

LEGISLATIVE ASSEMBLY OF ALBERTA

Monday, December 10, 1973

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

PRAYERS

[Mr. Deputy Speaker in the Chair]

INTRODUCTION OF VISITORS

MR. SORENSON:

Mr. Speaker, I wish to introduce to you and through you to the members of this Assembly, three students from M. E. Lazerte Composite High School. They are Caroline Serben who is vice-president of the Students' Union, Vaughn Meyers, the chairman of Publications, and Margaret Vandenberg. They are going over the Legislature today with a fine-toothed comb, and this will assist them in their social studies project.

They are in the public gallery. I'll ask them to stand and be recognized at this time.

FILING RETURNS AND TABLING REPORTS

MR. LEITCH:

Mr. Speaker, I wish to file the five-year report of the Institute of Law Research and Reform.

MR. GETTY:

Mr. Speaker, I wish to file a reply to Question No. 291 which was ordered by the Assembly.

ORAL QUESTION PERIOD

Human Rights - - - Nursing Aides

MR. CLARK:

Mr. Speaker, I have a question to direct to the Minister of Manpower and Labour. I'd like to ask the minister, Mr. Speaker, if he has had an opportunity to check with the Human Rights Commission concerning the situation of the certified nursing aides from the Royal Alexandra Hospital, and whether they have been advised of the government's decision in this area?

DR. HOHOL:

Yes, Mr. Speaker, I have, and a series of exchanges and discussions among the principals is at this point, that the Human Rights Commission staff have indicated to the hospital their willingness to enter into further discussion on this matter. They are awaiting a reply from the hospital executive with respect to this matter.

MR. CLARK:

Mr. Speaker, a supplementary question to the minister. Has the government, or the Human Rights Commission, advised the individuals who initially laid the complaints of the action the government contemplates in this area?

DR. HOHOL:

I don't personally know this, but I think it would be fair to assume, Mr. Speaker, that the people who first made the complaints are aware of the circumstances of the case in which the Human Rights people made a judgment with which the hospital board disagrees. At this time we are awaiting this further correspondence and communication between the two parties. I would assume, but I don't personally know, that the individuals have been informed.

Equal Pay for Equal Work

MR. CLARK:

A supplementary question, Mr. Speaker. When were negotiations finalized with the Alberta Civil Service Association agreeing that, come June 1, 1974, the concept of equal pay for equal work would, in fact, become a reality as far as the Civil Service Association of Alberta is concerned?

DR. HOHOL:

I'm not sure, Mr. Speaker, that I follow the question. It seems to say that the particular action has in fact been taken. To the best of my knowledge as chairman of joint-council, that decision or judgment has not been made, but is under consideration.

MR. CLARK:

Mr. Speaker, a supplementary question to the minister. At what stage are negotiations between the Civil Service Association of Alberta and the Government of Alberta concerning the concept of equal pay for equal work, and retroactive considerations going back to June 1, 1973?

DR. HOHOL:

I would surely like to give full information to the House and to the hon. member, Mr. Speaker, but I read the question exactly as the prior one and my answer would have to be the same, unless I misinterpreted the question.

MR. CLARK:

A last supplementary question, Mr. Speaker. Is the government actively negotiating with the Civil Service Association of Alberta to give retroactive pay to those people affected by the equal pay for equal work legislation?

DR. HOHOL:

I follow the question very literally. In terms of the definition of the word "negotiation", Mr. Speaker, no. Collective bargaining results in an agreement signed by both parties. The agreement is for a specified period of time beginning and time ending. What is in fact happening is that there are some discussions with respect to the matter that the hon. member raises, but not negotiations in the sense of collective bargaining.

MR. DEPUTY SPEAKER:

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

Syncrude - Environment

DR. BUCK:

Mr. Speaker, I would like to address my question to the Premier. In view of the resolution by the provincial advisory committee to the Environment Conservation Authority showing their concern about certain environmental aspects, could the hon. Premier advise the Legislature if he is afraid that this may slow up the Syncrude project?

MR. LOUGHEED:

Mr. Speaker, I don't believe it would have any particular effect on the Syncrude project. In terms of its long term aspects I refer the question to the Minister of the Environment.

MR. YURKO:

Mr. Speaker, the conditions that the Syncrude project has to meet have all been spelled out in detail and have in fact been tabled in this House. So everybody can see what those conditions are.

In regard to the disposal of tailings, and the water that is generated that can't be recycled, we have recognized this to be a problem for some time. As a matter of fact the government sponsored a review of all environmental matters with respect to the Syncrude project some two years ago now, and this was identified as the major problem. It is recognized to a major degree the amount of research that must be done in this area, not only specific to any particular site or any particular project, but with respect to the entire tar sands development.

Research in this area is being planned in accordance with the magnitude of the problem before us. But it is recognized that the problem will not necessarily be solved, nor does it have to be solved, before any additional permits are given for additional tar sands plants.

DR. BUCK:

A supplementary to the hon. Minister of the Environment. Is the hon. minister willing to commit more funds for research to try to resolve these matters?

MR. YURKO:

There are negotiations going on in terms of research, not only with respect to this problem but also to many problems of tar sands development. This will all take place in due time and money will be allocated to conduct this research that is, in fact, necessary.

At the same time we recognize that there is a need to set aside money for reclamation purposes on each specific project in the area, and consideration is being given, in terms of establishing a fund for each specific site not only with respect to the actual cost of reclamation, but also to doing the specific research in the reclamation.

DR. BUCK:

My final supplementary to the hon. minister. Have there been any consultations between your department and the federal Department of the Environment relating to the Syncrude project?

MR. YURKO:

We have had correspondence, Mr. Speaker, on a number of aspects in this regard for some time now. Correspondence is continuing also with the companies involved. We've set together a consortium of 20 companies which are going to be doing research in terms of reclamation and tailings disposal in the tar sands area.

MR. NOTLEY:

Mr. Speaker, a supplementary question to the hon. minister. Can the minister advise the Assembly whether discussions have taken place with Ottawa as to what share of any federal investment in research should be designated towards reclamation?

MR. YURKO:

Mr. Speaker, I don't believe the discussions have yet honed in on details to that degree. But the federal government does have responsibilities in the area under The Clean Air Act as well as The Navigable Waters Act. Discussions are going on in terms of the total federal input in this area. The federal government has now established, or suggested, refinery - source standards - which were established by a committee of provincial as well as federal civil servants. We were very much represented on this committee.

MR. DEPUTY SPEAKER:

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

Fuel Price Controls

MR. NOTLEY:

Mr. Speaker, I'd like to direct this question to the hon. Premier. In light of the legislation before the Assembly on controlling wholesale prices of butane and propane, and in light of the announcement made in Saskatchewan today about price controls on wholesale gasoline, my question to you is, Mr. Premier, is the provincial government considering wholesale price controls on gasoline and fuel products at this time?

MR. LOUGHEED:

Mr. Speaker, no. That's not the approach of this government. We're looking at a number of different ways to continue to ensure that the people of Alberta will be in the position they are in today, and that is that they have the lowest gasoline and fuel costs of any area in Canada.

MR. NOTLEY:

Mr. Speaker, a supplementary question to the Premier. Is the government considering action to introduce a consistent wholesale price for both franchised as well as private retail outlets?

MR. LOUGHEED:

Mr. Speaker, if the question is directed to gasoline, the answer would be no.

MR. NOTLEY:

Mr. Speaker, a further supplementary question. Has the government had any discussions with the co-op movement, either federated co-ops or any other sector of the co-op movement, with respect to the feasibility of constructing a co-op refinery in the province of Alberta as one way of injecting some price competition into the marketplace and protecting Alberta consumers?

MR. LOUGHEED:

Mr. Speaker, I would imagine that one of the keys that involve the people of Alberta in terms of this will arise out of our debate and discussion under The Alberta Petroleum Marketing Commission Act. I think the matter could be dealt with better during debate.

MR. NOTLEY:

Mr. Speaker, one final supplementary question, to the hon. Minister of Consumer Affairs. Can the minister advise the Assembly whether or not his department is keeping a watching brief on gasoline prices in this province and the marketing system of gasoline as recommended in the MLA task force report?

MR. DOWLING:

Mr. Speaker, I'm sorry. I wasn't paying attention. I was reading a note from one of his colleagues.

AN HON. MEMBER:

He hasn't got any.

MR. CLARK:

Mr. Speaker, I assume the colleague came from over there.

MR. NOTLEY:

I welcome colleagues, Mr. Speaker, wherever they come from.

Mr. Speaker, my supplementary question to the hon. Minister of Consumer Affairs is, has his department taken any action on the recommendation of the MLA task force report on gasoline marketing for the Consumer Affairs department to

monitor the marketing of gasoline in the Province of Alberta and if so, can he report on that monitoring?

MR. DOWLING:

Mr. Speaker, I'm not in a position to report at this time. However, we have developed, through people in the Department of Industry and Commerce and the Department of Consumer Affairs, not a position paper but some items we should discuss with the majors and with the Automotive Retailers Association. This will take place, I'm sure, over the next number of weeks. The matter is now in my hands to finalize the topics of discussion.

Gasoline Tax

DR. BUCK:

Supplementary, to the Premier. So that we can be prepared for the next election, I would like to ask the Premier if he can advise the House when, as we have recommended, the tax on gasoline will be lowered in order to try to keep the price down?

MR. LOUGHEED:

Mr. Speaker, so that the record is clear, I refer the hon. member to the remarks that I made in Three Hills in the Province of Alberta in the latter part of May, well before such brilliant suggestions came from the other side of the House.

MR. DEPUTY SPEAKER:

The hon. Member for Calgary Bow followed by the hon. Member for Sedgewick-Coronation.

Federal-Provincial Equalization Payments

MR. WILSON:

Mr. Speaker, I'd like to direct a question to the hon. the Provincial Treasurer. Can the minister advise the House if his department has calculated the effect of increased royalties on federal-provincial equalization payments?

MR. MINIELY:

Mr. Speaker, I think I've indicated in the House on previous occasions that by virtue of the fact that we already receive no equalization from the rest of Canada, increased revenues to the Province of Alberta do not affect Alberta per se in terms of equalization, because when you receive nothing, having a growth in revenues cannot achieve anything worse than that.

MR. WILSON:

Supplementary, Mr. Speaker, to the Provincial Treasurer. I was referring to the calculations of additional payments Alberta may be making to go out of the province.

MR. MINIELY:

Mr. Speaker, the hon. member does not understand the principle of equalization in Canada as it's carried out at the present time. Equalization is a pool of federal funds, totally federal funds, distributed on a formula based on the revenue capacity of each province in Canada. Therefore, it is not an allocation of provincial Alberta dollars but an allocation of federal funds to provinces which are below the average national financial capacity in Canada.

So the mere fact that Alberta's revenues increase, when that happens at a time when Alberta is receiving nothing under equalization, doesn't change the situation from Alberta's point of view.

MR. LOUGHEED:

Mr. Speaker, I think I might add just two points for the record on the matter of equalization. The previous administration and the present administration have both taken issue with the principle that equalization - in terms of the formula - when it is added up in an aggregate in order to determine the amounts the Provincial Treasury was referring to, includes within it revenues from depleting natural resources. The previous administration

opposed that and so did the present administration on November, 1971 at a meeting of first ministers.

What is interesting with respect to the matter is that it is one pretty obvious way in which those seven provinces not receiving equalization will benefit from the moving forward in terms of oil prices for Alberta, and hence all of Canada [will] benefit.

Wildlife Population Control

MR. SORENSON:

Mr. Speaker, my question is directed to the hon. Minister of Lands and Forests. Could the hon. minister inform the House as to what steps have been taken to ensure that the ecological balance will be maintained with the increased harvesting of so-called problem wildlife such as wolves, coyotes and beaver?

DR. WARRACK:

I'd be very happy to do that, Mr. Speaker. The problems of predators in agricultural areas of the province have increased in two ways: one, the fact that the wildlife populations involved as predators have increased substantially; also the fact that the value of agricultural products affected by those predators has also increased substantially and, in fact, is booming.

As a result of this, it has been essential for us to work towards minimizing the amount of damage on agricultural production while at the same time leaving unaffected the total population levels of wildlife, including predators, across the province.

MR. SORENSON:

Supplementary to the minister. Has the minister considered a program of live trapping and removal under the supervision of the Fish and Wildlife branch - that has been applied in the national parks?

DR. WARRACK:

I'm sorry, did you say "line trapping"?

MR. SORENSON:

No, live - live trapping.

DR. WARRACK:

Oh yes, Mr. Speaker. We have a large number of traplines in the province now and all these are more attractive than they were before because of the higher prices of furs and also the increase in populations. So the trapping that is going on in the manner the member suggests has been very helpful to the control program.

MR. SORENSON:

Supplementary to the minister. I believe you misunderstood my question.

Do you have a program of live trapping and removal, such as the one which is carried out in the national parks where they live-trap an animal and transfer him to another area?

MR. CLARK:

He just shoots them.

DR. WARRACK:

With species of predator wildlife we do exactly that when it is practical - for example, the bears which were discussed before in the Legislature.

DR. BUCK:

Four hundred and thirty-two bears.

MR. SORENSON:

Supplementary to the Minister of Agriculture. Is the Department of Agriculture familiar with the ear-tag or neck-collar repellants that can be effectively used on sheep against wolves and coyotes? Is there any program to encourage the use of same as an alternative to destroying the wolves and coyotes that are useful for rodent control?

DR. HORNER:

Mr. Speaker, I don't know who wrote the question for the hon. member, but he should be aware that Alberta is leading in this area as in a number of others. We're doing experimental work on the ear-tag or the repellant device for sheep. I suppose the latest report I have, Mr. Speaker, with regard to its effectiveness is that there are almost as many opinions as there are sheep.

MR. DEPUTY SPEAKER:

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

Arable and Grazing Land Study

MR. FRENCH:

Mr. Speaker, my question is to the hon. Minister of Municipal Affairs. Will the minister be making a statement under Orders of the Day with respect to the in-depth study which has been undertaken to determine a proper ratio between arable and grazing land?

MR. RUSSELL:

No, Mr. Speaker.

