

LEGISLATIVE ASSEMBLY OF ALBERTA

Monday Evening, December 10, 1973

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

Bill No. 53 The Arbitration Amendment Act, 1973 (Cont.)

MR. CHAIRMAN:

The committee of the Whole Assembly will come to order.

Mr. Minister.

MR. DICKIE:

Mr. Chairman, at the conclusion of today's sitting we were going to check, for clarification, a point on the definition of gas purchase contract in Section 16.1(1) (c), which states:

"gas purchase contract" 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 (as defined in The Gas Utilities Act) to the purchaser for consumption by that purchaser.

I think the clarification was, Mr. Chairman, how far the exemption provision carried forth. It just carries forth to the question of a gas utility to a purchaser. In other words, it covers all contracts in the Province of Alberta. So, for absolute certainty, if there is an arbitration clause in a natural gas contract in Alberta, it would apply to that contract.

I think how this arose was, at the time we had our natural gas policy statement, we talked about contracts outside the province of Alberta. But that presented a drafting problem, so when we talked about a two-year price redetermination, we applied that to the gas contracts outside the province, but haven't made a policy decision on the price redeterminations within the province. However, if there is an arbitration it does apply to contracts in the province. So, to be absolutely clear, if producing company X has a contract with a gas utility company and there is an arbitration clause, this act would apply.

MR. NOTLEY:

Mr. Chairman, I wonder if the minister could give us an idea of whether or not he has had an opportunity to get the information as to how many of the contracts between producing companies and utility companies do have a provision for arbitration. I realize that you answered it before and didn't have the information, but I wondered over the supper hour if you had had a chance to get that information so we would have some idea of what this, in fact, means.

MR. DICKIE:

No, Mr. Chairman, I can't say, definitely, for all the contracts, but I do know that a great number of them do have - that is, between the producing companies and the utility companies - arbitration provisions in the contract. The net result would be that if the price does increase as the result of the arbitration clause, that will have to be taken care of through the natural gas rebate plan.

MR. HENDERSON:

Mr. Chairman, I would like to ask one further question. Since the act will apply to the purchase of gas by utility companies, or might apply if there is

such a clause in the contract, does not the Public Utilities Board now have some jurisdiction in that area?

MR. DICKIE:

Mr. Chairman, it is my understanding that they have jurisdiction in the area between the utility company and the purchaser, but not between the producer and the utility company.

MR. HINMAN:

... whether you are ready for title and preamble, are you? I just want ...
Oh. Fine, Mr. Minister.

MR. DICKIE:

Mr. Chairman, I believe that the hon. Opposition House Leader had a question on The Alberta Bill of Rights. The Attorney General is here now. He could perhaps answer.

MR. CLARK:

Mr. Chairman, the question is, how does Section 4 of the bill, that part dealing with people who are ordinary Albertans being designated on the arbitration committees or arbitration boards, how does that square with the Bill of Rights?

MR. LEITCH:

Mr. Chairman, I wouldn't think there would be any question, but that particular provision, which is one of residency, would not be in breach of the Bill of Rights because I am sure there is no provision in the Bill of Rights relating to residency.

An argument might be mounted with respect to the provision in the amendment dealing with Canadian citizenship. But, as was discussed on another bill before the House some time ago, I think the better opinion is that a citizenship requirement is also not a breach of the provision in the Bill of Rights. The provision in the Bill of Rights deals with national origin or similar words, and I think the better opinion is that that does not include citizenship.

MR. HINMAN:

Mr. Chairman, what I have to say has to do with the whole concept of arbitration, and perhaps this is as good a time as any to say it.

MR. CHAIRMAN:

Mr. Hinman, I think Mr. Strom still has a question, and you will get ...

MR. STROM:

I'm sorry, Mr. Chairman, I should have asked but I was sitting giving some thought to it. Is it possible, through you, Mr. Chairman, to the minister, that there could be a producing company that is actually a utility company or the distributor of gas as well?

MR. DICKIE:

To my understanding that situation does exist.

MR. STROM:

Does that come under the Board of Public Utilities?

MR. DICKIE:

Mr. Chairman, I would suggest they do, but in referring to this definition the question of gas utility as defined by The Gas Utilities Act, did come to mind and I think we could ask for clarification on that point from the Minister of Telephones and Utilities. He could perhaps pass on an observation as to the exact jurisdiction the Public Utilities Board has in this situation.

MR. FARRAN:

Well, Mr. Chairman, under The Gas Utilities Act, utility is defined as a well, a plant or a pipeline, any plant producing gas. Under, I think it is Section 2 of the Act, the Public Utilities Board has the right to set the field price of gas if it is asked to do so by an interested party, by a municipality or by a utility.

MR. STROM:

Mr. Chairman, there is a point that bothers me. I am not sure that I am correct, but it is my understanding that the responsibility of the Board of Public Utilities is to ensure that there is a fair rate of return. I am wondering how that can square with the situation where a producing company is also a distributor, because with the commodity value or the fair value there is certainly going to be a windfall profit for the company at that point when the price gets up to a level which I anticipate the government wants it to go to.

MR. FARRAN:

All the Act says is a just and reasonable price, which can be set as a field price by the Public Utilities Board.

MR. STROM:

Mr. Chairman, I would remind the hon. Minister of Mines and Minerals that in his previous answer to me this afternoon it was my understanding that all gas, after it had gone through negotiations, would be at the same level. Yet the answer that I am getting from the Minister of Telephones and Utilities is that there would be some relationship to a fair price that might be something other than that.

MR. DICKIE:

Mr. Chairman, in answer to that, I think we were talking about the definition of the gas purchase contract where gas utility is used. Since that time, in checking with the Minister of Telephones and Utilities for clarification on that point, that is the point he is trying to clarify now in answer to your other question.

MR. STROM:

I don't intend to proceed any more except to say this, I think this is one area that the government will certainly have to take a look at because somehow or other, the way I see it now, I cannot see it squaring with the Board of Public Utilities requirement and also coming up to the level of price that the government is anticipating the gas should be. I simply want to say that I'm sure it's one area that should be looked at very closely.

MR. LOUGHEED:

Mr. Chairman, just so there is no misunderstanding. The essential nature of the provisions in the amendment are to deal with gas removed from the province, and that's the basic objective. We have to be aware of the constitutional limitations, if any, that may exist in terms of that, and so obviously it could come within the amendments to The Arbitration Act when a producer enters into a transaction with a gas utility company within Alberta.

If I follow the point the hon. Member for Cypress is making, it will be important for the Public Utilities Board, through The Gas Utilities Act, to assure that irregardless, if one wants to use that word, of any results that might occur arising out of The Arbitration Act, a just and reasonable price applies.

MR. NOTLEY:

May I proceed just a little bit further then. As I take it, suppose a producing oil company applies under the amendments to The Arbitration Act and an agreement is made to increase the field price, then on the other hand the municipality applies to the Public Utilities Board and says, look, we think that price is way out of line; does that mean, if I followed the hon. minister's answer, that the Public Utilities Board would have a right to set the field price, and in effect nullify the decision of the arbitration board?

MR. FARRAN:

I think that would be so, Mr. Chairman. I now have a copy of the act and the way it reads in Section 6 (1) is this:

Notwithstanding the terms of any contract, the Board upon the application of an interested party or municipality or upon its own motion may, and upon an order of the Lieutenant Governor in Council shall, with respect to gas to be used, consumed, stored or retained within Alberta fix and determine any or all of the following:

- (f) the just and reasonable price or prices to be paid for all commodities and services ...

and there is a long list of the variations of that theme.

