs to that \$3.25 or \$3.50 a barrel. I am not privileged to know what that would bring us to, Mr. Speaker, but beyond that point, and I think that that is a fairly reasonable return for industry today, I think that we ought to look at a system whereby the people of Alberta, and the Government of Alberta, would, in fact, implement a royalty schedule of perhaps 50 to 60 per cent of any increases above that fair per barrel price.

Now, many hon. members of the Legislature might suggest that it should be 100 per cent above that. But having been in business all my life, as many of you have, there is no possible way that you can strike a figure of what a barrel of crude oil is worth in Alberta, based on the cost of production and a fair return, and still leave the industry with some incentive to produce. Say that 100 per cent of any return above that will come into the provincial coffers. I think that it is necessary, for the very survival of the oil industry and to insure that the industry will continue to develop and discover new reserves in Alberta, that we do allow, above that fair per barrel price, some incentive for them to increase their net incomes.

While we are on that subject, Mr. Speaker, the hon. Member for Spirit River-Fairview made quite an issue out of figures he quoted from some paper regarding cost of operating wells. Surely, Mr. Speaker, I don't have the facts with regard to costs in the oil industry, but I do know from my experience in business, if I relate it to the business of farming, if I were to just conclude what my profits throughout the year might be by looking at the cost of operating my combine I wouldn't be in business very long. Any statement, Mr. Speaker, that suggests that the cost of operating oil wells on a per barrel recovered basis has decreased in the last two years should certainly consider the very many other factors that are involved in the business venture, including the cost of capital, the return on that investment, the depletion of your investment in relation to the wells that may be draining dry, and so on. There are undoubtedly a host of factors to consider, besides the single cost of operating the well, that I am sure other hon. members of the Assembly could fill in much better than I.

I think, Mr. Speaker, that in considering the whole question of what we are doing in the Legislature this week by providing new legislation which will allow us to raise our oil royalties to a ceiling which certainly has never before been achieved in this province, we can't do that without some brief consideration of the support that we might expect to get from the rest of Canada, the other provinces in Canada, indeed the federal government, in our quest for a fair return for Albertans.

It seems to me, Mr. Speaker, without having done a great deal of research but looking at production capacities of some 450 to 500 million barrels of crude oil per year in this province, we could well be in a situation, if this legislation and other plans as presently constituted are achieved, of having incomes from natural gas and oil royalties, in the years down the road, which are rather startling, compared with what most Albertans would think about today.

It concerns me that we have a great responsibility, in the event that we do achieve that goal, of making sure that we spend that money in the proper way and that perhaps we equate the expenditure of that money to Canadians' needs right across the country, rather than just Albertans in some degree.

What I want to suggest there is that in the months ahead, Mr. Speaker, we should probably be looking at that return that might be achieved during the next few years and suggesting to our friends in other provinces who are in need of energy and certainly have a desire for a long-term positive supply, that after Albertans are looked after in their accustomed way with regard to the lower taxation which has come into effect in the last two years, and property tax and those other kinds of things that we receive from oil resources - after we have provided in a substantial way, which I know we will do, for Alberta's needs - we would use the balance of those funds in investing, perhaps not directly as a government but by providing capital to construction firms, to all kinds of industry throughout Canada in relation to building new oil sands plants.

I don't think, Mr. Speaker, that there would be anything wrong in having a look at increasing the total funding of the Alberta Opportunity Company to something that we wouldn't probably think of today. That company could be involved, in a major sort of way, in providing capital to construction firms, to all kinds of industries that may be involved in the development of the Alberta oil sands.

It probably would not be a bad thing, Mr. Speaker, to look at the costs, if they cannot be adequately borne by other parts of Canada, of helping to finance the construction of something like the Mackenzie Valley pipeline. Now that's going perhaps a little farther than we'd want to go at the present time.

It may not be a bad idea to offer to the Province of Quebec and the Atlantic region, which are concerned, some assistance by way of capital financing of a Montreal pipeline at reasonable interest rates.

I say those things, Mr. Speaker, because it does concern me that we in Alberta need the support of provinces and people right across Canada. I don't think anybody could say that the Executive Council, the Premier and the members of the energy committee have not done an excellent job, under very difficult circumstances, during the past few months in gaining some very valuable support from other provinces for our constitutional position.