MR. FRENCH:

A supplementary question, Mr. Speaker. Will the minister advise the House who has been commissioned to make this study and how the study will be funded?

MR. RUSSELL:

Mr. Speaker, I'm not quite certain which in-depth study the hon. member is referring to. I recall having made comments about the general in-depth study which was going to have to be made with respect to assessment and taxation generally and the work of the Provincial Municipal Finance Council. Beyond that I'm only guessing at what the hon. member is getting at.

MR. FRENCH:

Mr. Speaker, could I have the indulgence of the Legislature for just a minute?

According to a news article which appeared in Saturday's paper and also a news release which was heard on the radio at noon today, the paper states:

An in-depth study of the ratio between arable and grazing land in the province will be undertaken on a joint basis by the Alberta Cattle Commission, the departments of agriculture, lands and forests and municipal affairs, and the Alberta Association of Counties and Municipal Districts.

My question is with respect to this.

I have some interest in this whole field, as members of the Legislature will know. I'm wondering when this study will be started, and when it will be completed. Could we have some further details?

MR. RUSSELL:

Yes, Mr. Speaker, I'd like to refer the question to the hon. Minister of Agriculture because he has been working with those groups. I recognize how long this has been going on and the member's interest in it, but with respect to that particular news item, I'd like to refer the question.

DR. HORNER:

Mr. Speaker, the subsequent study over and above the one done by the previous government was initiated by the Western Stock Growers Association and

the Alberta Cattle Commission. They have agreed to finance a substantial portion of that, and requested input from various government departments with regard to statistical and in-House material we might have. On that basis we agreed to join with them in this particular study.

MR. FRENCH:

My next supplementary question, Mr. Speaker, is, do I assume this matter has now been taken out of the hands of the Provincial Municipal Finance Council and put into those of this new group?

DR. HORNER:

Not at all, Mr. Speaker. The hon. member shouldn't be too quick in making assumptions.

This is a study in which the cattlemen themselves are vitally interested. I'm sure that any input they have would go back to the Municipal Finance Committee.

MR. FRENCH:

Mr. Speaker, I should like to refer members of the House to a statement in Hansard made on October 18 by the Minister of Municipal Affairs, who told me at that time that it was in the hands of the federal-provincial municipal finance council. I'm just reading from Hansard.

AN HON. MEMBER:

Order.

MR. STROM:

Mr. Speaker, a supplementary question to the Minister of Agriculture or the Minister of Municipal Affairs. Is it my understanding the committee referred to by the hon. Minister of Agriculture will be working in direct liaison with the committee that has been set up under the Department of Municipal Affairs? What would be the liaison between the two groups?

DR. HORNER:

Mr. Speaker, let's be perfectly clear. The cattlemen's group themselves requested the study for their use because they didn't agree with the Sibbald Report. Therefore, they're interested in the factual work they can get. I then suggested that anything they got would be referred to the municipal financing and planning group because obviously that's where it has to go.

MR. STROM:

Mr. Speaker, a supplementary question to the hon. Minister of Agriculture. Could the hon. minister advise what funding is being given this group by the Department of Agriculture at this time?

DR. HORNER:

Mr. Speaker, I'd have to check on the exact nature of the funding but it's a joint operation with the Western Stock Growers Association and the Alberta Cattle Commission.

MR. DEPUTY SPEAKER:

The hon. Member for Drumheller followed by the hon. Member for Pincher Creek-Crowsnest.

Aviation Fuel

MR. TAYLOR:

Mr. Speaker, my question is to the hon. Minister of Mines and Minerals. Last week I asked the question about the possible shortage of aviation fuel in Alberta for domestic and commercial use. The hon. minister was going to check into same. Have you had an opportunity to do so?

MR. DICKIE:

Mr. Speaker, I'm pleased to say that I have had a preliminary report which indicates there are no cutbacks we are aware of, nor are there any cutbacks predicted. However, after receiving that answer I did wish to check with the actual refiners in Alberta. I will do so and follow that up with further information to the hon. member.

Oldman River Levels

MR. DRAIN:

Mr. Speaker, my question, to the Minister of the Environment needs one or two words of explanation. It has to do with the low water tables and some of the tributary areas to the Oldman River watershed where as a result of the use of irrigation, there is not sufficient water to adequately keep the fish living. My question, Mr. Speaker: has his department any intention of making provision for some policing of this particular situation?

MR. YURKO:

Mr. Speaker, I will take the question under advisement and provide an answer from the water resources point of view later. But perhaps the Minister of Lands and Forests may wish to add something to the answer with respect to fish and wildlife.

DR. WARRACK:

Mr. Speaker, on the matter of the detail requested, I would wish also to take the matter under advisement and check into it.

MR. DEPUTY SPEAKER:

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

Automobile Licences

MR. WYSE:

My question, Mr. Speaker, is to the hon. Minister of Highways. One of the first programs of this new government after taking office was to double the price of drivers' licences in the province. My question is, Mr. Speaker, will there be an increase in the price of automobile licences in 1974?

MR. COPITHORNE:

Mr. Speaker, the answer is no.

Crown Resources Control

MR. DIXON:

Mr. Speaker, I would like to direct my question today to the hon. the Premier.

In view of the announcements attributed to the Prime Minister of Canada during the past weekend regarding petroleum and natural gas resources, and his uncomplimentary remark that, in his opinion, you weren't fully aware of the energy situation, does the legislation introduced in the Legislature at the present time assure the continued independence and independent control of Crown resources by the province? Or is the government reassessing its position since the announcements?

MR. LOUGHEED:

Mr. Speaker, with regard to the first part of the comment - that is, dealing with the personal observations made by the Prime Minister on Friday - of course my reaction to that is that I don't believe in such personal attacks and don't intend to indulge in them. I think they are beneath the position of the Premier of the Province of Alberta.

But, in my view, you have raised an important question, and that is that the purpose of the total legislation that we have presented to the Legislature

today, is legislation which, in my judgment, will protect the people of Alberta in terms of its ownership of the resources.

In order for us to ensure that we obtain the opportunity price for any exported natural gas or crude oil we will, of course, involve the cooperation of the federal government. But the balance of the legislation, taken in total, gives the people of Alberta, through their government, the opportunity and the position to protect and preserve our constitutional rights, our jurisdiction over our natural resources. And that is why we consider it so important.

MR. DIXON:

A supplementary question, Mr. Speaker. Now that the political argument is not going to be carried any further, I was wondering, Mr. Premier, are we now going to have to tackle the problem from the legal or constitutional aspects? Is that going to be our next move?

MR. LOUGHEED:

Mr. Speaker, from our point of view the answer to that is definitely no. We intend to present and put forward Alberta's position with regard to our natural resource policies which involve: fair value for our depleting resources; control and jurisdiction of our resources through legislation, in particular, the legislation of The Mines and Minerals Amendment Act and The Alberta Petroleum Marketing Act and any other legislation which we may be bringing before the House in the third session of the Seventeenth Alberta Legislature. We look on it as moving in a legislative and regulatory way to protect Alberta's interests.

Price Freeze

MR. NOTLEY:

Mr. Speaker, a supplementary question to the hon. Premier. In light of the Prime Minister's Vancouver speech, can the Premier today give the Assembly the assurance that Alberta will respect the price freeze, whatever the duration of that extension is?

SOME HON. MEMBERS:

Oh!

AN HON. MEMBER:

Whom do you represent?

MR. LOUGHEED:

Well, Mr. Speaker, members of the Legislative Assembly of Alberta, I think in the very vast majority, are interested in assuring fair value for the resources of the people of this province.

MR. NOTLEY:

Mr. Speaker, a further supplementary for clarification. Do I take it from the hon. Premier's answer that, at this time, there is not going to be a clear-cut commitment, either to the people of Alberta or to the people of Canada, that the Alberta government will respect the extension of the price freeze?

MR. LOUGHEED:

Mr. Speaker, the price freeze first of all is one established by the federal government on September 4 without consultation with the provincial government and objected to by the provincial government. It is a price freeze that is costing this province an enormous amount of money in terms of its citizens and its economy. Of the \$2.20, one can only now refer to 40 cents as being in any way related to an export question. The \$1.80 a barrel that leaves this province between September 1 and February 1 is now clearly and unequivocally a penalty tax against the people of Alberta, its government, and the province.

MR. DEPUTY SPEAKER:

The hon. Member for Lethbridge East followed by the hon. Member for Bow Valley.

Crude Oil Export Tax

MR. ANDERSON:

Mr. Speaker, my question is to the Minister of Mines and Minerals. Can the minister give an estimate of how much of the revenue to Canada by way of the export tax would have been lost before Alberta could have imposed the royalty increases which would bring the extra share of the price to Alberta?

MR. LOUGHEED:

Mr. Speaker, that raises another question of fact and record that I believe should be reiterated before this Legislative Assembly.

The fact is we are exporting our crude oil to the United States to a very large degree because historically the Alberta government and Alberta industry were unable to obtain markets in other parts of Canada and in Montreal in particular. That was the basic reason for us moving in - when I say "us" I mean industry and the government - moving into the midwestern market. For many years we were in that market on sufferance. We were in that market on the basis of U.S. import controls. As a result of that, it was necessary to keep that price slightly below the price in the Chicago area at a time when other people from the United States were selling into the midwestern area.

Starting last December, a year ago, a sequence of price increases occurred that was somewhere in the area of 95 cents a barrel; the latest increase on August 1, 1973 being 40 cents a barrel. It could have been higher, perhaps 20 cents a barrel [higher]. It was not placed higher because of pressure by the federal government on an inflationary basis. One will watch with interest to see whether or not that particular position is refuted.

Then, the so-called differential of 40 cents a barrel was brought in on September 1. It should be clear to Albertans that what is involved there is a matter of interprovincial trade.

In our view, we now have in PART 4 of the Alberta Petroleum Marketing Commission [Act] a way in which that could have been handled. Canada would be much better served if there had been appropriate federal-provincial consultation to reach the point that now exists within PART 4 of The Alberta Petroleum Marketing Commission Act.

Auto Liability Insurance

MR. MANDEVILLE:

Mr. Speaker, my question is to the hon. Minister of Consumer Affairs. On January 1, motor vehicle liability insurance will be increased from a minimum of \$35,000 to \$50,000. Will the industry amend existing contracts after January 1, or will the insured be required to have their insurance policies amended?

MR. DOWLING:

Mr. Speaker, based on past experience, the industry will assume automatically that the coverage is \$50,000 and there will be no change in premium.

However, the premium change will take place when that policy is renewed. I should say, too, Mr. Speaker, that the only people who will have to pay an additional premium on renewal will be those who now insure for the minimum of \$35,000.

MR. DEPUTY SPEAKER:

The hon. Member for Calgary Bow followed by the hon. Member for Wetaskiwin-Leduc.

Oil Export Tax Collection

MR. WILSON:

Mr. Speaker, I'd like to direct a question to the hon. Provincial Treasurer. Can the Provincial Treasurer advise if the federal government has tendered any cheques to this provincial government representing any portion, or Alberta's share, of the current crude oil export tax?

MR. MINIELY:

Mr. Speaker, the federal government hasn't tendered any cheques because we haven't had any discussions with them on any share of the export tax.

MR. WILSON:

A supplementary, Mr. Speaker. Is it the intention of the provincial government to waive all portions of the export tax from dates of levying same until implementation of the current legislation before this House?

MR. MINIELY:

Mr. Speaker, I think all hon. members have heard us say several times that we object to the tax in principle as discriminatory and as a penalty tax to Alberta.

MR. LOUGHEED:

Mr. Speaker, I think in addition it should be made clear that - my information is that the tax provision has not yet passed the federal House and that no collections have, in fact, occurred.

MR. DEPUTY SPEAKER:

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

MR. HENDERSON:

Mr. Speaker, my question has been asked.

MR. DEPUTY SPEAKER:

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

Gull Lake Water Level

MR. WYSE:

I'd like to direct my question, Mr. Speaker, to the hon. Minister of the Environment. Did the government receive a request from the residents of central Alberta to reconsider the government's reneging on the proposal to raise water in Gull Lake?

MR. YURKO:

Mr. Speaker, I want to make it very clear to the House that the government hasn't reneged on any proposal whatsoever. The government's policy is very well documented and tabled in this House and has been available for every single member of this House to review.

That policy says that for all minor water projects the cost of operation and maintenance will be borne by the local community or the local level of government. The former government, in fact, issued a letter in terms of Gull Lake, indicating that this was also their policy. We maintain that policy with respect to Gull Lake.

The only difference of opinion right now is what portion of the operation and maintenance cost of the Gull Lake structure and the cost of pumping the water should be borne by the local authorities, and what the split should be between the summer villages in regard to the county.

But the project is still very much alive, being considered right now in terms of this distribution of O and M costs between the various local levels of government jurisdictions.

MR. WYSE:

A supplementary question then, Mr. Speaker. Did the government receive a petition from the people in that particular area? How many signatures were on that petition, and what were they asking for?

AN HON. MEMBER:

[Inaudible] ... Order Paper.

MR. YURKO:

Mr. Speaker, the government did receive a petition. I can't remember how many signatures were on it. I think the petition indicated that the government should bear all the costs of operation and maintenance of the structures in the pumping of the water.

I want to suggest that that involved a major and basic change in government policy which was enunciated just a little over a year ago and tabled in this House.

In regard to Gull Lake, as I said earlier, Mr. Speaker, [operation and maintenance] corresponds identically with the policy of the previous government.

MR. DEPUTY SPEAKER:

The hon. Member for Smoky River followed by the hon. Member for Calgary Millican.

Canadian Wheat Board - Cash Advances

MR. MOORE:

Mr. Speaker, a question to the hon. Minister of Agriculture. Has the minister received any confirmation yet from Ottawa with regard to his request to have the Canadian Wheat Board make cash advances on unharvested crops?

DR. HORNER:

Yes, Mr. Speaker. My information, as of today, [is that] farmers will be eligible for cash advances at the elevators in regard to their unharvested grain up to one-half the total, or a maximum of \$3,000.

There is another interesting difference between the provincial program of loans and the cash advances that farmers should be aware of. The cash advances as such are considered as income by the Department of National Revenue; a loan, of course, is not.