MR. CLARK:

Just following the discussion along, and bringing it down to a very real situation, one that I am quite familiar with. In my own constituency, the town of Sundre gets gas from, I believe, it's the Alberta and Southern Gas Company. They have their own utility system. They have gone to the Board of Public Utility Commissioners and they have been told they have no jurisdiction. They are in the process now of trying to arrive at a price for the future.

I assume from what the minister has said this afternoon and this evening that they will be able to go through this mechanism which primarily was established to deal with gas outside the province. In this particular situation they will be able to use this mechanism through the legislation, the amendment here, to deal with their particular problem, because they are outside the scope of the Public Utilities Board as it now stands.

MR. FARRAN:

Mr. Chairman, I don't think they are outside it. This clause has not been used except for regulated utilities. But I really believe the Public Utilities Board has the right to set the field price of gas whether it is for a regulated utility or not.

MR. CLARK:

Mr. Chairman, just following the minister's comments along. Will the minister undertake to check that because in talking to the official of the Public Utilities Board I personally have been told that the Public Utilities Board does not have the legislative competence to be involved in the area. If I understand the Premier's comments and the minister's comments properly, that is the situation, because it is a matter of the town which operates its own utility purchasing directly from the pipeline company. Will you check that?

MR. FARRAN:

I'll check it. So far as I know they are looking into the costs of gas for both Sundre and Coleman, which are the two areas in dispute.

MR. LOUGHEED:

To conclude the particular matter, I really think rather than the statutory point of view the hon. Leader of the Opposition is raising, and the Member for Cypress, it really has been the position that the Public Utilities Board has taken up to this point - in terms of the question of Section 6(1) under The Gas Utilities Act relative to whether or not they have, in fact, dealt with the fair and reasonable price up to this point in time and the non-regulated utilities. I think the point we have been discussing within the energy committee of cabinet is, because of changing events, it is now going to be necessary for the Public Utilities Board to do that. That is the discussion which is going on with them at the present time. That is the Public Utilities Board is going to have to get fully involved in the provisions of Section 6 (1) of The Gas Utilities Act with regard to all the utilities, whether they are the regulated or non-regulated ones.

But I think the answer to the question that has been troubling the Member for Cypress is answered by the phrase the Minister of Utilities mentioned: "Notwithstanding the terms of any contract ...". In essence then, notwithstanding the provisions of the amendments we are dealing with today, the Public Utilities Board, under The Gas Utilities Act, has the authority to assure that only a just and reasonable price is paid.

MR. CHAIRMAN:

No further questions? Can we go on to title and preamble so Mr. Hinman can speak now?

Title and Preamble

MR. HINMAN:

The longer I sat, the less important it seemed, Mr. Chairman.

The point I want to make is that in this very rapidly-changing economic world, governments have been pretty prone to think they are responsible to see that the ordinary fellow is not caught in a change of pricing which makes somebody else rich at his expense.

Consequently, we have gone to these arbitration types of things. I am quite aware that the word arbiter means to make a decision, but, in practise, the whole concept of arbitration was that if two people could not agree, they would agree to accept the decision of three people, usually one chosen by each, and a neutral person. The agreement was made beforehand that they would accept it. After a while they backed out of their acceptance and arbitration broke down until governments got the idea that we would make arbitration binding. In order to do that I submit that you are giving arbitration boards judicial functions. They are not always prepared for that function. This act is a good example of what we are doing in that regard.

I would propose that some day in the future we review the whole arbitration procedure and all the acts which use it. We should determine then whether or not we ought to have special judicial functions, a judge, or several judges, if you like, appointed to handle that particular sphere. They would have support staffs to do the necessary research in these fields. I am talking about labour as much as the pricing of things and the rights to licences and exports. These people, having the background, would be much better prepared to give the case the kind of hearing it ought to have. Then those who still can't come to an agreement among themselves would realize that, having submitted it to the court, it was now out of their hands. All they could do would be to make the best case they could. They would know that the court, with its backup staff, would be able to analyze the reasoning and the evidence which they presented, and in the end a decision would be made which they would have to accept.

I submit, Mr. Chairman, that if we take that step, we will simplify a great many procedures. It will be a pressure on a lot of people to come to reasonable agreements without this. What I am going to say now is, we have the Unconscionable Transactions Act which sets the tone. In general, the way the world has developed, the big entrepreneurs realize that any government which can maintain a climate in which they can operate with some assurance of profit, with some assurance of decision-making, must also be a climate in which they establish, with the people, that they too are interested in reason, citizenship and in doing what is best.

The alternative as they know very well, is socialism - the taking over of their enterprise. So I submit, Mr. Chairman, that if in the future, this Legislature or some other one, can make a complete study of the arbitration system as we have it and substitute for it a court system, as I have indicated, not only will you have fewer disputes and arguments, but they will be settled in a way which we have grown to accept as the proper way, that is the decision of the court.

Thank you, Mr. Chairman.

MR. DICKIE:

Mr. Chairman, I move that Bill No. 53 be reported as amended.

[The motion was carried.]

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

[All sections, the title and preamble were agreed to.]

MR. LEITCH:

Mr. Chairman, I move that Bill No. 96 be reported.

[The motion was carried.]

Bill No. 93
The Freehold Mineral Taxation Act

MR. CHAIRMAN:

Any questions?

MR. STROM:

Mr. Chairman, I am not sure I have the amendments. I miss seeing them. When did they come out? Oh, I'm sorry. Yes, I have.

MR. CHAIRMAN:

You have them. Fine.

MR. DICKIE:

Mr. Chairman, I move the amendments. They were routine amendments submitted by the department which would assist it in carrying out the administration of the act.

MR. BUCKWELL:

Mr. Chairman, under The Mineral Taxation Act of, I believe it was, 1972, there were quite a number of leases that weren't charged during 1973. Under this act, is this superceding The Mineral Taxation Act?

MR. DICKIE:

Mr. Chairman, I think the question deals first, under the previous Mineral Taxation Act, that is, before the 1972 one, with a tax on producing acreage and a five cent tax on non-producing acreage.

Under the Mineral Taxation Act of 1972, the five cents an acre tax was dropped and an exemption was also placed on the acreage generally if it was under an assessed value of \$5,000. It is the government's intention to carry on that exemption under this Freehold Mineral Taxation Act.

I might also confirm too, because I am sure some of the hon. members may get some questions on it, there will be no tax on the non-producing property of five cents an acre.

MR. CLARK:

Mr. Chairman, I would like to ask the minister if he can give us some breakdown as to the relationship between that amount of freehold producing land between Hudson's Bay and the CPR, and then what we'd consider, if we might use the term, small freeholders.

MR. DICKIE:

I am wondering if the hon. member could, perhaps, clarify that. Does he mean the assessed values to each respective party? I do have those figures. How would you suggest that they be handled? Would you like a list of them now, later or ...

MR. CLARK:

For the sake of the discussion now, could you give us some general ballpark figures, Mr. Minister, and then we can advance the discussion from there?

MR. DICKIE:

Yes, Mr. Chairman, I could.

I have the list of the hundred largest contributors under the 1972 Act. That started with: PanCanadian, Canadian Superior, Hudson's Bay, Chevron Standard, Western Minerals, Imperial Oil Limited, Texaco Exploration ... Did the hon. member wish to go further than that?

MR. NOTLEY:

Mr. Chairman, could I ask the minister ...

MR. CHAIRMAN:

I was just wondering, Mr. Notley - Mr. Clark?

MR. CLARK:

That's all right for now.