I do think, Mr. Speaker, that the road is going to be long and difficult. I am sure that other members of the Legislative Assembly would join with me in saying that we, as MLAs in this Assembly, are firmly behind the government's position, the Premier's position, not to allow the federal government to take control of the natural resources and to retain that heritage which rightfully belongs to Albertans for generations to come.

Thank you, Mr. Speaker.

MR. BENOIT:

Mr. Speaker, in addressing my remarks to the principle of Bill No. 94 on second reading, I wish at the outset to explain that what I say is my own opinion. In case anyone wants to disassociate themselves from my remarks they will feel free to do so.

AN HON. MEMBER:

[Inaudible]

MR. BENOIT:

Any time.

In beginning, Mr. Speaker, I can hardly see how we can discuss intelligently the principle of this bill in light of the fact that it takes into consideration so many other factors, particularly referencing the petroleum marketing act and the number of regulations that are associated with it and this bill. I would hope that the government will not attempt to proceed with this bill in Committee

of the Whole before the Legislature has had an opportunity to study the petroleum marketing commission act, because there is no way that approving this bill would do anything but give the government licence to do just about anything they want to do without us knowing what even they intended to do. I feel that we are a little bit tied and definitely limited in discussion. There are some details that I would like to bring up, but I can't bring them up until we come to Committee of the Whole. For instance, I don't know how we can carry out Section 142.1 if we are going to keep Section 143 in the original bill: "... and the Lieutenant Governor in Council may make regulations declaring this section applicable either ...", and then it goes on to say nothing to indicate what is in there. A very brief introduction given by the minister gives us no lead whatsoever.

This bill is one that provides, to my way of thinking, a unilateral violation of the existing contracts with the companies. I want to say at the outset, in conjunction with this, that it is my personal opinion that the government's first mistake was when it began to interfere with the long-term acceptable royalty and lease regulations and statutes which were in existence, under which the companies worked for so many years. It was considered model legislation by a number of other jurisdictions in the world and was watched and often copied very closely. For that reason I believe that, having seen what would happen in interfering with this type of legislation which had been so successful, we might say hindsight is better than foresight, but I think that it is definitely inexcusable when, having advantage of the hindsight, we still go on and compound the mistakes that we made before.

That is in my estimation what Bill No. 94 is doing, Mr. Speaker. In principle, it is not only changing this but is now saying that there is nothing that the companies are going to be able to hang on to for stability. The royalty changes will come, not at the desire of the Legislature but at the desire of the cabinet; so that a handful of men may at any time make the changes and the oil companies are left without any degree of stability whatsoever.

I think, Mr. Speaker, that every government intervention tends to socialize industry and discourage free enterprise and the open marketplace. Certainly what has been said tonight by the hon. members for Wetaskiwin-Leduc and Calgary Mountain View in this respect is true. There are problems arising because there is more and more intervention of government into what was a very successful operation in the oil industry or the petroleum industry of Alberta. Exploration, development, production and marketing are really the business of private enterprise in a free and democratic country, and the less interference by the government the better it is for the industry and for the good of the country. It is my personal opinion that incentives for drilling and things of that sort should be built into the formula and the agreement, and where fair market value is permitted it will be determined in the marketplace and the companies ought to be able to recover enough out of their operation to look after their own incentive. I believe that drilling incentives, marketing boards, two-price systems and extreme environmental control demands - and I say extreme - are interferences that do nothing but regulate and discourage the operation of the industry and free enterprise.

One thing I haven't been able to figure out, Mr. Speaker, is how it is that on the one hand we take enough of taxes or royalty from the companies so they do not have enough left for drilling and exploration purposes, and then on the other hand, the government reaches into the taxpayers' pockets and hands out to them, on an incentive basis, \$14 or \$15 million. You take it out of their pockets, put it into the government's pocket, and then the government gives it back to them as an incentive. If this isn't a real ripe way of government meddling in the industry, I don't know what is. Why not let them have it in the first instance and not bother with the incentive?

Something bothers me a great deal about these government subsidies and incentives, Mr. Speaker. Recently I talked to some rather well-to-do ranchers who were planning to improve their corrals and so on, and were on the way to doing it when they heard there was going to be a handout from the government; they were just laughing. They said, well if it's coming, it's coming - so they did it.