MR. BUCKWELL:

A supplementary question, Mr. Speaker, to the Minister of Agriculture. What response have you had in the agricultural relief areas as far as loans are concerned? Has there been a good response?

DR. HORNER:

There has been a - well, the need is pretty urgent in a number of those communities, Mr. Speaker, and the response has been good.

Livestock Feed Supply

MR. DIXON:

My question, Mr. Speaker, is to the hon. Deputy Premier, the Minister of Agriculture. Owing to the early winter and the fairly deep snow cover, has your department an up-to-date assessment of the livestock feed supply? Will there be enough feed supply to see our present livestock population through the winter quite adequately?

DR. HORNER:

Mr. Speaker, we keep up a continual review of the supplies and the requirements necessary. The government has purchased some for emergency supplies and at the appropriate time might purchase some more, but it's our view that with the proper distribution we will have adequate supplies for the province.

ORDERS OF THE DAYGOVERNMENT BILLS AND ORDERS
(Second Reading)Bill No. 94
The Mines and Minerals Amendment Act, 1973

MR. STROM:

Mr. Speaker, in coming into the House this afternoon I saw a note on my desk which advised me that I have already spoken for 38 minutes and that I only have 2 left.

I had hoped that I would have a little more time than that. I certainly hadn't expected to take too much time. But Mr. Speaker, I would like to, if possible, ask the indulgence of the House to run over for maybe a minute or two, if I may, and complete the points I wanted to make. Thank you, Mr. Speaker.

Mr. Speaker, I want to say again that one of the points I wanted to make in speaking on Friday - and I don't think I concluded it as well as I should have - was that in my statement on the Premier's comment, while he sat on this side of the House, in reference to the high rate - maybe that is not the term I want to use - but the large number of civil servants that we had within our province, the highest per capita civil service of any province in Canada. I suggested to him that I did not take too much issue with that.

The point I wanted to make is that I cannot help but say that with the trend we are following I do not see any opportunity whatsoever for the Premier to reduce the number, but rather [he should] increase it. I wanted to make that point to him as strongly as I could because I think it is something that governments across our country need to be concerned about.

The other points I wish to make, Mr. Speaker, are these. I have always felt that the Conservative party has made some strong points in regard to a number of areas that I want to enunciate, referring to them as their principles.

Number one is sanctity of contract. The Premier himself, just a short while ago in this House, made reference to it and his support of it.

Secondly, confidence in the continuity of sound, honest administrative practices. Again, I think, one of their principles.

Thirdly, recognition of and adherence to constitutional rights and responsibilities.

Fourthly, their strong support for the free enterprise concept.

And fifthly, the supremacy of negotiation and cooperation as the desirable techniques a government ought to follow.

Now against that, Mr. Speaker, I would like to very briefly outline what, in my view, has been the government's performance to date. I would have to rate as number one their unilateral abrogation of contract, maybe the most serious abuse of a principle that they themselves have enunciated on many occasions.

Secondly, their wobbling reactions to the whole matter of royalties, taxation of reserves and marketing boards.

And thirdly, their indignation that the federal government chooses to implement its constitutional rights.

If I may just pause here for a moment. I was certainly very pleased to have the Premier give a little further explanation as to the government's position. This, Mr. Speaker, is something we have been looking for and desiring to get as much as possible in order that we might better understand it and be able to come up with a decision in that area.

May I also just say, Mr. Speaker, that there is no way I can support or endorse the approach used by our Prime Minister on Friday in his statement in regard to the present situation we are facing. I want to say, just as clearly and forcefully as I can, that that kind of statement can only do one thing, and that is, to aggravate the situation we are presently in. It will not lead to

the getting together of the parties who need to be involved in consultation and in cooperation in trying to resolve the present problem.

I stated on Friday that it is my view that the problem facing us today transcends the political ambitions of individuals, in that it will have a much greater impact on the province in the years ahead. We cannot afford the luxury of thinking in political terms when trying to resolve it. So all I can say is that I hope our hon. Premier will use the most statesmanlike approach possible under the circumstances, and approach the bargaining table with the hope that by meeting and discussing it we can come up with a solution to the problem.

The fourth point that I refer to in the government's performance is the setting up of marketing boards and the energy company. Here again, I am sure that it is a departure from principles formerly stated by them from time to time.

The last point that I refer to is the breaking off of communications, the unilateral actions by the federal government, and the possible attempt - and I say "possible" because I'm still waiting for further word - at unilateral action on the part of the provincial government. I would hope, Mr. Speaker, that in approaching this problem our government and the federal government will recognize the seriousness of the situation, and the need to approach it on the basis of trust. Here I would have to say that it is my view that our country and province were built on trust between individuals, between communities, between governments and between nations of the world. The greatest progress is made when we accept that the pen and word are mightier than the sword.

I am sure, as we continue to cope with this problem, that we must establish a basis of trust on which we can go forward, recognizing that the interests of the federal government and the provincial government need not be that different. We are trying to work in the interest of Canadians. Of course, we in this Legislature have as a major concern how it affects Albertans.

Thank you, Mr. Speaker.

MR. LOUGHEED:

Mr. Speaker, I want to say a few words with regard to this important bill that is before the Legislature, The Mines and Minerals Amendment Act, to join with the Minister of Mines and Minerals in responding to some of the excellent observations that have been made on this important question on both sides of the House, and to express some of the positions of the government, because of the magnitude involved. It is not my intention to be other than relatively short in my response today. I do want to say some things further in regard to the marketing commission act during the course of its passage through the House.

First of all, let me respond to the hon. Member for Cypress with regard to the remarks he just made concerning, I presume, the attitude of the Alberta government toward the national conference of first ministers on energy scheduled for January 22 and 23, 1974 in Ottawa. Mr. Speaker, despite the difficulties that arise - out of, I believe the comment made by the hon. member were the words involved - we will approach the conference table as a government with our responsibilities to the people of Alberta, but also our responsibilities as Canadians. We will approach it with some positive suggestions for long-range proposals that we think are in the interests of Canada, regarding national energy policies in the longer term.

We question that a conference that takes place in a setting that might direct its attention to short-term matters or immediate matters will be as effective for first ministers as a conference to concentrate on the broader policy objectives for Canada, for the provinces and for the very differing regions of Canada. It will be our view and, we believe, our responsibility as Canadians, to approach that conference as the provincial government representing the basic producing area in a positive way. And despite the difficulties and the pressures, it will be our intention to do so.

We say that, though, with a view and recognition that with the background of the Western Economic Opportunities Conference so close at hand, we do not approach the conference either in a spirit of optimism or pessimism, but we hope with an attitude of realism, not creating among the citizens of this province any false expectations as to what can be accomplished. But even that qualification does not discharge us as a government from our responsibility to make these positive proposals at that meeting; and we intend to do so.

Certainly, as the House probably would not be sitting at the time, it will be our intention as a government to circulate our proposals and position papers to all members of the Legislative Assembly on both sides of the House.

The next matter I want to deal with is the matter, raised by both the hon. Member for Cypress and the hon. Member for Drumheller, of the effectiveness or otherwise of the incentive system. I think we've had some good debate regarding the incentive system, and I'm sure the hon. Minister of Mines and Minerals will want to say more about the incentive system.

Somebody - I can't recall which hon. member - said that in discussing the matter with the industry, he was told by the industry spokesmen that they much preferred to have the lower royalty rate and no incentive system. I'd have to say that if I were a spokesman for the petroleum industry, that would be exactly the position I would take. Quite clearly the lower royalty rate and the no incentive system puts me in the position as a producing company to take the profits derived from Alberta production and invest those profits in other parts of Canada, in Louisiana, or the North Sea or wherever I like. The pressures that are involved in the combination of higher royalty rates and an incentive system limit the free scope of decision-making by the companies involved.

However, I do think it's important to note that the hon. Minister of Mines and Minerals in opening the debate - an important debate we've had on this bill - mentioned a discovery - an oil discovery too, that was clearly attributable to the incentive system. After I had a chance to get around the opening barrage of comment from the petroleum industry, I heard that with certain adjustments and expansions they would like to see, they recognize that an incentive system to see the reinvestment of the production cash flows in the Province of Alberta has got to be a sound policy decision for this government representing the people of Alberta.

Now we can argue and we can debate - and we should - what that incentive system should be; how broad it should be; where it should be expanded. Members have raised for the hon. minister's attention the question of the definition of the qualifying well, the question of whether or not we're doing enough for the deeper drilling and I think all of these points that have been raised are certainly good and desirable ones.

But we take the view that the best situation for this province is to have a royalty rates structure - that we haven't yet established - that would, in fact, assure that there is a fair return; but at the same time, assure that those smaller companies - and it's mainly those smaller companies and to some extent Canadian-owned companies that are continuing to drill in this province - have the incentives to do so; so the companies that stay here in Alberta, which are more the small companies, will have that incentive to do so. Those companies, the larger ones in particular - but not all of them - that want to take their profits and cash flows and explore elsewhere would pay the higher charge and the higher payment by way of royalty to the Government of Alberta and its people.

I think that is a wise policy for us, but any suggestions that hon. members would like to make either in committee, or at any time, on how the exploratory drilling incentive system can be improved would certainly be welcomed.

I was somewhat concerned, yet the comment made by the hon. Member for Macleod with regard to the impact of the energy crisis on the economy of the world, Canada, and of Alberta in particular, can't be ignored. I believe there's some risk - although there are certainly two schools of thought by economic advisers with regard to the impact. But when I hear that, I come back to the phrase that we have been hopefully discussing in this important time in the Alberta Legislature, that we don't have an energy crisis in Alberta, we have a time of energy opportunity and I think the situation is quite different than it has been before.

The hon. Member for Clover Bar raised, I think, something that we should be talking about more and dealing with more in the Alberta Legislature, and that was the reserve position of the Province of Alberta and how much did we have left for our children and our grandchildren, if I understood his point. I thought it was a very important one.

With regard to the crude oil situation, I think it's quite clear that we're in a very strong reserve position, with conventional and synthetic crude oil. I again refer - I wish the timing was somewhat different - but we have a document entitled The Energy Resources of Alberta Summary, December 31, 1972, by our Energy Resources Conservation Board which will be updated early in the new year. We would hope to have it for December 31, 1973. Page 11 of that document

refers to the life index for Alberta as being 69 years, which I think is a very sound and positive position for us to be in.

During my remarks earlier I read, under The Arbitration Act, the notation I had received from the preliminary studies of the board regarding natural gas, both in terms of our Suffield position and the additional natural gas reserves that are there with regard to the higher prices.

I would suggest in the reserve area we're going to have to watch carefully the conventional crude oil production in relationship to the timing over the years of oil tar sands development. But I think the reserve position is there, certainly for Alberta and for Canada, and in addition, probably for other parts of the world.

I do think that the final report that we will receive, hopefully in the first half of 1974, on natural gas is a matter of different concern. I think we have to do more, longer-term planning for natural gas reserves for the province as to the industrial needs, as we try to build a diversified economy here. So I think the hon. member's point was well taken in terms of natural gas reserves. But I think we're in a solid position with regard to crude oil reserves in both conventional and synthetic [form].

The other point made by the hon. Member for Calgary Millican I think should be considered, and seems to be ignored.

We hear this phrase windfall profits bandied about quite frequently these days. I'm of the view that we have to be conscious of that matter when we sit down after the session and reach our final conclusions on royalty rates.

I'm also conscious of the fact that we're going to be in the position that it's going to be more expensive to find a new barrel of conventional crude oil in Alberta, or new natural gas fields. Just by the simple logic plus the inflationary cost factors. We have to balance that.

I know that the hon. Member for Calgary Millican wasn't saying this, but he was raising the concern regarding windfall profits. In answer I can only say, you know, one of the whole concepts of taxation has got to be a concept of both our corporate taxation and our income taxation; that is its vehicle and that is its purpose.

I think the difficulty is that if you use a somewhat blunt instrument of royalty to try to catch situations like that, you end up penalizing the smaller operator who still wants to drill within the Province of Alberta. You don't catch the larger producer who is not exploring here and going elsewhere.

In my view, the best answer is a combination of a royalty rate structure and a taxation rate structure that meets that particular position. But I thought the point raised by the hon. Member for Calgary Millican was well put.

We had, I think, a very good presentation made by members on this side of the House of an awareness of our need to assure that at stake in our judgment decision here - and it's going to be a tough judgment decision for us - are jobs for Albertans, both existing jobs and future jobs. That was raised effectively by the Member for Calgary Foothills and the Member for Stettler and other members too.

However, when we consider all of that, it brings us back to the question of today and where are we? And I think probably, it would be my response to the debate - and it's been a good one - to say that I expected - I would have been somewhat disappointed if during the course of the debate members opposite didn't make sure that I squirmed a bit. And they have, with regard to the question of sanctity of contract and changing of arrangements. I never really expected that we would have this debate and that's what public life is all about. One has to feel that heat and the heat was expressed; and so it should be.

However, on October 4 as I said in my statement - and I would like to read it back into the records specifically - with regard to our response to the unilateral move by the federal government regarding a crude oil export tax, I stated as follows:

The Alberta government's oil revenue plan of July 28, 1972 in no way contemplated that the federal government would so drastically interfere with our traditional marketing system as is the case with the Federal Oil Export Tax and price freeze which results in federal government control of Alberta wellhead prices. Therefore, the existing Alberta oil revenue and royalty

plan has no application to the realities of the Canadian oil situation of October 1973 and hence, will be of no further force and effect at the end of 1973, or as soon thereafter as new oil and gas legislation and royalty regulations can be enacted.

That's our position. It's the position that you're charged with when you're in government. We accept the pressures that are involved. We don't present this bill to the Legislature in an easy or any cavalier way. Frankly, we present it with regret, in the sense that it does involve a change of position over 18 months. But we believe the intervening events have been of such a magnitude and such a nature that we simply have no other course to follow.

I think it's clear that we have to be in a position [of flexibility] as a government with regard to the almost daily changes in the oil and gas situation. I go home at night and my wife asks me - she doesn't do it now with anything other than the expectation of an affirmative answer - she says "what happened new today?" That's what we're involved in, a very rapidly changing situation. I think the Government of Alberta has to be in the position of flexibility.