MR. NOTLEY:

Well, Mr. Chairman, are these the freehold owners or just the oil companies producing on freehold? It seems to me the question Mr. Clark is asking is - I may stand corrected - what percentage of the freehold is owned by large companies like CPR, for example, and what percentage is owned by individual Albertans?

MR. DICKIE:

That question is just a little different but I have an answer for that one too. I could perhaps get that for you.

We have some information that may touch directly on your point but I am not sure it covers it specifically. The total acreage in the Province of Alberta is broken down as follows:

(a) Dominion Parks (retained by Canada):	13,424,240
(b) Indian Reserves (as above):	1,328,090
(c) Railways:	13,031,731
(d) Hudson's Bay Company	2,404,000
(e) Homesteaders, prospectors, etc.:	564,269
(f) Alberta (Transfer Act):	132,620,070
comprising a grand total of:	163,382,400

of which approximately 10 per cent is freehold.

The department has no information as to the amount of freehold mineral acreage that has been leased, but as the majority of this acreage would likely lie in the inhabited portion of the province one could speculate that 75 per cent of it is leased at any one given time.

MR. NOTLEY:

I am wondering, Mr. Chairman, if I could just get the figure again. Did I take the minister to say "railway" and then "Hudson's Bay"? If he did, he is probably in the ballpark of answering Mr. Clark's question because those would be the two major ...

MR. DICKIE:

The railways have 13 million and the Hudson's Bay Company, 2 million.

MR. STROM:

Was that 564,000?

MR. DICKIE:

Yes, 564,000, that is for the prospectors. That is correct.

MR. CLARK:

Mr. Chairman, following along the same kind of question we asked in second reading of the bill with regard to amendments to The Mines and Minerals Amendment Act, is the minister in any position to give us some kind of indication as to what level of tax you have in mind in this particular area? As a result of this legislation, do you plan at this time to carry on with the existing tax on producing land? Can you give us that kind of commitment?

MR. DICKIE:

Mr. Chairman, under The Freehold Mineral Taxation Act, the freehold producing property would be assessed the same way as it was last year and then a mill rate would be struck. No policy decision has been taken to determine the actual amount of revenue that would be collected by the government. I think the hon. Opposition House Leader was perhaps referring to last year when we had The Mineral Taxation Act and were trying to equate that to royalty. But the

decision as to what we do with The Freehold Mineral Taxation Act, that hasn't been resolved yet.

I think what we would anticipate doing is to take a look at the assessment and try to analyze it as much as we can to determine who is really paying that Mineral Taxation Act, because in some of the leases the particular owner may only pay one-eighth of it and the other would be passed on. We tried to determine that to see if there was some area where we could perhaps grant an exemption for some of the smaller companies or some of the smaller holders involved. I am not sure we can break that down but we are going to endeavour to take a look at it.

MR. LOUGHEED:

What I could just add to that point so the hon. members might have some understanding of the policy factors in our minds.

I think it is quite clear from the questions which have come out that on a straight ownership basis of freehold you are dealing with two main entities, the Canadian Pacific Railway and their subsidiary PanCanadian; the other is, of course, the Hudson's Bay Company.

The difficulty that we are getting into, in terms of trying to reach a conclusion in this matter - what the minister is getting at - is first of all, we are not looking at it in the same way as we did a year ago at all, because I said a year ago we were trying our best to equate essentially a reserve tax situation to a royalty situation. But we are trying to make an assessment of what would be an equitable and fair method of taxation that would catch, first of all, in a reasonable way, the large freehold interest holders such as the CPR and Hudson's Bay. Then we have been looking at a possibility of exemption for the small interest holders.

The difficulty with that though, and where the complexity comes, is that with some of the small interest holders, they are involved in different arrangements than others. If we have an exemption provision that is too broad, to attempt to take away the burden from the individual farmer who perhaps entered into some agreement 15 years ago, the situation essentially is that if he gets one-eighth and is passing on seven-eighths of the actual tax that we levy, then we are going to be given what I think one could describe as unjust enrichment to whatever that producing company might be with regard to the seven-eighths.

So although our original thought was to try to be fairly broad in terms of the exemption, as we get into it we find that it is not going to work as well as we would like. We are going to find ourselves, I think, coming up with a taxation system to assure that as the passing-on provision is essentially there in most but not all of the arrangements between the freehold lessor and the lessee, we are going to find ourselves in a position where the exemption provision is going to be one which will limit us. For that reason we may be driven to some sort of graduated scale.

I do think that one thing that has happened here is that because we dealt last year with the mineral reserve tax, there perhaps was a misunderstanding by members of the Legislature that we were going to attempt to work an equating between an eventual royalty system for the Crown acreage or the Crown production and the freehold production. It is not our intention to do that. We are attempting to look at the freehold production separately and try to establish the equities that are involved and assure that they pay a fair amount. But if any members have any suggestions as to how we can assure the exemption to the individual farmer and not pass it on to the lessee, I'd welcome the suggestion.

AN HON. MEMBER:

I'm sure you would.

MR. BENOIT:

It has to do with some technicalities that arise on page 3 and I think that ...

MR. CHAIRMAN:

Would you then want me to go section by section?

MR. BENOIT:

Well, are you going to go section by section?

MR. CHAIRMAN:

Not necessarily, if there is only one question arising.

MR. BENOIT:

No, there are two or three questions on the same area, right here on page 3. I'd like the legal minds to explain it to me.

On the bottom of page 3, Section 6 says, "Every mineral right is liable to assessment and taxation in accordance with this Act." But Section 5 just preceding it, (b) says that the Lieutenant Governor may make regulations exempting any class of mineral right of taxation, and subsection (d) authorizes the minister, not the Lieutenant Governor, but the minister, to exempt from payment of tax under this act any specified mineral right in a tract.

Mr. Chairman, it appears to me that the regulations can be diametrically opposed to what the act says, that every mineral right is liable to assessment and taxation. Then there are two sections permitting regulations to be made to exempt any class from taxation; one by the Lieutenant Governor, the other by the minister. Then further in subsection (e) it says, he may prescribe to circumstances under which any specified class of mineral right is exempt. So there is a third area of exemption which is contrary to Section 6, in my opinion.

Well, probably we'd better deal with that first and then we'll deal with the other section.

MR. DICKIE:

Yes, Mr. Chairman, I think this goes back to the procedure followed as set forth in The Mineral Taxation Act in 1972. That basically was that we taxed every mineral. Then, as we decided to give the Lieutenant Governor in Council the right to exempt certain minerals, and the hon. members will recall that particularly say, in taxation of salt and things of that nature, we could exempt those minerals if we so desired. If it was going to cost more to collect the tax than the salt, then we could exempt it, but we wanted to cover every mineral and not being specific at that time - not knowing what other further minerals might become productive minerals which could be taxed - we left that to the Lieutenant Governor in Council so he could include whichever ones he felt were desirable at the time, depending on the production.

At the same time there were certain things respecting crude oil - different units - that required the minister to have certain discretion to exempt the tax situations which might arise by virtue of the unit agreements. Those provisions were put in.

I can tell the hon. member that we haven't exercised, and it doesn't appear that we will be exercising those. We weren't just sure at the time whether those kinds of exemptions would arise and we wanted to make sure that we wouldn't create undue hardship for certain individuals in case it did arise.