It is my understanding that a good deal of the incentive drilling that was done under this government incentive was intended to be done by the company anyway, because of the higher price of oil or petroleum products, in whichever instance it was. Now this is just something that the hon. Member for Spirit River-Fairview called windfall to them. But it is one way by which the government can get some control. So I suggest, and want to express as my opinion, that I believe the companies ought to be permitted to operate freely

enough that they can operate on their own, without government intervention one way or the other.

The high prices that we are about to get for oil may be only temporary. We have no idea how long these high prices are going to exist. I believe that now is the time, when the prices are good, to let the companies get on their feet and give them no excuse whatsoever for going ahead and doing the exploration that is necessary in order to assure a continued supply of oil, whether it is the conventional type or whether it is the synthetic type.

These high prices are only temporary and it is a time for bargaining, Mr. Speaker. A number of years ago when we had no markets for our oil, the United States took some of our oil. They didn't need it, but they took it anyway. Today they need it and it is an opportunity for us to make friends.

Some time ago it was suggested that we should have built a pipeline farther east, because the people in the East would need it. The people in the United States had it suggested to them that they would have been well advised to make a better line between Canada and the United States in order for their supply. But they figured they were self-sufficient, and the East thought it would never be without the Middle East off-shore oil, so they continued until the crunch came, and then it was too late. Now that the crunch has come, we have the opportunity in Alberta to make friends and to bargain with our dealers, consumers in eastern Canada and the United States. It should be a time, instead of cutting off communication, to increase communication and to oil the machinery of communication with some of this lucrative energy.

The Alberta oil sands royalties, I believe, should be the same, Mr. Speaker, as those on the conventional type of oil. I think the hon. Member for Wetaskiwin-Leduc explained better than I what I intended to express, that the royalty system should be an escalating and decelerating system that is adjustable in accordance not only with the price of the petroleum but also with the type of well that is being dealt with, the cost of bringing the oil on stream, the cost of producing the oil once it's on stream, the amount of oil that is coming out of the wells - and gas, this goes for all petroleum products - so that there is a formula. I am not a mathematician, Mr. Speaker, but surely the government and the industry, with all the know-how that is available to both of them, can get together to work out some kind of formula, so that when an oil company comes to drill, an oil company comes to deal with the government, they will be able to deal with the government on a stable basis and a fairly long-term basis, allowing and recognizing that their dealings with the government will fluctuate with the fair market value of the product on the world market.

The royalty rates will have to be hammered out in contracts through communication. I don't think they can be set in legislation. I believe that legislation can only set the pattern and that the contracts will have to be hammered out between the government and the company. Once they have been set out, Mr. Speaker, I don't think that under any circumstances should they be unilaterally changed by the government, without lengthy consultation with the company and agreement by the companies involved.

In saying all this, Mr. Speaker, I don't intend to defend the big international, corporate, integrated companies for excessive profits. I am only saying that somewhere along the way there must be a stable way of giving them a fair deal, as well as giving the people of Alberta a fair deal.

I am afraid that the rising prices of petroleum products have made us greedy. For a number of years when I sat on the other side of the House we resisted the threats and the temptations that were placed before us to get more out of the oil industry, to wring out more. A lot of people didn't understand the background. People said, oh, look at those people in the Far East, in the Middle East, how much they get for their oil as compared to ours. Nobody who was speaking that way made any allowance for the difference in the conditions. Six hundred feet of drilling oil that never stops flowing, shipped by tankers on oceans, is far cheaper and far easier to sell than is oil that you have to drill for thousands of feet into the ground, that has to be pumped or pressured up.

It's a far different situation, and definitely I believe that now that we are in a competitive position in the world market, we need to take advantage of the situation and use it to the best for the province and those industries that have been serving us well in the years when we needed the help we couldn't have supplied on our own.

I think some of the members might take into consideration the figures that were given to some of us recently. We talk about the big splurge of the oil

sands in Alberta. It should be noted that 63 per cent of the world's estimated reserves are in the Middle East, they are not in Alberta; 19 per cent are in Africa, 7 per cent are in the United States, and another 9 per cent are in Europe and some of those countries. Canada, all of Canada, has 2 per cent of the world's estimated reserves. All we ship over into the United States is not more than 7 or 8 per cent of what they use. There is no way we can have that big an effect upon the so-called world energy crisis.