A number of members - the Member for Wetaskiwin-Leduc certainly put that well, I believe, as did the Member for Drumheller and the Member for Stettler. We have to be in the position of flexibility and that's why it's very important.

I appreciate that members on the other side - members in the Legislative Assembly - would prefer to be in a position where they know roughly what we have in mind in terms of royalty rates. That's a very legitimate request on their part.

Frankly, it's been our view that we should be in the position to determine whether or not there is [to be] the elimination of the maximum rates, since the move is so basic. But before any serious consideration of specific rates is entertained at either the energy committee or Executive Council level, we have the legislation passed through this House. That's our intention and that is our position. We need the flexibility that's involved.

Ultimately when we reach the question of rates, it will be a judgment decision. Some will say it's not high enough, but usually those will be the group who will say that no matter what, and it will never be high enough for that particular and rather minor school of thought.

There will be another group concerned and properly concerned as to the impact of what we're doing to the smaller independents. One of our tough challenges I think is to come out with a royalty structure and incentive system that assures that the smaller independent companies doing the drilling in the Province of Alberta still have the incentive to do so, at the same time that we obtain a fair share from the larger companies who are exploring elsewhere.

That's not going to be easy to do through a royalty and incentive system. But our objective will be to do it in the best way that we possibly can. We look at the combination of a royalty system, an incentive system and a taxation system.

In terms of incentives, I presume that hon. members had an opportunity to read my statement of October 4 on that point. I think that I should just underline it because of its significance.

Our reports indicate that the Alberta exploratory drilling incentive system has been working very effectively. We are aware that our proposed new oil royalty arrangements will be adverse in their impact to some extent upon the petroleum industry. We plan therefore to expand - in consultation with the petroleum industry - the Alberta exploratory drilling incentive system, particularly in terms of definition of qualifying wells and also as to the extent and magnitude of the royalty credits.

When the legislation is through the House, and the House is finished its business, it will be our intention to sit down and discuss that with them.

Members will remember that in our tentative oil natural resource plan, we had an incentive plan. We changed it at the suggestion of the industry, and not entirely, but in part, to reward activity rather than merely success. I think that the suggestions that came from the industry were good ones; we responded to them and we made the change. However, I think there is room for further improvement.

I went on to state on October 4:

Further, to stimulate conventional oil and gas exploration we are planning significant changes to accelerate land turnover to increase the number of drilling opportunities in Alberta.

I concur with the three or four members who have made such a point of that particular aspect.

I went on to say in October:

As well, consideration will be given to methods to encourage technology and research in enhancing recovery techniques applied to conventional crude oil recovery.

I think perhaps [we will] even give some consideration to whether or not we can come up with something that will really help us, assuring, as some members have pointed out, we are getting a higher degree of production from marginal wells. I think that responsibility is on us to work with industry to see where that can happen both in a combination of a royalty and incentive approach.

I went on to say on October 4:

In addition, we are considering a companion incentive system for those companies utilizing Alberta production profits for technology and research in the Alberta oil sands.

In the question period today that matter was raised. We have some plans in mind we hope to announce in the first quarter of 1974 regarding oil sands research that will either be separate but close to and concurrent with the remarks I have made in the House regarding a longer term set of guidelines for oil sands development. I conclude with this statement, if we could present it to the members of the Legislature, essentially as the objective or position of the government:

The Alberta government's objective is to encourage Alberta oil and gas producers to reinvest their profits from Alberta production in Alberta, and hence, find new reserves of oil and gas in Alberta and accelerate development of the Alberta oil sands.

In one sentence that really sets it forth.

In conclusion, Mr. Speaker, I know it's argued that the issue regard regulations as distinguished from setting it forth in legislation. I would have opposed it firmly two years ago. Certainly there is no precedent for that in the research I have had done for me in terms of Canada, British Columbia, Saskatchewan and Ontario. It's clearly, unequivocally, a regulation decision that the establishing of royalty is done by regulation. I would have said [that] two years ago in this House, in this place.

I say that having regard to the need for flexibility and the rapidly-changing situation that there is just no question in my mind that the Government of Alberta cannot have its hands tied; must be in the position of exercising judgment. If we exercise it wrongly, either because we placed the royalty rates too low or too high: if they are too low, then the citizens will lose - in terms of revenues via the depleting resource they own; if we set it too high, jobs will be lost and the province's economy will be affected.

It is our responsibility, as the elected government of this province, to make that judgment decision. We accept the responsibility of being government. We intend to make that decision in the best way we possibly can; if we make it wrong, the people of Alberta will in due course have their chance to register their evaluation of our judgment, and, if we make it right, equally they will have the chance. I have confidence we will make it properly.

[Applause]

MR. DEPUTY SPEAKER:

May the hon. minister close the debate?

HON. MEMBERS:

Agreed.

MR. DICKIE:

Mr. Speaker, in rising to comment and in closing the debate, the first thought I have is to reflect back on the comments of the members from both sides of the House.

When I do that I have to think how well distributed the comments were. There were comments from urban members, comments from rural members, comments from north, comments from south, comments from east and west. I think that's the way it should be in a debate of this nature, where we have the views from all points of Alberta.

Like the hon. Premier I thought of the remarks of the hon. Member for Wetaskiwin-Leduc, the word he used frequently and remained with me was the word "flexible". I thought how pertinent that word was, really, in describing the position we are faced with now - what we must do and how flexible we must continue to be in the future.

I was also reflecting on the remarks of the hon. Member for Clover Bar. I don't recall him having spoken this much in this session or in the previous sessions, but I think the words he had with respect to royalties were some of the wisest words spoken in this House. Mr. Speaker, I would just like to review them if I could. They are very short but they are right to the point, and I would like to think that this perhaps does reflect the opposition's viewpoint:

We are concerned, of course, that it is a bit of an open blank cheque, but I think in fairness to you that it possibly has to be that way. We value your judgment. We hope that you use discretion and we hope the industry will have the same confidence in you.

Mr. Speaker, I think those remarks were excellent, and we hope that the actions that we can take as a government will show the confidence that he had in making those remarks.

I would also recall the remarks from the hon. Member for Macleod. I could see the problems he was facing when he was talking about higher royalties, the mental problems that he was going through. But he did recognize the need for higher royalties and came out and said that. I thought that was a point well accepted.

Perhaps the most constructive comments that we heard in the House were from the hon. Member for Drumheller. We asked him for suggestions as to what royalties might be, how they might go about it. I think he gave a long and excellent dissertation on his views on royalties. He talked about the ability to pay, and certainly we have considered this in looking at the question of royalties.

That again gets into the question of royalties versus taxation and presents a difficult problem. But he did raise it and he did express his views, which we welcome, on the difficulties of setting the royalties so that they are not too high or not too low. I think from that point of view his comments were really very meaningful and some of them can be passed on to the committees that we have considering royalties today, so they can be aware of the thinking of members of the Legislature.

At the same time, he mentioned the suggestion of an amendment to the Act dealing with escalation and de-escalation. I would like to assure him that we are looking at that. I can say that we are now presently considering bringing in an amendment that will perhaps deal with that question, as he so ably put it, and I hope that that can be a useful suggestion as to the legislation before us.

Mr. Speaker, from the members on this side of the House, I think it was perhaps only right that the first member was from the rural areas, bringing down to the urban members some of the rural common-sense approaches - and he was the hon. Member for Smoky River.

I think one of the points he brought forth that we must look at, is that when we do look at the question of the additional royalty we receive, what are we going to do with it? And I think that is equally important if we do receive additional royalty. How will we invest that and make sure that it is for the benefit of the people of Alberta? So, Mr. Speaker, I think from that point of view it was an excellent contribution.

The hon. Member for Calgary McKnight brought out his understanding of ownership, the importance of ownership. And I think the more we read about our problems and our difficulties with the federal government, the key fact to keep

in mind is that the people of Alberta collectively are the owners of the natural resources here, how important that fact is and that it must continue to be recognized.

Mr. Speaker, in respect to the hon. Member for Calgary Foothills, I think we are really in a very favourable position. We have an expert in our audience and we certainly welcome the suggestions that he has made, particularly on our drilling incentives. He passed a comment or two on fixing the time for royalty to make sure there would be a fair share of price increases to industry, and I think those are comments we would like to suggest to the royalty committee that they might look at with favour.

The next speaker, Mr. Speaker, was the hon. Member for Stettler, and I must say that I compliment him on the deft analysis that he made on the oil industry and his approach to it. I think it was a very methodical approach and one that was rather surprising. But I certainly would like to say, Mr. Speaker, that if all the problems we have before the Legislature are looked at in that depth and analyzed that way, I think then that if we are searching for answers, we will certainly have to come out with answers that will be beneficial to us.

The hon. Member for Edmonton Kingsway got into the question of environment, and I think he was trying to draw it to our attention to make sure we keep that proper balance between the development of our natural resources and the environment.

I can assure him that the Minister of the Environment is continually bringing this to our attention; we have debates, because the dividing line and the balance is difficult at times. But we all recognize the importance of making sure we keep that balance. At the same time, I thought he made the point very well for us, that when we are looking at that balance, we make sure we continue to keep the proper balance between government and industry.

Mr. Speaker, the hon. Member for Edmonton Strathcona was the only hon. member to bring to our attention one of the aspects in the debate, the significance of taking royalty in kind. I think it was important that this was brought to our attention because that was critical. I think one of the real principles in the proposed bill before the hon. members is to make sure we recognize that without doubt we take our royalty in kind. And as we debate The Petroleum Marketing Act, we will recognize the importance of that feature in the bill.

I was also delighted to hear the comments of the hon. Member for Ponoka on Friday afternoon, particularly when he started to talk about the international pricing aspects and some of the problems in international oil, because this is an area that of course, has really involved us now.

We are no longer fenced-in in the four corners of the Province of Alberta. We have to look to see what is happening throughout the world, and I think it brought forth the recognition of what is happening in the industry, that the international oil companies are perhaps no longer controlling the petroleum industry the way they did in the past, that the governments are taking a more active interest and are now moving towards a government-to-government discussion basis.

I think the hon. Premier brought this to our attention when he returned from the Bilderberg conference. Hon. members will also recall that we had a report filed in this Legislature by the Walter Levy Company, one of the outstanding firms of international petroleum consultants, and Walter Levy has also been speaking on that area.

When you stop and think of what is really happening in the international world, particularly in crude oil, realizing that more governments are dealing together, and seeing some of the reactions happening to the multi-national companies - you might take as an example when a month or so ago you probably observed that Gulf Oil was now considering diversifying their holdings, with a point of view that perhaps the profits they had realized in the past, through dealing with some of the other companies, might not be as great. It is time now that they might have to start diversifying, investing their present cash flows into other assets that will give them a proper balance as those companies continue to project in the future.

So I think in those positions, when you look at what is happening in the international picture in oil, and realizing the impact on some of the multi-national companies and how they are reacting, it is important that we do consider those factors in the future and see how they relate and what are the full implications to the Province of Alberta.

Mr. Speaker, there were one or two other items that were raised during the course of the debate on which I would like to touch briefly. I think the first item where some concern was expressed was that we may not have consultation with industry. I would like to assure all hon. members that there is no question that we have had preliminary consultation with them on these aspects and we will continue as soon as the Legislature deals with this legislation before it. At this session we will set up exhaustive consultation with them so that there is no question in anyone's mind that we will always have industry's point of view.

It may be, Mr. Speaker, that all the members will not always agree on their point of view but I think it is important that we at least make sure we have a firm understanding of their point of view. We are concerned that we do have effective consultation and meaningful consultation, and I think I can assure the hon. members that that will take place after the deliberations are concluded in this Legislature.

On the question of regulations, Mr. Speaker, the hon. Member for Calgary Mountain View brought it to our attention that some years ago that there was a committee of the Legislature that did consider the use of regulations as opposed to legislation. Fortunately, I was on that committee. The hon. Member for Wetaskiwin-Leduc was also on that committee. I recall at that time going through this question: are regulations really necessary? Can we get by without regulations or do we have to have all items passed by acts of the Legislature and carried out in the Legislature?

Mr. Speaker, I can assure all hon. members of the House that after an exhaustive study of that problem we came to the conclusion - and I think that was endorsed unanimously by the members of the Legislature - that regulations are necessary. Perhaps there have been abuses in the past with the use of regulations. I think those are the things we have to guard against. But they are necessary. They are an essential part of our operation of a system of government.

With that in mind, Mr. Speaker, I thought back over the ten years I have been in the Legislature to see whether I had heard anyone voice any concern at any time that setting royalty rates or dealing with royalties by regulations was improper and not the correct approach. Mr. Speaker, I can assure all hon. members that never once was that question raised in any of the years I have been in [the House]. Of course, we did have a ten year period for reviewing royalty regulations, but there were other royalties involved. I certainly think that there has never been a question raised at any time that we shouldn't deal with royalties by way of regulations. It is quite the proper approach.

Equally important then, Mr. Speaker, I think is to make sure that we have the enabling legislation before we move to finalize anything dealing with the regulations. So from that point of view, Mr. Speaker, I suggest to all hon. members that we are moving in the right direction. We are asking the Legislature to give the enabling legislation. Then following that - the implementation of that legislation - we can meet with industry and have full discussions with a view to finalizing it.

The hon. Member for Cypress mentioned when he was talking about the television debate that he didn't want to bring out ahead of time some of the discussions but that he wanted to make sure there was a decision made. We can assure him that in this case - in royalties - there would be a decision made as quickly as possible.

Mr. Speaker, there was also the question raised, and rightfully so, about investor confidence, uncertainty and confusion. Some of those words were used in discussing the question of the industry itself. I would like to assure hon. members again that we are conscious of that. As members of the government, we are continually implementing programs to make sure there is as much certainty as there can be, and as much investor confidence here as in other places in the world.

I can assure you that I and other members of the cabinet are discussing continually the development of investor confidence in Alberta. Wherever we go in other provinces or throughout the United States, we are well accepted in that area. We will continue to do that with the idea of building that type of investor confidence and of making sure that the industry is and continues to be a viable industry.