MR. BENOIT:

The point that I'm making, Mr. Chairman, if I may, is that it doesn't seem consistent that regulations should be able to override the general principle of the bill, that is to tax all minerals. We've been dealing with this matter of regulations in the regulations committee. It seems that, for instance, an act of this kind which says that you will tax every mineral, or at least every mineral is liable to assessment and taxation, then put in regulations that provide for the exemption of any or all of them if that were so, gives the Lieutenant Governor in Council or the minister powers to go just opposite to what the bill states. This means that there is, in fact, no bill in existence if you want to make it that way.

MR. DICKIE:

Well, Mr. Chairman, I think that's right, that could happen, but we are going to assure the hon. member that that in fact doesn't happen, but by carrying out the fact that we have to have that flexibility depending on which minerals we feel are in a position to be taxable. Then we can exercise that during the year as we see the production from the particular minerals, and, as I

used the example, salt. It may or may not be desirable, and we would have the right to do that.

I think other than giving the hon. member that assurance, we could leave it at that.

MR. BENOIT:

Similar to that then, if we go back a little farther, still on page 3, to Section 4(9), just above Section 5, where it says that

... the Appeal Board has the same powers as, and ... shall use the same procedure, ... as the Alberta Assessment Appeal Board ...

subject to regulations.

Then the regulation (g) says that,

... the Appeal Board and for that purpose making inapplicable or varying any procedure of the Alberta Assessment Appeal Board ...

In one section it says that the same rules which apply to the Alberta Assessment Appeal Board would be used, and then it says that regulations can vary any of them, so you have the same principle involved again. It seems that in a situation of this sort the regulations are the things that are all-important, not the act, in fact.

I only draw it to the attention of the Legislature to indicate that we have, in fact, any number of regulations of this kind that nullify an act in some respect, or could nullify the entire act if they were fully applied. The result is that our acts and our legislation don't mean all that much if regulations are permitted to that extent and with that amount of power.

I just want to mention it as something in passing. It doesn't seem consistent.

MR. DICKIE:

Mr. Chairman, the comment of the hon. member has been noted.

MR. HENDERSON:

Mr. Chairman, I would like to try a question that the minister might be able to answer, because I don't think he can do that and tackle the other.

It might be of some value to the committee, Mr. Chairman, if the minister could possibly give some indication of what mineral rights are now exempted from the existing legislation. I think the same basic concept of it all applying and then granting exemptions is contained in the present legislation. Are there any minerals that were exempted under the previous legislation? Presumably they would be exempted under the new legislation.

MR. DICKIE:

Yes, Mr. Chairman. I think the answer to that would be that we followed the \$5,000 assessment. I don't have the figures or the numbers which were involved in that exemption, but that would be carried forward into this act. I am not sure whether the hon. member wanted addition to the \$5,000. I would be unable to give him that answer right now.

MR. HENDERSON:

Were not some specific types of minerals other than the \$5,000 mineral exempted from the tax? There were some that were just plain exempted?

MR. DICKIE:

Are you referring to actual minerals that were exempt? Mr. Chairman, the regulations, as they applied last year, did cover coal, natural gas, and salt, and the rest were exempt.

MR. LUDWIG:

In reading this act, and finding the tremendous powers of regulation by the cabinet, I am quite convinced that we are actually abdicating one of our responsibilities as legislators in giving the government, in fact, the right to

tax, and to alter taxes and alter them discriminately, as it suits their purpose or as perhaps the lobby, a certain part of the oil business lobby, might convince or motivate the cabinet.

I think that this is a departure from what used to be done in the past. Instead of the Legislature voting on alteration of taxation, except in minor matters, we are now moving into where the cabinet is going to be able to tax, even to the extent of confiscation, if it suits its purpose. The Legislature will not have any control over it, because we will not be sitting when these regulations setting the rates of taxation are passed.

I think that it is also a very serious departure of a move in several bills, but particularly in this one, for centralization of power, taking the actual legislative power away from the MLAs. This is something which is happening to both sides. I think that the opposition can only stand here and object and voice its serious concern. Perhaps not stand up and support this bill on the very principle, not for its intent, but for the fact that it, in fact, takes away from the MLAs the decision as the people might tell them, as the constituents might want them to vote, stand and declare how the taxation should be implemented. Now the cabinet will have it.

I am saying that with increased centralization of power, increased power to tax, we are now sort of advancing into what has happened in the United States, where the executive is powerful and the lobby became important. In the matter of currying favour with ministers and the cabinet who are now launching that kind of situation, we can only warn the people that this kind of centralized power has a lot of perils to it. A lot of things can happen, and have happened every place else.

Now you might feel that perhaps the Premier and his government are incorruptible, but I am saying that if there is deception today, there will be corruption tomorrow. There is evidence of considerable deception in what was said two years ago, and what is being done and said today.

I am just stating that this is the kind of power, the taxing power, that ought not to be given by the Legislature to the cabinet. This is not such a large province. In the event that events changed rapidly the Legislature can be convened within very short notice, so that is not a complete necessity. It is not so urgent that the cabinet must have taxing power. Worst of all, they are saying that the taxing power can be regulated so that some companies, some part of the business, may have an easing of taxes and another one may have an increase of tax. I suppose these companies better not do anything that might annoy a minister, or the government, or they might be dealt with accordingly.

I am not saying that this is happening, but the possibility of this happening is here. We are giving them that power. I think we are going to regret before too long that the taxing power has been given to the cabinet, period.

Why not move into other areas, all areas of taxation? If the principle is sound, then let's abdicate our responsibilities. As chairman John said, they have to hang together, or they will hang separately. So there will not be a dissenting voice on that other side in support of the fact that we are now centralizing power and the most important part is the power to tax.

I would also like to direct a question to the minister. Is this legislation the reaction to what Ottawa did, or were these the plans of this government in any event, before Ottawa made its move? Was this the way this government was going to go, whether or not Ottawa had implemented its export tax, or had moved into the field? I would like to know what the government was going to do, if, say, Ottawa was entirely out of the picture.

MR. DICKIE:

The hon. Premier read today his statement of October 4. Perhaps he would like to comment on it again.

MR. LOUGHEED:

Mr. Chairman, I would simply be repeating the remarks that I made this afternoon under second reading of the bill for The Mines and Minerals Amendment Act.

MR. LUDWIG:

I can get them out of Hansard and if it doesn't cover my question, I'll raise it again.

MR. HENDERSON:

I wonder if the minister could answer one simple question. Are all ministerial orders that would originate under 5(d) published in The Alberta Gazette? Basically the question is: is public information gazetted?

MR. DICKIE:

Yes, Mr. Chairman.

MR. NOTLEY:

Mr. Chairman, to move on. I would like to come back briefly to the question of the tax itself and how it is going to be levied and so on.

I don't really have any great concern about exemptions for small freehold owners, but when it comes to Hudson's Bay Gas and Oil and CPR, it seems to me we should have a pretty good idea just how the government proposes to levy the tax and on what basis it is going to levy it. As I understand both the Premier's and the minister's answers to questions I believe posed by the hon. Member for Cypress, the yardstick is not going to be the equation with royalties. That being the case I would ask them to advise us what the yardstick will be so that we can have perhaps a little more definitive answer than we have received to date.

Another comment I would make, partly as a comment, partly as a question, is whether or not the government has considered the feasibility of contacting the small freehold owners to see if they would voluntarily agree to the marketing of oil produced from freehold through the Alberta Petroleum Marketing Commission. I understand that the marketing commission as it is structurally set up is just for Crown oil, and that is fair enough, but I'm wondering whether or not any consideration has been given to requesting freehold owners to voluntarily agree to the marketing of freehold oil through the Alberta Petroleum Marketing Commission. It would seem to me that this is one way that we might achieve some balance of economic rent, especially from the larger concerns such as the CPR and Hudson's Bay.