Mr. Speaker, that brings me to my final statement. In my opinion the energy crisis, as we call it, is not a shortage of petroleum energy or products. There was plenty until the recent political situation. It was being properly distributed so that most of those who needed it had all that they needed. The crisis is a crisis of distribution, not a shortage or lack of petroleum energy.

The distribution problem is being created by politicians. The politicians could very well be the pawns of the monetary moguls of the world. Whether we talk about the politicians in Arabia who sit on 63 per cent of the world's reserves, or whether we talk about the Cadillac politicians in the front row of the Alberta government who sit on 2 per cent, it is still the same thing. It is a political situation. It is not a shortage of petroleum products. If politicians can get together there's enough money to make the distribution. If the politicians will continue to talk to one another and agree they can get the oil from the Middle East into the places where it's needed in the rest of the world. They can get it from Alberta to eastern Canada and to the United States. But [it is] the politicians who are holding it up. The oil is there. The money is there to distribute it and to transport it. It's a case of being able to get the politicians together to agree to what should be done.

Mr. Speaker, I suggest that what we need in this is a stabilizing factor where the companies that are dealing with the government know what the government is going to do. It is unfortunate if the government doesn't know what it's going to do, because it won't be able to tell the companies what it's going to do. I abhor any government interference that is unnecessary in the free market place.

For that reason I cannot give my sanction to this Bill 94 in any way until I have at least seen the companion act, the petroleum marketing act, and have some indication of the nature of the regulations that would go along with it.

MR. DIXON:

Mr. Speaker, I believe that it's most important that every member take part in this debate because I think this is one of the major bills to be before this Legislature in many a month.

In particular, I would say, as one of the members from the City of Calgary, I believe we are more vitally concerned than probably any other part of Alberta because in our City of Calgary one in every three persons is directly employed by the petroleum industry. I'm sure a lot of people are also employed by the petroleum industry in Edmonton and in many of the other communities within our province.

So, I think that we have to give a great deal of thought to whatever we do here with this bill. We have to come up with some propositions and some constructive suggestions that will keep our industry healthy because, next to agriculture, it is our second major industry. If we are to remain healthy as a provincial government and as a people, it is vital that this industry be given every consideration before any type of legislation is passed that could be detrimental in any way to that industry.

Before making my one or two constructive suggestions, Mr. Speaker, I would like to make reference to one or two of the speeches that were made.

I noticed the hon. Member for Smoky River, Mr. Speaker, - I'm sorry he's not in his seat at the present time - I agreed with a lot of what he said. What he's trying to tell this Legislature, and even some of the members on the front bench, is that we encourage Quebec to invest in Alberta oil with the taxpayers' money of Quebec. I wonder how you can figure that out - maybe the Provincial Treasurer can tell me. Apparently the federal government is paying incentive grants to Quebec because it is a 'have-not' province. So, if it has surplus money to invest, you would think it would want to invest it in its own province. Then the incentive grants that are coming from the so-called 'have' provinces of Ontario, Alberta and British Columbia, maybe then we might consider it if they get into our category. I think we can write British Columbia off now because I understand that the Premier got a message from the hon. Premier of British Columbia saying, if you'll nationalize the oil industry in Alberta,



we'll invest. That's a pretty good thing, so I think Mr. Barrett won't have any money to invest because surely we're not going to get into that trap.

I noticed, too, the hon. Member for Spirit River-Fairview and my good friend. He was advocating as usual. He takes a statement and says, look at the profits that the oil companies made. They made 47 per cent and everything else. I think when we look at any financial statement, whether it be our own financial statement if we happen to be in business, or any other business, we have to look at the money invested. I think when you look at a great deal of the oil companies in our province you will find that some of them are making less on their capital investment than even some of the utility companies who have a guaranteed rate of investment without any risk. I could think, for example, of Sun Oil, of the many millions of dollars they have poured into the tar sands. I'm sure they are nowhere near getting any of their money back yet.