Mr. Speaker, again on that question we felt it desirable to ask hon. members of the Legislature for their comments. After our lengthy hearing last year on the question of a crude oil and natural resources revenue plan, a great deal of

information was supplied to the hon. members to give them an opportunity to come up with ideas on royalty.

In addition to that, we have tabled the Levy report, which is an outstanding report not only on the international problems of oil but also touching on royalties elsewhere in the world. So that would give them additional information. In addition to that, the Leader of the Opposition at the last session asked a number of interesting questions dealing with oil and gas matters. Answers were tabled that would give the hon. members additional information to assess the question of royalties and how they should be developed.

From that point of view, Mr. Speaker, I think what really has happened is that we have created the atmosphere, we have provided the information, we have given all the facts and figures that are necessary to put forth the ideas on royalties and we welcome those members who stood up and said, I'm speaking for my constituency and here are my thoughts on how the royalties should be. From that point of view, Mr. Speaker, I think that's the proper parliamentary process to follow.

Mr. Speaker, there are one or two other comments that have been mentioned that I would like to touch on briefly. First, on the question of the actual recovery factor for our crude oil at the present time - we are recovering approximately 34 per cent of our crude oil. I might say to the hon. members this was first raised in our caucus by the hon. Member for Drayton Valley who was very interested in this. We had some good discussions on how we could go about achieving better recovery of our crude oil. The hon. members on the other side raised this 34 per cent recovery factor.

At the present time, the situation that is developing is that the Petroleum Recovery Research Institute does consider this question and has been considering it for the past number of years. They have a budget of approximately \$200,000 a year. Fifty per cent of that budget is provided by our government.

I think, if I reflect the hon. members' comments during this debate, that they would like to see additional funds used for research to improve the recovery factor. I would like to be in a position to pass that information on to them. I am sure they would welcome that. I might just advise hon. members that there is a meeting of the directors in Calgary today. After hearing the comments about the actual recovery factor and how we could improve it through research, I would anticipate that we might have some concrete suggestions from that very worthwhile institute as to how that might be improved by additional research.

So, Mr. Speaker, I am just advising the Provincial Treasurer and hon. members here today that if they are looking through the budget, I will take it that many of the members here feel that research in that area would be very desirable.

Mr. Speaker, the next area I would like to touch on briefly would be our drilling incentive system. I have provided all hon. members with a map showing with stars where the new field wildcats were drilled. I think one of the very pleasant results of looking at a map of that nature is how uniformly those wells were drilled throughout the province. From that point of view, I think it is desirable. Concern has been expressed that there were not enough wells drilled in the deeper areas. In one of the questions in the House I think I did endeavour to answer that that is the area where we are looking to improve the drilling incentive system.

However, Mr. Speaker, in view of some of the other comments, I took it that some of the hon. members were almost suggesting we abandon our drilling incentive system or do away with it rather than look towards improving it.

I would like to reflect on the situation in December, 1971 when we were first looking at this drilling incentive system. We did put it into our position paper at that time. I would just like to draw to the members' attention what I thought was a key statement in that position paper. It said: "By 1971, the number of new field wildcat wells drilled, both in Alberta and in Canada as a whole, dropped to about 60 per cent of the 1969 total."

So, Mr. Speaker, when you are reflecting on the drilling incentive system and keeping in mind that the drilling of new field wildcats had dropped off approximately 60 per cent, I think that was a very serious situation and one we were trying to remedy. New field wildcats - we were concerned with the depths; whether they were shallow or deep. But we were more concerned with the actual new field wildcat itself. Certainly, from the information we have

provided hon. members, that some 459 incentive wildcat wells have been drilled between August 1, 1972 and October 31, 1973, I think you have to say that that initial drop of 60 per cent has been completely turned around. That has to be a success. In addition to that are the wells that have been discovered as a result of the new field wildcats.

It is also interesting, Mr. Speaker - thinking back on our drilling incentive program - that when we first started it, I can recall discussing the drilling incentive system with representatives from Australia. They had been touring Alberta and they had instituted a drilling incentive system over in Australia. Their first approach was to make it rather wide and extensive and was utilized a great deal in the first year in Australia. Then, as a result of discovering two or three wells with that drilling incentive system, they completely changed the rules on the drilling incentive system, much to the discouragement of industry. As a result, when they tried to improve the system again, they found themselves in great difficulty.

So, Mr. Speaker, our suggestion was, let's proceed slowly, let's proceed on a basis of continually improving the system rather than having it too wide initially with the idea of changing it later on.

The hon. Member for Lethbridge East asked in the House whether the wells were shallow or deep. The concern I had at that time, Mr. Speaker, was that when we had to face that problem initially we drafted a formula based on all the new field wildcat wells that had been drilled. We tried to draft that formula on a basis that it would be even, so that there wouldn't be an advantage to drilling shallow wells as opposed, say, to deep wells. As a matter of fact, the tendency was to try to encourage the formula for the deeper wells.

I'd like to submit and table today just exactly what the results of the 459 were, and at the present time some 502 new field wildcat incentive wells have been drilled. I can show you the depth of each well. We kept it to about 1,000 feet, so you can decide in your own judgment what you consider a shallow well or what you consider a deep well.

Mr. Speaker, I'd like to table the actual number of wells drilled and the depths to which those wells were drilled, so hon. members can come back and take a look at it and perhaps say what they felt were the actual results in drilling shallow or deep wells.

However, I did mention at the time that certainly one of the concerns expressed to us by industry is whether we could change the formula in such a way as to encourage deeper wells. I think, as the hon. Premier has mentioned, the area we are looking for in natural gas is in the deeper foothills areas and it would be desirable to encourage deeper wells in that area. I think that is one of the improvements we can make to the plan and I'm pleased to see that those suggestions have been made to encourage improving the plan.

So, Mr. Speaker, I think from that point of view those are worthwhile suggestions we can look at. Members may have others after they continue to look at our drilling incentive system to see how it can be improved. As I mentioned, at the present time it covers new field wildcats. That's defined under the Leahy formula administered by the Energy Resources Conservation Board. It may be that that should cover new field wildcats.

But I think the general idea that must not escape from our drilling incentive system is that when we really analyze the whole purpose of the drilling incentive system [it involves] jobs and job opportunities. Certainly, the reports we have, indicating the multiplier effect on jobs and job opportunities by drilling, have confirmed the original intention we had when we first discussed implementing a drilling incentive system. When we looked at it and said, what is the best way to spend our money to create jobs and job opportunities, you have to look at the drilling business because of the multiplier effect.

That has subsequently been borne out by the federal government's report on the energy policy for Canada because it does show a multiplier effect of 4.6 which is higher than uranium, higher than coal mining and higher than service for mining. The only areas in which it's not higher are some of the manufacturing areas. It's higher than transportation services and other types of services such as education, hospitalization, recreation and so forth where the multiplier effects are all 1.5.

So with the high multiplier effect on drilling, it's really to the advantage of the people of Alberta that we continue to keep drilling operating in Canada.

I won't go into all the details, Mr. Speaker, but if hon. members are really interested, the Canadian Association of Oilwell Drilling Contractors has prepared an interesting graph to show the multiplier effect on the drilling of one oilwell, and the total number of people employed in side benefits from the drilling of that oilwell are some 73 to 83 people. So I think we must realize the importance of keeping drilling companies operating in Alberta.

Now, Mr. Speaker, to give you some idea of the actual dollars involved and the multiplier effect, we received a report from the Drilling Contractors Association, dated February, 1973. It stated,

The increase in Rig Operating days and using a daily payroll for direct and indirect jobs created equals the sum of 20 and one half million dollars of payroll generated in the Province [for a] six month period... .

Here's an important statement, Mr. Speaker, because some hon. members have referred to this question of why people drill oilwells. Does the incentive add to the drilling of the oilwell? I think it's well expressed by Mr. Porter who is the Executive Vice-President and General Manager. He stated:

As discussed, not all this increase could be attributed to the incentive drilling plan but there is no doubt that such plan has had a positive impact in a direct sense as well as providing an atmosphere conducive to exploring in Alberta.

So, Mr. Speaker, with those words and how well they are expressed, I think we have to say that the drilling program has been a success, and I think we can work to improve it with suggestions from members on both sides of the House.

Now, Mr. Speaker, while I'm looking at some drilling statistics and so forth, I think I'd like to bring to the hon. members' attention some facts that would be desirable when they consider what the effect of the hon. Premier's statement was on October 4? I was going to read comments from it today, but he has already done so. I'd like to suggest to you today that in the statement he made on October 4 there was an indication that there was going to be a change in royalties. And what has really been the impact in Alberta since that time?

Now I have some comparison figures for you for that period of time. That is, from the period of October 1 to November 30 we compared the number of well licences that were issued with the previous year. Keep in mind that in the previous year, October was really an excellent month for drilling.

In the period of October 1, 1973 to November 30, 1973, there were 734 well licences issued by the Energy Resources Conservation Board. For a comparable period, the previous year, which was really a good year, they issued 665 well licences. That's a difference of 69 more this year than last year. So, Mr. Premier, I think you have to take it from that, that after your statement of October 4 was issued, drilling activities still continued and there was no real impact as a result of that statement on drilling activities in Alberta.

I'd also like to refer to what were the actual results in Crown sales by way of bonuses. To do that I could perhaps refer to some of the average bonus per acre figures prior to that time, and then I'll refer to it from October 4 to November 30.

We have some figures here from August 1, 1970 to July 31, 1971 which show the average bonus acre at \$4.33. From August 1, 1971 to July 31, 1972, it was \$3.87; from August 1, 1972 to July 31, 1973, \$7.48. And here is the key figure: from October 4, 1973 to November 30, 1973, \$13.10. You will recall, hon. members, that the first figure I read was \$4.33.

Mr. Speaker, I would like to touch just briefly on the question on land tenure because that did come up at our hearing on natural resources revenue and our plan for crude oil.

We did have extensive discussions with industry on what the most advantageous way of accelerating acreage turnover would be. I can tell hon. members that if you were talking to 30 members in the industry, you would get 30 different answers. We did receive that last year.

So when we changed the Deputy Minister of Mines and Minerals this year to Dr. Mellon, after discussions with him, we engaged Bob Seaton to do an independent report. Bob Seaton happened to be a well respected employee of the Department of Mines and Minerals previously.

That independent report has been completed and has been submitted to industry and further consultation is going on now with industry with a view to accelerating acreage turnover.

This is our aim and object and we hope in that way again we can achieve what the hon. Premier has said, let's help the independent oil companies who want to stay and invest their money in Alberta.

So I think that is a worthwhile step, Mr. Speaker. It's a very complicated area and it will require some rather bold decisions by this government.

Mr. Speaker, in concluding my remarks I would just like to confirm again the principle we have followed in deciding royalty and will decide on royalty - a fair and reasonable return to the people of Alberta who own these non-recurring and depleting assets. I think that was well set out in our position paper last year and it is a principle that we, as the government, endorsed then and will continue to endorse and ask all hon. members to endorse.

In considering that, of course, we are faced with questions raised elsewhere throughout Canada - questions concerning the flight of capital, the increased profits that perhaps are attributed to the oil companies, the repatriation of capital.

Another argument being advanced is the cost of production - the oil industry should look to the question of cost of production. These are arguments we will be dealing with when we are considering the question of royalty.

Another key question we are continuing to ask, is what does it cost to find a barrel of oil today in Alberta? We have an excellent report, received from an independent group of concerned geologists and geophysicists which suggests \$3.22. Other organizations have suggested other figures. We will be looking at those figures when we are considering the royalty rates.

We would welcome any thoughts or observations that hon. members may have on that very critical question, what is the cost today of finding a barrel of oil? Thank you.

[Mr. Deputy Speaker declared the motion carried. Several members rose calling for a division. The division bell was rung.]

[Mr. Speaker in the Chair]

[Three minutes having elapsed, the House divided as follows:

For the motion:

Adair	Dickie	Hunley	Peacock
Anderson	Dixon	Hyndman	Purdy
Appleby	Doan	Jamison	Russell
Ashton	Dowling	King	Schmid
Backus	Farran	Koziak	Sorenson
Batiuk	Fluker	Lee	Speaker, R.
Buck	French	Leitch	Strom
Buckwell	Getty	Lougheed	Stromberg
Chambers	Ghitter	Mandeville	Taylor
Chichak	Gruenwald	McCrae	Topolnisky
Clark	Hansen	McCrimmon	Trynchy
Cookson	Harle	Miller, J.	Warrack
Cooper	Henderson	Miniely	Wyse
Copithorne	Hinman	Moore	Young
Crawford	Hohol	Notley	Yurko
Diachuk	Horner	Paproski	Zander

Against the motion:

Barton	Drain	Miller, D.	Wilson
Benoit			

Totals: Ayes - 64 Noes - 5

[Bill No. 94 was read a second time.]

MR. HYNDMAN:

Mr. Speaker, I move you do now leave the Chair and the Assembly resolve itself into Committee of the Whole to consider certain bills on the Order Paper.

[The motion was carried.]

[Mr. Speaker left the Chair.]

* * * * *

[Mr. Diachuk in the Chair.]

COMMITTEE OF THE WHOLE

MR. CHAIRMAN:

The Committee of the Whole Assembly will now come to order.

Bill No. 53 The Arbitration Amendment Act, 1973

MR. CHAIRMAN:

Bill No. 53, The Arbitration Amendment Act, 1973. The amendments have been distributed.

MR. DICKIE:

Mr. Chairman, I'd like to move those amendments, which were the amendments that I submitted to the hon. members on the second reading, with one addition, and that was the suggestion by the Leader of the Opposition that we include Canadian citizens. Mr. Chairman, if the hon. members will observe the amendments, they will note that the words "Canadian citizen" has been added at the suggestion of the hon. Leader of the Opposition.

MR. STROM:

Mr. Chairman, could the hon. minister advise us again of the other amendments? I was trying to run through them quickly, just to recall them, and I can't find them just off-hand. I wonder if the minister could show us.