MR. LOUGHEED:

Mr. Chairman, I would like to respond.

With regard to the latter question, I really feel that that matter is better raised at the committee stage of The Petroleum Marketing Act. But with regard to the first question I trust I was making myself clear with regard to our attitude when we talked about the small freehold interest holder in terms of exemption

There is absolutely no intention in our minds to exempt either the medium or large freehold interest holder. In fact the reverse is clearly true, and that's why I refer to the concept of a possible way in which we might graduate the nature of the taxation. The reason we look at it differently from royalty is essentially, in our view, with royalty our objective, as owners to get a fair return to the government by way of the lessor interest. That, in our view, is the purpose of royalty, where the ownership lies with the government and it is merely a lease arrangement with the explorer and producer.

When we are dealing with taxation of a freehold interest owner I think that the guideline or the term of reference that we should have should not in our mind be in the area of comparison relative to royalty. I think we are closer to the question of property value and property valuation and in terms of fair market value and return on that fair market value.

So our objective when we go with this new approach which is completely different than we have had up to now is to attempt to establish a taxation system that is equitable in the sense that it reflects both the property valuation and the return, in the sense that we might charge a business tax or might charge a tax on property. Really I don't think it's fair or even logical to equate it with the royalty situation, which is an entirely different concept.

MR. NOTLEY:

I accept your arguments on that. I can appreciate that there is not an equation there. The question I asked is that bearing that in mind, well, I can accept the proposition that it should be a graduated scale but do you have any guideline at this stage as to what that graduated scale would be?

While I'm on my feet, also perhaps the minister could answer whether he has any idea at this stage what the bulk of the freehold lease arrangements are with respect to producing oil companies? How many of them are caught in 12.5 per cent, 87.5 per cent contracts? How many of them are in a position where they too can increase the royalty as the leases expire?

MR. DICKIE:

Well Mr. Chairman, in answer to the first question, I think that after the assessment has been completed and we do have figures on the assessment we could perhaps then really take a look at it and analyze the situation at that time when we have all the figures from the various producing properties.

In respect to the second question that the hon. member raised, we have no accurate record because this is information that the government has knowledge of, as to the lease contracts between the freehold owners and the individual companies. However, I think most of the ones that have come to my attention have the limitation of liability at 12.5 per cent and there have been representations made that some consideration be given if there is a way or means of increasing that royalty in some way.

MR. LOUGHEED:

Mr. Chairman, I am not sure whether I am on a different point, but I thought that it would not be reasonable to go through the committee stage of this bill without making an observation.

As the largest freehold interest holder is the Canadian Pacific Railway or its subsidiary, I do think that the Government of Alberta has a responsibility, in establishing its taxation rate, to take into consideration the historical nature of the reasons why those rights were there, and I think that we should in fact do that when we make our adjusted or staggered position.

MR. HENDERSON:

After about the fourth try. On consideration on this particular point, it seems to me that there may be some merit in considering a criterion for the magnitude of the tax. It might possibly better be equated to income tax or corporate tax because it seems to me basically when one departs from the royalty equivalent, which is what was in mind previously, that really what one is talking about is using this tax as an alternative to corporate tax or income tax. I think obviously this is in the best interests of the people of the Province of Alberta by virtue of the fact that it goes directly into the provincial treasury whereas the other way most of it goes into the federal treasury, and it seems to me that this might be a criterion that should be examined in determining the magnitude of the tax.

MR. TAYLOR:

Mr. Chairman, I was trying to - as a matter of fact I arranged with you to get on the list to speak about the point mentioned by the hon. Premier.

I'm not particularly worried about this bill because largely it concerns the Canadian Pacific Railway, and the Canadian Pacific Railway has shown it is well able to look after itself. As a matter of fact many people have said across the country that the Canadian Pacific Railway has been the Government of Canada on more than one occasion.

I am not suggesting that we should be unfair to the Canadian Pacific Railway but I think we should remember that the 1881 agreement called for the efficient, perpetual and efficient operation of a railway across Canada. Those were the words in the contract, perpetual and efficient, and for that the Canadian Pacific Railway was given \$25 million and 25 million acres of land, including the minerals.

Now the CPR in my view has reneged on its part of the bargain and I wouldn't worry too much if this tax was high enough to reclaim some of that land for the people until the Canadian Pacific Railway starts to live up to its part of that 1881 agreement.

I'm hoping that there will be authority in this particular bill to deal differently with corporations, large corporations such as the CPR, and a few individuals who happen to own the mineral rights. I think it is just as important under this section to deal with that in that way as it is on the income tax to deal with corporate tax and individual income tax.

So, Mr. Chairman, I'm not at all worried about the cabinet making the tax too high in connection with the corporations coming under this bill. It is high time it was done.

MR. CLARK:

Mr. Chairman, just a few words following along Mr. Taylor's comments.

In light of what the Premier said; it was something like recognizing the historic significance or historic contribution of the CPR, I would hope, Mr. Premier, that you weren't preparing the way for the government to give the CPR some sort of, shall I use the term preferential treatment, when it comes to this royalty kind of venture. Would you please elaborate on that because, frankly, when you sat down I had the sinking feeling that you were setting us up for something, with all due respect.

MR. LOUGHEED:

Mr. Chairman, either it is my speaking or it is the fact that somebody must be whispering, from the right-hand side, in the ear of the hon. Leader of the Opposition. In any event, I think I was directing my remarks along the vein that was responded to from your left-hand side.

MR. CLARK:

I am very pleased that on this occasion you were to my left.

MR. KING:

I think the point that is being made is that while the CPR or other corporations may have occasionally been the government of Canada, they never have been and are not now going to be the government of Alberta.

MR. CHAIRMAN:

I believe Mr. Dixon had one. Mr. Dixon?

MR. DIXON:

No, my question has been answered.

MR. BENOIT:

I just wanted to make one further observation, Mr. Chairman. When the hon. Member for Wetaskiwin-Leduc drew our attention to the fact that the regulations under Section 5(b) would be publicized in The Alberta Gazette, that doesn't go for the orders in council under 5(d) which are made by the minister. They are not publicized by The Gazette.

MR. HENDERSON:

It was 5(d) I asked for.

MR. BENOIT:

It was 5(d) you asked for. Well, no, not all orders in council and not all ministerial orders are published in The Gazette.

MR. CHAIRMAN:

Mr. Benoit, maybe the minister could answer that.

MR. DICKIE:

We will make sure there is no question on that, that that's covered by order in council.

MR. BENOIT:

Will that apply to Section 24 also, Mr. Minister?

MR. DICKIE:

Yes, Mr. Chairman.

MR. CHAIRMAN:

Any further questions?

[The title and the preamble were agreed to.]

MR. DICKIE:

Mr. Chairman, I move the bill be reported as amended.

MR. CHAIRMAN:

It has been moved by the hon. minister that Bill No. 93, The Freehold Mineral Taxation Act, be reported as amended. Is it agreed?

HON. MEMBERS:

Agreed.

MR. HYNDMAN:

Mr. Chairman, I move the committee rise and report progress and beg leave to sit again.

MR. CHAIRMAN:

Is it agreed?

HON. MEMBERS:

Agreed.

[Mr. Chairman left the Chair.]

* * * * *

[Mr. Speaker resumed the Chair.]

MR. DIACHUK:

Mr. Speaker, the Committee of the Whole Assembly has had under consideration the following bills: Bill No. 53, Bill No. 93, and Bill No. 96, and begs to report with some amendments, and begs leave to sit again.