Then I think there's something that we always forget, that if an oil company - or any other company for that matter, but we're speaking about oil and gas companies tonight - does not reinvest its money into further projects it is subject to income and corporation taxes. I'm sure that the companies in Canada will say that our income and corporate taxes are not low by any means. I think that, you can't say that even if they make these profits. Then I say that our federal and provincial governments are in there for quite a windfall of income and corporation taxes.

I believe, too, that before we criticize, in particular, companies who develop in the North - and I'm thinking now of the larger companies that may move to the Mackenzie Delta and places such as that - the hon. Minister of Industry and Commerce could probably show us figures where about 50 per cent of the money that's invested in the North, in particular the Mackenzie Delta and those kind of places, flows back to Alberta because we are really the base for that type of operation. So, we should not only encourage development within our own province, but we should also encourage development and reinvestment in the areas that also flow back to Alberta, such as the Mackenzie Delta area.

I believe that we also have to be very very cautious before we start talking about whatever oil we export outside of our own province or our own country. We should be sure that we get the last dollar out of it. I think we should be very cautious there, because we should look at the situation as to who is our best customer.

Sometimes - and I don't want to be accused of saying I'm anti-Canadian - but sometimes our best customer and probably the most convenient one to serve, and probably the most beneficial looking at the overall picture, is maybe an export south of the border, in preference to sending it to eastern Canada in some cases, because by way of exchange I think that we can accomplish the same thing. I believe you will see some of the major companies going more for exchange of oil rather than trying to get the oil to where it is needed the most in Canada, that is our western oil.

I can't see any reason - and I think it's only political - why we can't get exchange of oil. For example, instead of hauling our Alberta oil to the west coast and all the way around the Panama Canal up to Portland, Maine, to be piped into Montreal, what is to stop us from trying to get an exchange so that that oil could go to the west coast?

I think the hon. Minister of Mines and Minerals just mentioned NEB. Yes, it is a political thing rather than an economic thing. These are the things that we have to try to show the federal government where it could be beneficial. We don't want to be accused of being anti-eastern Canada or anti-anything else. I think we've got to be realistic. We are in a big business. There is a worldwide shortage I think we have to look at some new ideas and some realistic situations.

I am not one to get overly excited about the rise in royalty, because we can't raise our royalty too much higher than our present maximum of about 22 per cent. I think you just have to look at the figures. They will show that for every 1 per cent of royalty you put on, you affect 2 per cent of the profit of any company. Most of the companies - and my honourable friend from Spirit River-Fairview pointed it out quite well tonight - with which we are dealing as far as royalty are concerned, the smaller independent companies who are doing the drilling, are the ones who can be affected the quickest by any royalty change, because they have no way of passing it right on through to the gas pump as have some of the major companies. So I believe that we can talk about increasing the royalties and taking the ceiling off, but I am not too excited about that because I am sure that the government, or any government for that matter, does not want to go out and kill the industry completely. It can't

stand too much of a raise on royalty and still continue to operate in a successful way.

I have a report here from a company called Sulpetro. Sulpetro is one of the largest of the independent companies doing quite a lot of active drilling within the Province of Alberta. I think its main occupation and its main drilling, all its drilling, is carried on within our province, so we are not talking about some company that has no relation to Alberta and is not doing the work here, this company does. I'd just like to read into the record the concern they have about royalty-hungry legislatures who might want to go into the royalty return before giving it too much thought. I believe what they say here:

... Sulpetro of Canada Ltd, has just completed an actual field study involving a "successful natural gas project" in east-central Alberta...

The Crown earns from a 20% royalty, at no risk to itself, 2.5 times more than a 20% working interest participant makes.

So you can see that this royalty thing can have quite a detrimental effect on any of the small operators who are operating under a working interest agreement.

It takes a 52.3% working interest to meet the income earned from a 20% royalty. At a 30% royalty this benefit has increased to more than three times the working interest -- it is equal to income from a 100% working interest.

I would just like to go back to what I said originally, we cannot raise the royalty as much as we would like, even if we wish to, because it does make it almost uneconomical, in many cases, to carry on, in particular for those companies who are just in the straight exploration business and do not have the integrated companies such as the large multi-national companies which we hear so much about.