MR. DICKIE:

The amendments that were submitted, Mr. Chairman, dealt with the definition of commodity value that was in the original bill. Dealing with the arbitrations, we did have it originally that they would all be people residing in Alberta, particularly where there are three. The amendments related that where there are three, just the third shall be an Albertan, and we amended that further with the suggestion that all arbitrators be Canadian citizens. We did include subsection (4) which dealt with an arbitration, where they are commenced and how they are proceeded with.

MR. CLARK:

I wonder if the minister would outline the reasoning for the amendment on the amendment sheet, amendment C.

MR. HYNDMAN:

Mr. Chairman, I believe there are two amendment sheets for this bill around the House, and I wonder if we could confirm that we are not dealing with the December 3, 1973 amendment sheet which is the one I think was distributed on December 3 or 4, but rather with a subsequent one which includes the reference to Canadian citizens, to make it very clear.

MR. CLARK:

This is the sheet Government Amendments dated December 5.

MR. DICKIE:

Yes, Mr. Chairman, I'm looking at the amendments dated December 5. Actually the amendment the hon. member refers to is the same as on December 3. That deals with specifying in the award the date on which the redetermined price is to be effective.

Mr. Chairman, one of the concerns that has been expressed during the consultation on arbitrations has been as to a particular time when it goes in force and effect. In some of the contracts they provide that they go in force

and effect on the date the arbitration has been decided upon. The net effect would be that if one party rather delays the arbitration, then he could affect when the award is to take place.

So this is to make it clear that the award will take place at a particular time and when the date will be effective. We will leave it to the arbitrators to decide that date.

MR. FRENCH:

Mr. Chairman, are we going to go through this bill clause by clause, section by section, or just ask questions at random?

MR. CHAIRMAN:

It's entirely the choice - I have left it open for any comments. If so, I can then continue section by section.

Section 1

MR. DIXON:

I wonder if I might ask a question on this point. It refers to a question I asked the other day. "Gas purchase contract" in 16.1(1) (c) would touch on this, I believe. Where you see here "as defined in The Gas Utilities Act" - that would only cover, then, do I take it, an Alberta company that is in the utility business?

The reason I ask the question is because we have the Worsley gas that is now going into a government transmission line, which is a government-controlled transmission line and which is actually owned by Westcoast Transmission. I was wondering, would this cover that situation?

Maybe the minister could bring us up to date. Is anything recent happening as to what control we're going to have with gas that's being sold to another provincial board which also has control of prices?

MR. DICKIE:

Yes, Mr. Chairman, the initial information I have would be that any contract dealing with our natural gas leaving the province requires a permit. If that contract is assigned or dealt with in any way, as they've suggested in B.C., that it could be ripped up or destroyed, then that permit would not be in force and effect. So any contract involving Alberta natural gas would have to have approval by our Energy Resources Conservation Board before it could be assigned.

I think I can deal specifically with the question from Worsley. If that contract did involve Westcoast Transmission, it would be subject to the terms in Alberta of any arbitration that took place involving Alberta gas in Alberta.

MR. DIXON:

A further question then, regarding Westcoast and its activities. They estimate 100 million cubic foot shortage in B.C. Were negotiations carried on with the Province of Alberta and some of the producers for that surplus gas to fill the line that they anticipate they would be short of?

I wonder if the minister could bring us up to date. Is it now at the stage where it is up to the National Energy Board as to whether that gas will leave the province to fill in the void?

MR. DICKIE:

No, Mr. Chairman. That's an excellent question, because as I recall the dates, I think it was around September 22 when we noticed a headline stating that there could be a possible natural gas shortage in British Columbia.

Immediately we noticed that, I had consultation with my colleague, the Minister of Telephones and Utilities. We asked the Alberta Gas Trunk Line if they would prepare a preliminary report for us to see if there was any way we could assist British Columbia in their potential gas shortage.

I also checked with the vice-president of Westcoast Transmission to confirm that there was a possible shortage in British Columbia as a result of the problems they were having up north, and he confirmed the information that there could be a natural gas shortage in British Columbia. Subsequently we received a

report from Alberta Gas Trunk Line indicating that they could be of assistance by building a 40-mile line from - I can't recall the exact location in Alberta - to British Columbia, and that would overcome their difficulties.

We then advised the Province of British Columbia that we were prepared to assist them in every way we could to overcome their critical shortage. We subsequently had discussions with them, and I think the hon. members will recall that the Premier then said that Westcoast Transmission, through Kelly Gibson, the president, had filed a statement saying they had overcome their problems and it wasn't necessary.

Even after that letter we received information to indicate that there still could be a shortage, and we left the door open so that they could come and negotiate with us at any time and we would provide the gas. But the question that was important there was that we were prepared to build this 40-mile line in a period of about a month or so to help them with their shortage this winter.

MR. DIXON:

I wonder, Mr. Minister, then, if you can enlarge on the fact that - what do they mean by this Alberta exchange of gas through El Paso Gas Company, which they say, before the Alberta gas can move into the line to look after the shortage, has to have the approval of the U.S. regulatory approval? Now where is this exchange of gas they are talking about?

MR. DICKIE:

That would be, I think, involved in the position in British Columbia. I really wouldn't want to comment on that if you are referring to the situation where Westcoast sells to El Paso, and the contract between El Paso and Westcoast.

MR. DIXON:

Well, maybe I could help the minister, because I think this must be a deal between the two gas lines, one is Canada and somebody must be having an exchange. I'll just read it.

Currently Westcoast is delivering about 100 million cubic feet of gas a day less than its contract of 800 million cubic feet daily to El Paso Natural Gas to serve the U.S. Pacific North-West, but this will soon be made up through an exchange of Alberta gas to El Paso which still awaits U.S. regulatory approval.

What is the deal there as far as Alberta gas is concerned?

MR. DICKIE:

Mr. Chairman, that doesn't involve the situation we discussed, the emergency situation, where we provide to build this additional 40-mile line and provide additional gas. I think they were referring to an arrangement they had worked out that with Alberta and Southern. We didn't, as a government, receive details of that exchange of gas so I'm not familiar with that point.

MR. FRENCH:

Mr. Chairman, does the minister anticipate any administrative problems with respect to Clause (a)? Just briefly, this is my problem. It says, "... the maximum price obtainable for gas in a specific regional market having regard to the mix of end uses of the prices of competitive energy sources ..."

Now as I read this, it looks to me as if we are going to have a number of different prices depending on the market, depending on the use, depending on the location. As I understand it, the gas is not going to come under the marketing board, or whatever you call it under Bill No. 95 - is that the number? I'm wondering, what administrative problems would you anticipate under this section, bearing in mind that it looks to me like you are going to have a number of different prices of gas in different parts of Canada - at least this is how I read it - depending on the end use.

Now, once you sell the gas to a distributor - I don't care what distributor, I'm not concerned - say you sell it to a particular gas company, say in Ontario if you like, and some of this gas is going to be used for commercial use, some of it's going to be used for domestic use and so on and so forth. How are you going to determine the commodity value of gas when you get the end use in so many different fields and in so many parts of Canada?

My concern is, what is the fair value? What we're talking about is the fair value of gas. This seems to be the intent of the whole legislation to get a fair value of gas and I agree with this. But talking about it from an administration viewpoint, how are you going to control all the headaches that are going to erupt after we go through this?

MR. DICKIE:

Mr. Chairman, that's a good question. But first I draw to the hon. member's attention that the definition of "commodity value" he was reading from was the original bill, and the amendment just varies that somewhat. But when he really talks about what "commodity value" really is, it's fair value. I think, in essence, that is a correct statement.

I don't anticipate the administrative problems that the hon. member raises. I think the hon. member must appreciate that the producers enter contracts with various pipeline companies and other companies - might I cite for example, X company enters a contract with TransCanada PipeLines. In that contract there is an arbitration clause that would deal with the question of how they would determine prices at certain fixed periods of time. We have said as a government and as a matter of government policy that this question should be redetermined every two years. Then, say, three arbitrators would sit down and actually determine what the fair price was at that period of time. Three arbitrators would determine that.

What we are suggesting here in this legislation is a guideline for the arbitrators to look to in determining what that value is.

Some of the people who have sat on those arbitrations prior to this time haven't had a guideline to look to. We have suggested that the guideline be "commodity value" and that they look to the end use of where that gas is going to be consumed. For instance, in this particular case, we're talking about TransCanada PipeLines, that gas would probably reach the Toronto market and they would be looking at the competing fuels in the Toronto market. Number 6 oil, Number 2 fuel oil might be the competing fuels. They would analyze what that is in that particular market and compare that with the average price of natural gas to see if that's a basis for determining what is a fair value.

MR. FRENCH:

Mr. Chairman, in listening to the minister, I take it then you're going to have a number of different end prices in different parts of Canada. As far as the thermal value of gas is concerned, I would agree because that is a relative figure. Looking at it from a coal viewpoint, we all know that thermal value is a good way of determining the value of the heat.

But I still come back to my original observation that when you get into this whole field are you not going to have an end product in different places, even [keeping] in mind the thermal value of the gas as the value of the gas as delivered, I presume. But you're going to have a number of prices all over, whether it be in Winnipeg or Toronto or Halifax or Timbuctoo.

MR. DICKIE:

Yes, Mr. Chairman, there's no question that you could have a different price at the end if the gas is consumed, say, in Winnipeg as compared with Toronto and you have different competing fuel values there. When you take the "commodity value" then reflect that back to the field gate, there would be a different price and there could be a different price, say, out of the same general area as a result of the gas. That would happen.

But I think the hon. member would appreciate that this is all covered by long-term contracts and what we are really suggesting here is not a government getting involved, but to give some guidelines to the arbitrators to determine what that value is.

MR. FRENCH:

Is it not correct, Mr. Chairman, to observe that you're going to have to monitor all these prices, no matter where it is, with this whole type of legislation?

MR. DICKIE:

No, Mr. Chairman, that's not anticipated. The parties to the contract would be the ones that would be satisfied that the arbitrators are carrying out the

arbitration in accordance with the principles of this act. If it so happened that one of the parties to the contract felt that the arbitration was not in accordance with the act, then they could take it to court. But the government would not, in any way, be directly involved in these arbitrations.

MR. NOTLEY:

Mr. Chairman, I just wanted to follow up on the minister's answer to Mr. French. I assume that because this is arbitration and we have, let us say for the sake of example, three arbitrators and the decision goes two to one, that the arbitration board then hands down the word. My question is: to what extent is this a guideline of "commodity value" that we're dealing with or to what extent are the arbitrators supposed to very stringently apply the rules in this legislation?

MR. DICKIE:

Mr. Chairman, I think it's intended that this question of "commodity value" be the guideline the arbitrators would follow. I would say, in looking at the past and some of the arbitrations that have taken place, where there's a three-man board and the majority of two to one - or situations like that - some of them have said, well, the actual value of that gas might be what the value would be right at the field gate, what it would buy and sell for. The other person might take "commodity value".

So what we're suggesting here is that the arbitrators take "commodity value", rather than what the going market price might be, of a particular cubic foot of gas at the field gate.

MR. NOTLEY:

Mr. Chairman, what the act does then, and I think I probably agree with it if I understand it properly, is to very definitely limit the scope of the arbitrators.

Rather than making a decision on a series of subjective questions, we are inserting a very objective position here that can be nailed down, it seems to me, in a pretty clear-cut definitive, facts-and-figures way. So that, to a large extent, we are limiting the latitude of boards of arbitration pretty substantially, are we not, if they follow to the letter of this act the provisions of "commodity value"?

MR. DICKIE:

Mr. Chairman, when the member says that we're limiting the latitude of the arbitrators, that's exactly correct. In the past they haven't had any guidelines. Some contracts did contain provisions giving them guidelines, but most of them didn't. What we're doing is suggesting a definite guideline here so that they just couldn't decide whether the gas should be three or four cents per cubic foot as compared with eight or ten cents.

This is exactly what happened in B.C. in the past: arbitrations in one field at three cents and [in] almost an identical field and with no relatively justifiable difference they'd end up at eight cents. So we are really taking out that latitude in saying, go to "commodity value".

MR. NOTLEY:

Just a final question, Mr. Chairman. For the sake of argument, let us say that even with this legislation, we do have awards which vary somewhat in the same market area. Would the government then encourage - I assume in this case - the producing oil company which feels aggrieved because somebody else got two or three cents more than they did? Would we be encouraging them to undertake court action to upset the arbitration award, using Bill No. 53 as a basis for the court action?

MR. DICKIE:

Mr. Chairman, I'd say that really is a hypothetical question, and I'd probably be reluctant to answer it at this time. But I don't actually see the government encouraging companies to take court action to determine arbitrations. You would think that the arbitrations would be carried out in the proper way and that if one party felt aggrieved they would take their own action rather than have the government institute the action.

MR. STROM:

Mr. Chairman, I'm thinking in terms of some of the towns which have had contracts for a very much preferred price, and I refer to my own village which has had one for a long, long time, something like 35 cents a thousand to the ultimate consumer.

When this contract comes up for renegotiation, are you then looking at a situation where they will be directly tied to "commodity value" at the point in time of negotiation?

MR. DICKIE:

Yes, Mr. Chairman, I'd say that would be correct. When the price redetermination takes place, they would look to the "commodity value" at that time.

MR. STROM:

Mr. Chairman, is it fair then, Mr. Minister, to assume that the logical sequence of events will be that eventually every area, regardless of where it is in the province - no I wouldn't say that because that, too, is a factor that would enter into it - but all things being equal they would wind up with the same price, because in the southern part of the province I'm aware of some very wide gaps in the price that is presently being paid.

Secondly, I would like to raise another question here. Let's suppose that the supplier or the producer has determined he isn't getting enough, even though the contract will run for say, another four or five years. Can he then ask that it be renegotiated before the end of the contract?

MR. DICKIE:

Mr. Chairman, I think the hon. member raises an excellent point. I have to mention too, that our natural gas policies the Premier enunciated last November 15 really dealt with gas going outside the province. We talked only at that time about having all contracts with two-year price redeterminations in them. We didn't say what would happen if they didn't, but I'm pleased to say that the initial report we have is that most of the companies now have had contracts with price redeterminations. Some companies have gone as far as to have 100 per cent of their contracts with price redeterminations every two years.