MR. SPEAKER:

Having heard the report and the request for leave to sit again, do you all agree?

HON. MEMBERS:

Agreed.

MR. HYNDMAN:

Mr. Speaker, I move, seconded by the Provincial Treasurer, that the amendments be read a second time.

[The motion was carried.]

GOVERNMENT BILLS AND ORDERS
(Second Reading)

Bill No. 97 The Gas Utilities Amendment Act, 1973

MR. FARRAN:

Mr. Speaker, I move, seconded by the hon. Minister of Consumer Affairs, second reading of Bill No. 97, The Gas Utilities Amendment Act, 1973.

Before I begin, Mr. Speaker, I should mention that the hon. Minister of Consumer Affairs has had a considerable part in the preparation of this bill.

Mr. Speaker, these amendments are necessary if the Public Utilities Board is to be empowered to set a fair and just price for which propane and butane will be sold to various classes of Alberta customers at the factory gate. These wholesale prices have been escalating at an extremely rapid rate in the past few months due to an enhanced market value in the United States subsequent to the energy shortages in that country.

Mr. Speaker, it's with some reluctance that the government feels compelled to propose interference in the marketplace to fix prices for propane to Alberta consumers. Certainly, such a legislative move is a last resort. Most reasonable people who understand simple economics - and not all political parties do - will appreciate that distortions often arise from arbitrary interference with the laws of supply and demand. It's in the full knowledge of this danger that the government has chosen to recommend this step to the House. If implementation of the price setting can still be avoided by cooperation from producers, this would be the government's choice.

I would like to give an account of the steps which led up to the decision, Mr. Speaker.

Members will recall that the government launched in the spring its \$116 million program to deliver natural gas to the 80,000 rural households, to the 20 per cent of Albertans who don't enjoy the benefits of this clean and convenient fuel. It was pointed out that it seemed economical for a farmer to convert from propane to natural gas for an individual capital cost of \$1,700 if he were buying propane at 14 cents per gallon.

As might have been anticipated, the propane distribution industry expressed alarm at the possible loss of customers through attrition to natural gas systems over the next five years. As the natural gas program succeeded and their farm market retracted, their economies of scale would reduce. However, it was thought that there would likely be compensatory growth among small consumers such as summer cottages, small holdings and holiday trailers, as well as growth in those areas of the province that could not be economically reached with natural gas.

The government legislated for a one-time grant towards the cost of a propane tank for those who couldn't be reached with natural gas, and also provided for the employment of municipal utilities officers, with preference given to those with propane experience.

Although 14 cents per gallon was the average retail price for delivered propane at that time, many consumers paid less, and some, because of distance from a propane source, particularly in the north, paid more. Those who paid less were often the beneficiaries of a fire-sale price at plant for propane. This was because so much propane had to be produced as the necessary by-product of gas scrubbing plants and refineries, whether or not the producers actually intended to produce propane as a prime objective.

In 1972, of the 25 million barrels produced in Alberta, 15 per cent went for Alberta consumption, 25 per cent to the rest of Canada, 49 per cent to the United States, and 11 per cent was sold offshore. The price at factory gate was as low as 4.5 cents per gallon, and some propane co-ops were enjoying retail prices as low as 10 cents per gallon.

Earlier in the spring I and the hon. Minister of Consumer Affairs became aware of modest increases in the wholesale price. They were not alarming at that stage, and retail prices were still below the provincial average, generally speaking.

The first complainants were propane co-ops who had been faced with what they thought were alarming increases when they entered into forward contracts for the next year. They were not unduly alarming in terms of the provincial average, although they appeared to be, in percentages, above the very low wholesale level prevailing before.

However, in the summer I requested the Public Utilities Board to carry out an inquiry. In particular, the government wanted information concerning alleged gouging by distributors. After an extensive hearing, three public hearings, in fact, and several minor hearings, the Public Utilities Board concluded that the increases of prices at the retail level were wholly due to increases at producer level and were not unreasonable in terms of the retail markup.

They asked, however, for power to monitor prices. At least one producer had challenged the Public Utilities Board's right to enquire into propane prices when propane had not been declared a utility.

Then the energy picture rapidly changed subsequent to the Arab-Israeli war.

Opportunity prices for propane exported to the United States began to escalate at an alarming rate. Over a few months the wholesale price went up from 4.5 cents, to 8.5 cents, to 13 cents and to 17 cents a gallon. There were reports that some Canadian propane had sold for as much as 40 cents a gallon in the Pacific northwest.

With so few of the 400-odd propane distributors having taken the precaution of making even annual contracts with the producers, the vulnerability of the Alberta market was obvious. Such astronomical opportunity prices as were emerging in the energy-short United States could not be paid by the average Alberta farmer.

Our first concern was assurance of supply in a cold and early winter. If production gravitated to the most lucrative U.S. market, mostly by tanker car and truck, the supply to Albertans might be threatened, even though Alberta only consumes 15 per cent of its own production.

There were a few isolated instances of supply to an Alberta distributor being denied. These problems were quickly solved by telephone calls, by my department and by the Energy Resources Conservation Board, to the producer concerned. We then requested the Energy Resources Conservation Board to issue a letter to all propane producers reminding them of their obligation to supply Alberta customers first. This was followed by a phone call on November 23. That letter was the letter I tabled in the House last week.

Cooperation of producers was sought. They were reminded that the board has power under The Gas Resources Preservation Act to restrict removal of propane by pipeline, tank car or tank truck if supply to Alberta requirements is imperilled.

Then the National Energy Board ordered, effective December 7, that no propane could be exported from Alberta at less than 17 cents a gallon at producer level. When translated into retail prices, such a level would mean around \$80 a month for heating fuel as opposed to \$40 a month for an average farm using 300 gallons a month - twice the former retail price and almost four times the former wholesale price. This legislation was then prepared.

It is not the government's intention to regulate retail prices at this time. The difficulty in such a step would be enormous. There is adequate competition, in the opinion of the Public Utilities Board, in the retail field even though one distributor has more than 40 per cent of the business. All propane distributors are now conscious of the competition from natural gas in rural Alberta. Retail charges vary, of course, according to haulage and distance from the propane source. But the power to monitor at all levels is in the act. There is also power, if it should be required on an emergency basis, to extend the regulation from a wholesale to a retail level, although it is not proposed at the present time.

The act provides for the Lieutenant Governor in Council to order the Public Utilities Board to fix the price, without a hearing, at a reasonable time after the price is set and it is frozen thereafter. A hearing will be held to consider adjustments. Any lack of clarity in the act as to whether the Public Utilities Board has power to regulate propane and butane as a gas, at any level, is now rectified.

Mr. Speaker, the intention of the government is to make this act effective on proclamation rather than upon assent. If the Premier and Executive Council can persuade the producers to a voluntary rollback in wholesale price to Alberta residents and farmers, it may not be necessary to take the grave step of proclaiming the act. I hope that such voluntary cooperation can be achieved.

Mr. Speaker, there is a big difference between the price for domestic heating fuel and the price of fuels for other purposes such as gasoline. No fuels have escalated in price quite like propane. No one can be a purist over the ideology of a free market if the price of something as essential as heat gets beyond the ability to pay of large numbers of our people. Heat, in all its forms, is a utility - an essential for life in a cold climate. While there would be equal concern if the returns to a producer were so low as to destroy his incentive to supply, we cannot allow our people to suffer from the pursuit of an opportunity price, a premium price, that arises from a peculiar situation

in a foreign country with a different economy when it applies to something as essential as heat.