I honestly believe, Mr. Speaker, that the provincial marketing board will not work. I even have doubts that a federal marketing board will work. My reason for saying that is, I think, in the marketing of oil, there is such a fluctuation, such a change, almost an overnight change in many cases, that it is awfully difficult to work a marketing board situation. I realize that if we set up a marketing board it would not be as flexible as the independent marketing that is going on with our companies today. They are in the position where they have to change almost overnight, as I mentioned earlier, their situation as to where they ship the goods and where market changes are made.

It is all right for us to say, oh well, everything is going to be rosy, the price is going to go up, the products are always going to be in short supply. I don't go along with that type of thinking. I think right now we have an opportunity price but, as the Premier so eloquently pointed out yesterday, I think we have to be realistic when we look at the long-range situation, that we try, wherever possible, to come up with a price that is probably not the top we can get but a price that will make it profitable for the industry to operate and for the government to get its fair share on behalf of the people of Alberta, at the same time, the consumers of Canada, and wherever we export this product, get a fair market value for money paid out.

Another reason why I see that a marketing board could be detrimental, not only provincially but federally, is because if you look south of the border, for many years the federal regulatory body there looked after the shipments of oil or gas. In particular I want to speak of that now. They held the price down to an unrealistically low level so that the producers were not able to produce the gas that was needed. Last year, for example, in the southern states of Arizona and southern Texas, where industry was told to slow down because El Paso and the other companies were not able to get the product to them and they were not able to get sufficient gas because the price had been held at such a depressed level for such a long time, it was a political decision. As soon as that political decision was taken away and President Nixon said, look, we have to be more realistic in the price - well then, of course, the supply and demand was met.

I believe it is very important too, Mr. Speaker, that this government do everything it can to encourage not only our tar sands development but also the Mackenzie Valley pipeline, because I think that can have a great effect on the future of our oil industry. I say that for this reason. We should be working hard at the present time urging the federal government to do whatever they can to talk with the American authorities to have the Prudhoe Bay gas shipped via the Mackenzie pipeline, which would make that pipeline viable in bringing the gas down through Alberta. In doing so it would guarantee that pipeline would go

ahead and would also guarantee and ensure that Alberta still maintain its position as one of the foremost energy provinces in Canada.

Mr. Speaker, I can only urge that the province - I should say the provincial government and members opposite - if they do go ahead with Bill No. 93 and if, for some of the reasons we have heard tonight, they are bringing in this marketing board concept because of the fact that the federal government is interfering with some of the marketing of our products by way of an export tax, then I feel what we should be doing is using a marketing board. If we are going to insist on going that far, that we use it only in case the federal government continues to put pressure on us in an unrealistic way. Then we can say to the federal government, if you are going to continue to interfere with our industry then we have no other alternative but to set up the marketing board.

What I would favour is, if we do pass Bill No. 94, that it does not come into effect until the Legislature approves the day of proclamation and also approves the vast majority of the major regulations that are going to have to be brought in. I still say, Mr. Speaker, that I am really not in favour of a marketing board, but as a last resort that is one of the things that would sell me on it. If the federal government continues to interfere with the industry so that it makes it difficult for the industry and for us as a government and the people of Alberta to carry on, that's when we should use it. We should use it more or less as an atomic bomb; you have it but you don't use it until the situation arises when you have to use it. I know that is not a good example but it is about the best that comes into my mind.

All I am saying, Mr. Speaker, is that we use the marketing board as a last resort because our industry has been built on the free competitive enterprise system. We have built a healthy industry and it has only begun to look pale and a little less healthy when we hear of all the government interference and government regulations. This is the time that the industry will become unhealthy. As long as they are not in a monopoly position, then I think government should stay as far away from it if possible, and try, in whatever we do, to keep the free enterprise system that built this great industry. The thing we can be doing, as I mentioned yesterday, Mr. Speaker, is telling the people of Canada to invest their money, not for the government to invest the taxpayers' money on behalf of the citizens. Let the citizens invest their own money.

MR. LEE:

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

MR. SPEAKER:

May the hon. member have leave to adjourn the debate?

HON. MEMBERS:

Agreed.

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 stand adjourned until tomorrow afternoon at 2:30 o'clock.

[The House rose at 10:45 o'clock.]