Whether their gas is all used within the province or going outside the province, I think you'd get a different position; you could get a different commodity value of the gas being used inside the province as compared with gas going outside the province because this takes into consideration the area in which the gas is being used.

MR. STROM:

Mr. Chairman, I am not sure that I have the correct information and I want to be very sure on this.

Are you saying then that the contracts within the province, affecting only supply within the province, are not really going to be affected by this act within the scope of their contract? Or are you saying it's a possibility that a supplier - and we can take the City of Edmonton being supplied by Northwest Utilities - would find that even though they have long-term contracts that, as a result of this act, they could be facing increased costs very, very quickly?

Now I think that it's pretty important to have this very clear, because my understanding is that the cities, about three or four years ago, became extremely concerned as to supply. It was also my understanding at that point in time, that the Oil and Gas Conservation Board and the Minister of Mines and Minerals advised them, in their own interest that they ought to ensure that they had the kind of contracts that would assure them of supply.

We are now looking at a second factor that is maybe more important than supply - and that is the matter of costs. Maybe I'll leave it at that for the time being because there's another question or two that I'd like to raise.

MR. DICKIE:

Well, Mr. Chairman, I think we must first recognize that we are talking about contracts that have price redetermination clauses in them, because this

applies. I can't say that I have examined the contracts that the hon. member has referred to, whether they have those price redetermination clauses in them.

If they have the price redetermination clauses in them, then this section, "commodity value," would apply. You will note that the commodity value means the price of the natural gas in the consuming markets that are being served. So you'd have to look to the consuming markets for the natural gas to determine the commodity value in that area. That may be Edmonton, it may be Winnipeg, it may be Toronto, and that would reflect back on the field value after you determine the commodity value.

MR. STROM:

Mr. Chairman, the second part of the question that I wanted to raise is in regard to power generating plants.

I note that there has been some concern expressed by the hon. Premier that we are permitting plants to operate with natural gas which could well be better served by coal. Will there be any move on the part of the government to have these kinds of contracts renegotiated at an earlier date in order to ensure the best use of the gas?

MR. DICKIE:

Mr. Chairman, there isn't a policy decision made on that at the present time.

As I mentioned, the November 15 policy statement dealt with natural gas leaving the province. We haven't specifically dealt with any questions or guidelines for contracts within the Province of Alberta. So that decision hasn't been reached.

MR. STROM:

What would be the factor as it relates to Ontario for example, where they are using natural gas for power plants?

There again if we're looking at a matter of export, would they be subject to the two-year renegotiation automatically under the policy of the government?

MR. DICKIE:

Well, again, Mr. Chairman. Those contracts, some of them have been renegotiated. The TransCanada have. A great deal of the natural gas they receive is from TransCanada. We'd have to examine in detail the contracts TransCanada has with the Alberta producers.

My recollection is that now TransCanada has price redetermination clauses in over 30 per cent of them. But a number of those contracts TransCanada has still do not have that price redetermination clause in them. Without specifically checking, I wouldn't be in a position to say which contracts involving natural gas are used in the generation of electricity in Ontario. But this is one of the concerns we have continually expressed, that Ontario, through their hydro plants, is using our Alberta natural gas at an underprice, and this is a misuse of natural gas.

MR. CHAIRMAN:

Mr. Dixon and then Mr. Buckwell.

MR. DIXON:

Mr. Chairman, there are a couple of questions I'd like for clarification.

Am I correct in assuming that this Arbitration Amendment Act is really setting up a gas pricing commission? In other words, is it working similar to the Federal Power Commission in the United States where they determine where the gas is going, but mainly the price?

The situation they are running into down there is one the hon. Premier touched on today and I think it's a very important question. We're talking about commodity price and everything else, but if we are going to do anything for the small oil company which is doing discovery work in Alberta, and a lot of them are looking for gas rather than oil, I'm wondering if we're going to have any input in the difference between the commodity price and a fair price that will give them the opportunity for further development,

where we could even break it down, where a portion of the price is related to the purchase price as used by utilities or for export, and an amount that we're going to leave in there to see that these people are encouraged to look for further gas.

MR. DICKIE:

Well, Mr. Chairman, in answer, I think that we should be absolutely clear. The government is not setting price by this proposed amendment. This deals with the contract between two individuals which contains an arbitration clause. We're suggesting here that where that arbitration clause exists, they follow the principle of commodity value.

But the government is not setting price as the hon. member suggested the Federal Power Commission perhaps is setting prices of various products. The government has not moved into that area in Alberta.

MR. DIXON:

For further clarification, you say that they haven't moved in the area but let's say the two people can't get together and go to arbitration. What appeal is there beyond arbitration? Is it covered under the old portion? Out of appeal is what I was ...

MR. DICKIE:

No, I think what you're dealing with is the contractual rights between the purchaser and the seller of the natural gas and that would go according to their contracts. As I recall, very few of the contracts contain any field provisions. They deal with the arbitration and that's it, to determine what the price should be on the renegotiation.

MR. DIXON:

Well then, my last question, Mr. Chairman, to the minister. I take it from reading this bill, it is basically to take care of the TransCanada problem we have today regarding prices.

Further to what the hon. member, Mr. Strom has said, where does it fit in? It says in Section 2 for example, "whether coming into existence before or after the commencement of this Section".

Can we go back retroactively if it's agreed to by the two parties? Or can we go back to it even if one party asks for arbitration?

MR. DICKIE:

Mr. Chairman, the answer to the first question, that it only applies to TransCanada, is not correct. It applies to the other companies that are buying and selling gas. Alberta and Southern have a number of price redeterminations clauses in their contracts, Canadian Montana - I am not just sure whether Westcoast have in all of their contracts or just what their position is - but anyone that has a contract involving natural gas in the province with an arbitration provision, this section would apply to that clause.

I think you were referring to the effective date of it being December 2. We are suggesting that if there have been discussions prior to that time, as long as the hearing hadn't taken place and the award made, this would take effect as of December 2.

MR. DIXON:

Maybe then, just to clarify what you said, Mr. Minister, through the Chair, am I still correct in assuming, that the vast majority of these things will be TransCanada, because apparently the gas going outside the boundaries of Canada, not to eastern Canada - they have come to an agreement pretty well on price now, haven't they, in most cases? There might be the odd one, but the bulk of the arbitration will be on Canadian gas won't it, going out of our province to eastern Canada?

MR. DICKIE:

No, Mr. Chairman, I mentioned that the contracts of companies involved in taking gas outside of the province are Alberta and Southern, Westcoast Transmission, Canadian Montana and TransCanada Pipelines. That is what we have suggested, that all of the companies have their price redetermination clauses

inserted every two years, and we are asking the Energy Resources Conservation Board to continue to monitor this situation and give us a report.

The hon. member will recall we received a report from them in July and I can confirm that there have been actions on price redetermination clauses since that time in various companies.

MR. DIXON:

My final question is: will the bulk of the people be waiting until our own energy board makes a report? That will start the ball rolling again for further arbitrations, according to what you are saying.

MR. DICKIE:

No, Mr. Chairman, so we are absolutely clear. As a result of the government's suggestion of two-year price redetermination, a number of companies have acted and that was dealt with in the July report of the Energy Resources Conservation Board.

I think you can take Alberta and Southern - they didn't have two-year price redetermination clauses in their contracts. They do now have price redetermination clauses every two years in their contracts. TransCanada have in some of their contracts and I say, it is over 30 per cent, but not all of them. What we are trying to encourage the companies to do is to make sure that they do have price redeterminations every two years in their contracts.

MR. LOUGHEED:

If I could just add one point for the hon. member. If we could be in the position in Alberta that all of the contracts for the purchase of natural gas in this province had in them a provision for two-year renegotiation, we would then hopefully be in a position where they would adjust those prices upwards in terms of the prices of commodity value and competitive fuels.

This would avoid the Government of Alberta getting into a price-fixing position unless it was driven into it for other reasons, and hence would permit the free forces of the market to occur as between buyer and seller. If there was a disagreement, then that disagreement would go to arbitration and the arbitration would be subject to this Act. It was our feeling that even though you could get to some extent a two-year time-lag, you would never lag behind more than the two-year period at the very maximum in terms of any price differential below fair value.

That basically is the purpose of the Act, and the Act's effectiveness of course, won't be fully utilized until we are in a position, which I think is what the hon. member is getting at, when all of the contracts involved are on a two-year renegotiation.

MR. DIXON:

That is correct, Mr. Premier. But just getting back to TransCanada, isn't the difficulty that they are facing in the fact that they haven't gone as far as the other major transmission companies? And is it true that they are having difficulty in finding enough gas for their system under the present prices?

MR. LOUGHEED:

No, Mr. Chairman, that is not the situation. They are in the position now of seeking more gas for future use in their system and in particular, industrial use in Ontario.

We are saying, under The Gas Resources Preservation Act, that we are not prepared to do that until they meet our natural gas policies which involve two criteria. One is that they come within our pricing parameters and secondly, that they have two-year renegotiations in their contracts.

Now they have gone a certain step. They have taken the 30 per cent of their contracts that had renegotiation provisions. They have brought them within the parameters and they added to it, on their own volition, two-year renegotiation provisions.

What is in the air at the moment is the 70 per cent of TransCanada contracts that neither have proper renegotiation provisions, in our view, nor have a proper price. And our position is, if TransCanada, of their own volition, come to the companies involved and renegotiate their contracts the way Alberta and

Southern have done, bring the price levels up and have two-year renegotiation, that we will be in the position we want to be.

But even if we did that, we need an act like The Arbitration Amendment Act, because we are then relying on the renegotiation to make sure that the price doesn't fall back again to where it has been in the past. And that, I think the minister would agree, is the purpose of what we are trying to do.

MR. HENDERSON:

Mr. Chairman, I would like to add one comment to what has been said on this question. I think it should be very clear that Canadian gas needs are not in any way, shape or form, being interfered with by this legislation.

As far as the propaganda that TransCanada PipeLine is putting out to try to create the impression to the contrary, they have gone out and made commitments for gas that exceed the purchase contracts they have already arranged for in Alberta. Such an exercise would constitute nothing other than mismanagement on their part, and there is no way, shape or form that this Legislature could accept any transaction of that type where they are selling in excess of their reserve purchases, that this Legislature could accept any proposition that is binding. As I say, that would simply illustrate mismanagement on their part and a political exercise to outmanoeuvre the efforts of this Legislature.

MR. BUCKWELL:

Mr. Chairman, I just wanted to ask either the minister or the Premier, do you know of any electrical energy exported from Ontario at the moment that is produced from Alberta natural gas?

MR. LOUGHEED:

Mr. Chairman, I only smile because obviously I am preparing for a conference in January, and I think it would be very useful to have the answer to that particular question in a specific way. What is hard to determine is the degree, which I think the hon. minister was answering the hon. Member for Cypress, of utilization of Alberta gas for Ontario Hydro and then making an evaluation of that in relation to the portion they either are exporting by way of electrical power to the United States, or planning to export.

I suppose it is going to be one of those accounting arguments, but certainly an argument can be made that we are in the position in Alberta where cheap gas is leaving this province, being used by Ontario Hydro to produce electricity, and then being exported with no export tax across the border to New York State. I think it will be an interesting part of the debate come January in Ottawa.

MR. FRENCH:

Mr. Chairman, I presume this two-year clause will apply to the domestic gas that is supplied to the towns and villages in the province.

My question is: what effect will this have on the franchise between the utility companies and the towns, because I think we appreciate that some of the towns, when they negotiate with the utility companies, ask them for the price and so on and so forth. These are the factors which determine which utility company will be given the franchise. Now that we are going into a two-year clause, will the franchise be on a two-year basis too, or what will the position be?

MR. DICKIE:

Mr. Chairman, again I would like to emphasize that when the Premier announced our policy statement on natural gas in November of 1972, that that was just dealing with natural gas leaving the Province of Alberta. It did not include gas within the Province of Alberta.

I think I answered the hon. Member for Cypress the same way, that the policy decision on contracts involving use within Alberta hasn't been made. There may be contracts that have two-year price redetermination clauses but we, as a government, haven't made policy statements on that.

MR. HENDERSON:

Mr. Chairman, just to pursue that point further and referring to Section 16.1(c), I am a little concerned about the definition of "gas purchase contract". It says it "means a contract for the sale and purchase of gas

produced in Alberta but does not include a contract for the sale of gas by the owner of a gas utility ... to a purchaser for consumption by that purchaser." Now as I read that, I read it and would interpret it that the act does apply to gas that is purchased from a producer by a gas utility for consumption within the province.

I really wonder how that is going to work when the whole exercise of utilities is subject to the Board of Public Utilities' regulation control relative to rate of return. Very clearly the purchase price of gas, on the part of the public utility, is just as significant in the economics of the public utility as the sale of it to its customers. And the way I interpret this - if I am wrong in the interpretation, maybe the minister could explain where I am wrong - because the way I read it the purchase contracts, where utility companies are buying gas from producers to sell within the province, are subject to these contracts. I really wonder whether that's desirable, whether that whole area of private utility operations in the province shouldn't be left strictly to the Board of Public Utilities, the way it is now.

MR. DICKIE:

Mr. Chairman, I think that is a good point. I would like to check it in relation to our natural gas policy statement. It is not intended to be covered, but I would like to check that for the hon. member.

MR. LOUGHEED:

Mr. Chairman, just from a policy point of view, what we are looking at here is whether or not The Arbitration Act - you know, we've got to look at this question of the degree of the constitutionality of our dealing with contracts that are only involved in removal from the province in terms of the act. The situation we are looking at is that we feel that is going to be adequately covered by the culmination of the Public Utilities Board's review of the rate of return, as the hon. member raises, in terms of the gas cost to the gas utilities and to the other operations within Alberta.

To the extent that prices are going up, we have discussed a two-price plan, which is essentially a rebate plan. In the first half of 1974 we intend to bring into this Legislature the necessary legislation so that the user of gas in Alberta is protected from the impact of the pressures for higher prices. Whether or not the actual Arbitration Act involves them, certainly seems to us something that will take its due and proper course but should not be lost on a constitutional basis.