Mr. Speaker, the only clear precedent for this type of price setting, apart from the well-known regulated utilities in regard to gas and power, is for milk. Now, my submission is that in the context of being essential to life, heat is of greater importance than milk.

I therefore urge, Mr. Speaker, second reading of this bill.

I would like to quote, before I sit down, from four sample letters from Alberta consumers expressing concern about the gravity of the high price of propane. I have a letter here from a consumer in Blackie, Alberta ...

MR. SPEAKER:

Order please. There is some doubt as to whether arguments by people who are not members of the House are permitted in debate. If the hon. minister wishes to use these letters to introduce facts, that may be something different. But if they introduce argument then under the rules they are not permitted, unless the hon. minister wishes to get the unanimous leave of the House.

MR. FARRAN:

Mr. Speaker, I am quite certain that the writers wouldn't object to these letters being reproduced for the benefit of the House.

MR. TAYLOR:

On the point of order, as long as the name of the person is not revealed I would think it is information we would all welcome.

SOME HON. MEMBERS:

Agreed.

MR. R. SPEAKER:

Mr. Speaker, on a point of privilege too, I would like to say that certainly the information in those letters is going to be factual and honest when they come from the town of Blackie. I would suggest to the minister that it would be a very good situation if he did table it.

SOME HON. MEMBERS:

Agreed.

MR. FARRAN:

Without mentioning a name then, Mr. Speaker, this is written by a gentleman who is 60 years of age, now unemployed, who bought a cottage and spent over \$14,000 to fix it up and has the intention of retiring to it. For the past seven years he has commuted to work in Calgary - 100 miles daily. He points out these facts to me.

"In the spring of this year propane was 15.8 cents a gallon. Rental of tank under an agreement seven years ago, was \$48... ." He could have bought it outright, he says, for \$360. Rental of a tank has now gone up to \$60 and the propane price is now 19.5 cents.

I have another letter here from Provost, Alberta. This writer points out: "... the price of propane has increased 46.15% from our distributor ... in less than one year."

This letter is dated October 24, before the really rapid escalation in price took place. "In November of last year the price of propane was 13 cents per gallon, as of September this year it is 19 cents per gallon."

I have a letter here from Didsbury.

Dear Sir:

I am writing this letter in concern about the price of propane fuel which has risen at an alarming rate during the past six months: March 15, 12 cents a gallon; May 3, 13 cents a gallon; August 29, 14 cents a gallon; November 14, 17 cents a gallon; November 19, 21.9 cents a gallon.

My last example, Mr. Speaker, is from Whitecourt, Alberta, and this demonstrates the higher price that is paid by people in the North because of long haulage from propane sources.

Propane according to this writer, was 32 cents, on January 23, 1972. On May 23, 1973, just 16 months later, it had gone up to 40 cents. This is an increase of 25 per cent, a substantial increase anyone would have to admit. This letter was written on June 16, which is again before the really steep escalation in price took place.

MR. CLARK:

Mr. Speaker, in commenting on second reading of this bill ...

MR. SPEAKER:

The hon. Member for Wetaskiwin-Leduc seems to have the same intentions and by coincidence he happened to catch the Speaker's eye first.

MR. HENDERSON:

I assure the Leader of the Official Opposition that I will be brief, as usual.

I was certainly pleased to hear, Mr. Speaker, that there was a comment from a Conservative constituency in the House. I was beginning to think that the constituents of the opposition were being discriminated against in these prices.

I certainly have to support the principle in the bill, Mr. Speaker. I would be indeed surprised if any rural member has escaped a considerable number of criticisms and concerns expressed by constituents in regard to the significant and rapid increases in the price of propane.

I must confess, Mr. Speaker, I am not really carried away with the logic that the minister expounded as the reasons why the bill should not come into effect by assent, as opposed to proclamation, because I have to assume that the reason the bill is before the House is that efforts to get industry cooperation thus far have not been particularly successful. My concern is that this thing doesn't drag out while the government - I appreciate the desire to do it that way if they can - attempts to continue to attempt to resolve the problem through a public relations exercise, because there is quite a number of consumers who aren't going to be very happy with that proposition. As I say, the fact that the bill is before the House indicates that the efforts in that direction have not been very successful. I really think the government should reconsider or at least give the House some sort of commitment as to how long they are going to drag out this effort to get industry to go along voluntarily before they regulate it, because I think what the consumer is really concerned about is some rather expeditious action on the matter.

MR. CLARK:

Mr. Speaker, following along in the usual brief manner of my immediate predecessor, I would just like to make four points rather quickly.

First of all, certainly I agree with the principle, we agree with the principle involved in the legislation before us.

Secondly, I noted with considerable interest the comment made by the minister when the minister talked of a voluntary rollback. It seems to me that if we were looking at holding the prices, that would be one thing, but the minister in the course of his comments this evening has talked in terms of a voluntary rollback. I am sure the people in the rural portion of the province will look forward to that type of result.

I would just like to say, Mr. Speaker, on the question of the Public Utilities Board fixing the price and then holding a hearing after, I would be very interested in the comments of the minister as to why he feels that particular approach is most advantageous. It would seem that there are some real advantages in holding the hearing first. If it is a matter of time and expediency, all right, I could be more sympathetic to that argument. But then following along from there the minister has indicated that the legislation isn't going to become effective as soon as it is approved here by the Assembly, but, in fact, the government - and I say this kindly but rather forthrightly - the government is going to use this legislation as something of a persuasive mechanism or rather a stick, to be quite frank about it.

I have no objection to you using this legislation in this manner, but I assume, Mr. Speaker, that the government has already attempted to use its good will in trying to bring some more common sense into the whole field of pricing of propane and that you haven't been successful in doing that to date. I would remind you of a rather popular word two years ago, it was maybe two and one-half years ago and that word was "now". It would seem to me that this would be an excellent place where you might well remember "now" and not wait to proclaim this legislation but in fact make this legislation effective as soon as possible. Because, I go back to the point, it seems to me that the government already has used its good will as best it can to try to have a sobering effect on the prices and in fact move in the direction of the voluntary rollback which the minister talked of earlier.

So in principle we support the legislation but I really have some concerns about the minister saying that the legislation will be proclaimed at some time later. I would really urge the minister that if this is going to be successful and help people who are going to face problems during this upcoming winter, or the winter we are in now, the time to make this legislation effective is now.

MR. SPEAKER:

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

MR. COOKSON:

Mr. Speaker, I would like to say a few words about the importance of this bill which the minister is bringing before us.

It is particularly important and timely, particularly in my area. I can share the sympathies of the member from Wetaskiwin with regard to the number of submissions we have had, certainly in my area. I think I speak for a good number of rural areas throughout the province.

I don't think a number of members realize the impact that the rural gas distribution program has had and the effect it has had on some of these other fuels. I know in my area my people installed propane at the time it was a by-product. It still is, but it was a very cheap by-product of the oil and gas industry. They converted to propane in really good faith with a sort of understanding that in some way they would be assured of a reasonable and fair price for propane. It was with considerable cost that they installed this type of fuel in their buildings, in particular in their homes.

When we introduced the rural gas program, of course, the companies realized that there may be a short-term life for propane and it may be that they may have had some thoughts about making a fair amount of profit in a short time. I am not sure whether this was the intent of the companies or not, but certainly, as you have pointed out, Mr. Minister, the prices have increased to a very great degree in the past months.