[Mr. Deputy Chairman in the Chair]

MR. HENDERSON:

I appreciate what the Premier said. What is concerning me, though, is the way I read the act. It says, and that certain conditions are in effect in these gas purchase contracts then this applies. I don't read that there is any discretionary authority in the matter so far as going to arbitration.

If one of the parties selling the gas to the utility company or the utility company buying the gas wants to get into an argument about it, then the act applies. That's the way I interpret it.

So that's why I raise it, because I think in law there would be a conflict with the Board of Public Utilities. Notwithstanding the policy position that has been enunciated by the Premier, I think it very clearly makes it plain that it isn't intended. But by the way Clause C is drafted, I suggest that notwithstanding the policy a gas utility company would be quite within its legal right to insist that this be applied if it wanted to.

MR. DICKIE:

Mr. Chairman, you are reading that exception in there, and I am suggesting that we could check how far the exception goes. But you are reading the exception in there, am I right?

MR. HENDERSON:

The exception says it does not include a contract for sale of gas by a gas utility, but it doesn't say anything about the purchase of gas by the gas utility. That is the point I am bringing up.

MR. DICKIE:

That's the point I said I would like to check on for the hon. member.

MR. HENDERSON:

In fact the exception is in there, I conclude very definitely the purchase of gas by the utility would be covered by The Arbitration Act.

MR. STROM:

... [Inaudible] ... I had it here in my hand to make the cross reference because I noted the points that have been raised by the hon. Member for Wetaskiwin-Leduc. It seems to me that this isn't covered or made very clear, because in your original answer to me I understood that the price of gas within the province would also be subject to the act in getting renegotiation of price, just the same as any gas going out. I think it is pretty important to look at it.

[Mr. Chairman in the Chair]

MR. DICKIE:

Mr. Chairman, I think we are clear on it that we are really trying to check how far that exception goes in there, and we'll check that and advise the hon. members.

MR. NOTLEY:

Mr. Chairman, could we hold the matter over then until tonight, because I think it is very important. As I understand the Premier's remarks, the act would apply to the producer selling to the transmission company - not the transmission company - to the utility company. But then the question of whether the utility company would be able to pass that on to the consumer would be up to the Public Utilities Board.

This clearly raises the question of whether or not we are going to have substantially higher prices to Alberta consumers. That raises the question, on what basis, on what market area are we going to base our rebate? Are we going to base it over a particular franchise area, or what?

What will be the differences between a small town serviced by Northwestern Utilities or Canadian Western Natural Gas on the one hand, or communities like Lac La Biche, for example, which has its own publicly-owned gas distribution utility? And I believe, as a town it has a contract with a producer, a natural gas company producing natural gas.

I think there are a number of these things from a consumer point of view which are sufficiently important that perhaps we could hold it over until after the dinner hour.

MR. LOUGHEED:

Mr. Chairman, I have no objection to that because the point of the definition of the exception is certainly something that can be looked into. But it shouldn't be misconstrued in any way.

We will be presenting to this Legislature a plan in the first half of 1974 that will involve what we announced in November, 1972, a plan by way of rebate so that the consumers in this province are not placed in a position where they are suffering, or bearing the burden of the increased cost of natural gas they themselves own. That is our policy objective and we are not prepared to go beyond that in terms of explaining the details of that, that do not form part of The Arbitration Act.

But the other point, the point the members for Wetaskiwin-Leduc and Cypress have raised regarding the definition of why the exclusion is in there, is certainly something we should take a look at.

MR. STROM:

Mr. Chairman, there is one other point I wish the Premier would give some attention to. When you talk in terms of the rebate, I realize that possibly this might be outside of the bill to some extent. But you mentioned it and I would like to refer to it.

How are you going to rebate on an equitable basis when you have towns - for example, I can mention that in the south one is paying something in the order of 35 cents per 1,000, and almost adjacent to it you have another one paying in the area of 75 cents to \$1.25. This creates some real problems when we think in terms of what they are entitled to by way of rebate.

I am not sure, as I said, Mr. Chairman, that it falls within the gamut of this legislation, but certainly it does create a problem that we are faced with when we are thinking in terms of equity to the consumer.

MR. LOUGHEED:

Mr. Chairman, there is no question that the hon. member's point is accurate. Those are exactly the sort of matters we are struggling with now in terms of resolving relative to equity in the gas rebate plan.

MR. DIXON:

Mr. Chairman, I wonder if I could get clarification from the minister or from the Premier regarding 16(1)(a), the "commodity value of gas".

In other words, do I understand it, when the Arbitration Board holds its hearings one of the decisions it will base its final decision on is the fact of the end use of the gas - in other words, they could put a prohibition on gas going out of Alberta to be used to generate power in some other area. I am just using that as an example.

So how would you determine that? What control would you have after it left the province? You could say, well, it's only 16 cents, but they could sell it for whatever price they wanted after it left the province. I was just wondering how you are going to control the use of gas once it leaves the boundaries of Canada? Are we going to get back to the same argument as we are in now with the federal government regarding oil?

MR. DICKIE:

Mr. Chairman, that's a real interesting point because I think the hon. member has to appreciate The Gas Resources Preservation Act. We are controlling that on the question of the supply of gas, not through the price of gas. I think that is what the hon. member is getting at, whether we have a mechanism for controlling the price of natural gas. The province doesn't have that mechanism at the present time.

MR. LOUGHEED:

I think, Mr. Chairman, in addition to that the hon. member must appreciate that, like it as we might, to control the end use of natural gas, is a very difficult position for a province to be in. I know the former government struggled with the very same question relative to the use of natural gas by Ontario Hydro. That is the difficulty we face constitutionally. And it shows up the absence of sound national energy policies.

But a province, in terms of interprovincial trade, is under some difficulties in trying to control the end use of the natural resources leaving this province.

MR. TAYLOR:

Mr. Chairman, would it not be possible to calculate the approximate use of natural gas - the end use - as far as home use is concerned, and export that amount, and then leave the job of saying that commercial and industrial use of this gas will not be made to the government of the particular province?

MR. LOUGHEED:

Mr. Chairman, I would just have to respond to that, by saying that in the wee hours of the morning thoughts like that are going through my mind and I'm sure the minds of others.

MR. STROM:

Mr. Chairman, in the matter of pricing and the problem that TransCanada was facing, did TransCanada propose or agree to phase-in the increased prices on a three phase basis, and what was the result of the proposal that was made by them?

MR. LOUGHEED:

I wonder if the hon. member could repeat that question?

MR. STROM:

Yes, Mr. Chairman, I'd be glad to.

I'm of the opinion that TransCanada was prepared to phase-in increased prices on gas on a three phase basis. At least that was my understanding. I'm wondering what the government's reaction was to that proposal, and whether or not it was turned down or whether there were modifications suggested by the government.

MR. LOUGHEED:

That's a very important point, Mr. Chairman. I think we have to keep in mind that it is the government's policy not to get in the position, at least at this point, of the actual establishing of the price of natural gas leaving the province.

We have set up parameters which were in our statement of November, 1972 regarding 26 to 36 cents and renegotiation every second year. TransCanada Pipelines know what those parameters are.

We do not propose to be in the position where we are undertaking negotiations per se with TransCanada Pipelines. We will have discussions with them, yes, but not negotiations. They know where our parameters lie and we have said it pretty clearly publicly. When they meet them we will respond, as we said we would, under the provisions of The Gas Resources Preservation Act.

But I don't think I'm prepared to go further in this Legislature as to the detailed nature of the discussions, but to assure hon. members that they have been discussions and not negotiations. In our view, if they become negotiations, then the Government of Alberta is right into the price-setting position relative to natural gas.

MR. STROM:

Mr. Chairman, recognizing the point that the hon. Premier has made, is the government prepared to give them a deadline as to when a certain requirement or price level has to be met? I think in part it would satisfy the point that I'm trying to make. The method that is used by a company to my way of thinking would not really matter, provided they were prepared to meet the requirement of the government. I'm wondering what the time factor involved in such a commitment is.

MR. LOUGHEED:

Mr. Chairman, it's a reasonable question. But we have not felt that we wanted to set a particular deadline date. They are the ones who are seeking the removal of further gas from the province. They know what their needs are or should know what their needs are.

Like the hon. Member for Drumheller, I have some concern with regard to the planned use for the additional gas. So we are not prepared to set any deadline. But certainly if they want to come and discuss the matter with us, we'll have such discussions.

We would equally, as I mentioned earlier, welcome discussions directly with the gas utilities who are, in fact, the users of the natural gas.

MR. STROM:

Mr. Chairman, I would just like to raise another question because it comes to my mind now. It may not be directly related here, but indirectly it is.

Are there at this time any discussions with the provinces that are importing Alberta gas, or with the federal government, or jointly with the two groups on the end use of the product?

MR. LOUGHEED:

Well, Mr. Chairman, there are such discussions. But I think that all one could describe them as being at this stage is discussions. I would hope that a matter that would be raised at the national conference of first ministers on

energy is the proper end use of our energy supply in this nation. We, for one, will be considering some positive proposals along those lines.

MR. STROM:

Are any pressures being placed on the producing companies at this point in time as it relates to end use?

MR. LOUGHEED:

Well I think, Mr. Chairman, that the pressures are more in terms of the nature of the remarks I made in this Legislature a week ago - the discussions we have had with the various governments and utilities with regard to it. I would say that that probably at this point is the limit to which we have gone because of the constitutional difficulty that we have been responding to relative to the questions raised by the hon. Member for Calgary Millican.

Certainly it would be desirable if Alberta were in the constitutional and legal position to control the end use. Because I think it would be both in our interest and in the interest of the citizens of Canada if we had a better policy where we were using natural gas both within our province and within the nation in the right ways.

MR. DIXON:

Mr. Premier, carrying on a little further. In Alberta we are talking about the two-price system, or the rebate and the fair value price. In Ontario, Mr. Darcy McKeough, who he knows so well, is not going to be satisfied until you or Alberta agree to the three-price system for gas, which, in other words, is the local Alberta use, Canadian use and export use outside of Canada.

Has there been any change in position by the provincial government that you wouldn't oppose such a plan? Or would you favour a plan? Just where do we stand as a province?

MR. LOUGHEED:

I believe I was asked that question before in the Legislature. I'd rather not call it a three-price system. What I would suggest is needed, of course, is a fair pricing mechanism within Canada for natural gas. Alberta can then add a rebate plan to it at its policy option, as can other provincial governments if they wish to do so.

We feel that the weak link in the chain at the moment on natural gas arises out of the federal government not utilizing regulation 11(a) under The National Energy Board Act and not getting the opportunity price in the United States. Certainly I think it is the Alberta government's desire that we get that opportunity price and sales outside of Canada.

So I don't really believe it should be described in terms of a three-price system. It should be described in terms of an Alberta government policy, which we hope the Legislature will endorse, that we get the opportunity price for the export outside of Canada of natural gas, that we get reasonable and fair value in Canada, and that within Alberta we provide a rebate to our citizens.

MR. DRAIN:

I have one remark to make, and that's simply that the law of the marketplace is going to determine the price of gas and the end use of gas. Gas is a premium fuel with such a potential that looking down the road seven or eight years, the thought of burning it in a power plant is going to be economically impossible. That's just what it is going to amount to.

AN HON. MEMBER:

Agreed.

MR. LOUGHEED:

Mr. Chairman, that is exactly why we are here and that is exactly what we are talking about. That is why we, as Albertans, are trying to do something about it. Because if we don't, if we allow natural gas prices to remain away too low and be sold on a bargain basement basis across Canada, as they are today, they are going to be used for the wrong purpose.

As I mentioned to the Member for Clover Bar earlier today, we have to be concerned about the reserves. We have to be concerned about the end requirements for the natural gas industry here in this province.

MR. CLARK:

Mr. Chairman, I would like to ask the minister a question dealing with the appointment of arbitrators. The point has been raised with me that there is some concern over some sort of guidelines as far as the appointment of arbitrators as individuals - with regard to their involvement or familiarity with the broad general field, and also their involvement with companies involved.

Where in the legislation do we find some guidelines that cover that? Are there some guidelines or regulations or, in fact, just how are you handling this particular area, because it seems to impinge upon the results rather dramatically?

MR. DICKIE:

Mr. Chairman, it's usually covered in the contracts involving natural gas. In most instances there are three arbitrators. Each side appoint one and then the two agree on a third arbitrator. That is the common practice followed in these arbitrations for natural gas contracts.

MR. CLARK:

As far as the department is concerned, you're quite satisfied with this particular approach?

MR. DICKIE:

Yes, Mr. Chairman. I think I can reflect back on arbitrations that have taken place over the last two or three years. Occasionally some concern is expressed as to where they can get a type of arbitrator who has a knowledge of the natural gas situation and would do an adequate job, but we think there are people in Alberta who can do that. With the way we have it worded now, only the chairman needs to be a resident. They have the rest of Canada to select from.

I can recall one arbitration that is in process now. They are looking at someone in Winnipeg who would do a good job for them. So we have left that to the parties to the contract, and I think that is the only proper way. I think it would be improper for the Legislature to insist on how you arrive at those arbitrators.

MR. CLARK:

I would like to ask one more question. Dealing with the amendment in Section D (4), I asked the other night, when you were concluding second reading, if you had given consideration to the Bill of Rights as it applies to the stipulation there, a person "ordinarily resident in Alberta." Have you done this?

MR. DICKIE:

Mr. Chairman, I thought the hon. Attorney General commented on that and said that it didn't have any effect, but I could be wrong. But I'll check that point with him anyway for the hon. member.

[Section 2 was agreed to.]

[Section 3 was agreed to.]

Title and Preamble

SOME HON. MEMBERS:

Hold it.

MR. STROM:

Mr. Chairman, I thought it was our understanding that we would hold it until the information ... [Inaudible] ...

December 10, 1973

ALBERTA HANSARD

79-4311

MR. HYNDMAN:

Mr. Chairman, I move the Committee adjourn until 8:00 o'clock tonight.

[The motion was carried.]

[Mr. Chairman left the Chair at 5:30 o'clock.]