Propane, for those who are not aware of this type of fuel, is a by-product taken from natural gas. I hadn't realized that in 1971, for example, over 11 million barrels of propane were exported out of the Province of Alberta. A good portion of that goes to British Columbia and various amounts go to other parts of Canada. In 1972, I happened to check figures of 28.8 million barrels that were produced in the Province of Alberta.

There are approximately 80,000 domestic users in the province at the present time and most of those are rural people who have gone to considerable expense to equip themselves to use this kind of fuel. A large number of them are in small hamlets, unorganized municipalities in which there are a great number of retired people and older people on fixed incomes. They have found, as you have pointed out in your second reading, that the cost has accelerated to a point where they just have no way to turn.

I happened to note in my own constituency there are about 1,500 users of propane, about four different companies involved, and it might be interesting to the members to know that a fair number of these are equipped to handle propane with their tractors. This results in the fact that converting to natural gas is not without a considerable cost. To convert a propane tractor, for example, from propane back to gas involves at least a \$600 bill.

So, I think our presentation to the Legislature at this time is timely in attempting to somewhat control these costs. I'm not sure what the utilities board will arrive at as a fair and reasonable price for propane and this concerns me a little bit. I might suggest to you Mr. Minister, that we really

should be, in terms of price, perhaps talking with regard to BTUs. In other words, I think that we should be comparing the price of propane in some degree to natural gas, which is now available to at least 80 per cent of the people of Alberta and we hope, in some time in the future, the other 20 per cent.

Now whether or not the utilities board can influence the companies into rolling back the price of propane is part of the question I think we have to answer. One suggestion I might make to you is that perhaps if this isn't possible, it may be that we could establish some kind of rebate system.

You see, with propane there is no royalty system because it is actually charged against natural gas. Surely the propane users of the province have some right to the two-price system which we are talking about with regard to natural gas. I think my people would be tickled if propane could come back to a price which is reasonably comparable to natural gas.

I think the writing is on the wall. There will be a shift, certainly in my area and I think most parts of rural Alberta, to natural gas heating. But during this interim period of time, because of the tremendous cost of propane and conversion, I think we would appreciate it if you consider some sort of formula that would give them an equitable price for propane.

MR. DIXON:

Mr. Speaker, I would like to say a few words on this bill because there has been some anxiety expressed by the industry and in particular the people working in the industry.

As a matter of fact, the other day I had a gentleman who lost his job and he was most anxious to try to find a position under the new Rural Gas Act. The Act claims that, wherever possible, they are going to try to rehire the people who have been affected in the propane industry. This man is quite experienced and he is having difficulty finding a job. The Alberta distributors of propane face a very dismal future. So I haven't got much hope, Mr. Speaker, of the hon. minister getting too much volunteer action from the actual distributors of the propane because it would be these people who are going to be hit the highest, not the producers of propane because they are selling a great deal of it outside of the province.

I'm just wondering, if the industry keeps getting hit as it has been of late - that is, now I'm talking about the distributors, I'm talking about the 550 people who work in the propane industry as truck drivers. We have roughly 330 trucks running in Alberta with propane, servicing the area that you and I as hon. members would think of, in the rural homes and in different areas like that. These are the people who are concerned. I don't think the propane industry, that is, the major people who are exporting a lot of it, are as concerned as the actual Albertan who is working as a truck driver or a distributor, because if the rural gas plan is as successful as the government hopes it will be, a very, very dismal future is all that the distributors of propane can look forward to in Alberta.

Natural gas is best suited for areas of heavy population and propane is best suited for households that are scattered. For that reason I agree with the hon. Member for Lacombe, that if this government really wants to help the propane industry and, in particular, the individuals who are in there with what I would consider the task of distributing actual propane to the householders, I think this would help them. I can see that if we are trying to get the propane industry to hold their prices they are not going to have too much concern about the Alberta consumer because that consumption is dropping quite rapidly and will continue to do so if we forge ahead, as planned, with the rural Alberta gas plan.

The industry is not too happy, I don't think, with the hon. minister himself, whose accusations that have been gouging the public. I think it is awfully hard to make those kinds of statements and then ask them to voluntarily reduce their prices. I think this is something that they will be looking forward to with great anxiety, I'm sure, to remind the minister of what he said. Of course, their argument is that the reason propane has gone up in price was because for so long we, in Alberta, had the lowest price level for propane anywhere in the continent because there was a surplus. Now we have to face reality, as the hon. Premier has mentioned in our natural gas and oil, we have to be realistic. We've got to get a fair and equitable price, whether for Albertans or Canadians.

Now, I'd like to say that I'm all in favor of giving Albertans the preferred deal because the propane is here, but I don't think we should hope that we can

keep the industry healthy by trying to hold prices that aren't realistic down, even if it is to Albertans. I believe that there are many things we should look forward to but when we have an industry in Alberta which has \$38 million invested now being asked to look at their prices - and I don't think that any industry is afraid to look at their prices - this is a far greater thing than just the distribution of propane. The thing that it really boils down to is the industry itself, with Albertans who are hired in that industry; the truck drivers and the distributors of the propane are the ones I am mostly concerned about.

I am not too concerned about the large corporations who are exporting elsewhere in Canada and to the south of us. They will take care of themselves. But I think that we have to take a more realistic look at the propane distributing industry here in our province and, in particular, the people who are employed in it. I have made one or two statements on rebates and things like that, but I don't think we are going to be too successful in getting them to voluntarily hold their price, because they are being hit with a smaller market, so why should they be so concerned about it. I'm talking now about the major producers.

I think that we have to take a real look at this whole situation as it is affecting an industry which has done a pretty good job, up till now, in distributing the service to the people in Alberta who have not had the advantages of natural gas.

MR. SPEAKER:

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

MR. LUDWIG:

Mr. Speaker, my remarks will be brief.

I'm listening to the remarks made by the hon. Premier and he stresses very often that he believes in the free-market economy, that he believes in no controls except when, perhaps, it suits his purpose. I'm not against the principle in this bill. I believe that when we are talking about inflation and how it hurts people, we should perhaps broaden this principle. We are endorsing the principle of controls. The Conservatives are advocating it. I'm sure they've decided now. I don't expect anybody to speak against it.

But why stop here? Is the only problem confronting the people of this province the question of propane costs? I think there are many other problems caused by inflation that are hurting the people, hurting those people working for wages. Every month, I should say even less than every month, their purchasing power is reduced and it hurts these people.

Why stop at this? Once we've abandoned the principle of a free-market economy; once we have sort of done an about-face, then let's look at the whole aspect of cost of living to the people and see whether perhaps some of the runaway costs are hurting the people more than the cost of fuel alone. This is only one of the costs of living and not a very great one.

I'm not talking against the control and the move being made in this bill, but let's stand up and be counted. Do we oppose price controls, period? Or will we have so many exceptions in due course that the principle of a free-market economy will have gone by the board? That is the concern I have and I think, now that we have a bill here from a Conservative government, we have an obligation. We have an obligation to look at the whole spectrum of cost of living and see whether we have not other areas where we can help people by perhaps having some controls implemented, because this is nothing more or less than another extension of the principle of control, unless I'm wrong entirely in my assessment.

When we use the example that we had better not talk price controls because look at the disaster that befell the United States, the supply of essential commodities was very seriously undermined. Maybe we are not worried about undermining the supply, because we are moving in that direction.

Maybe we had better look at the whole thing. We don't have to worry about the supply of food maybe, but when we talk about the control of the price of food we immediately raise the argument, well, this is going to affect supply. I suppose in some instances it will and in some instances it won't. But the people who live in the cities primarily, costs are affecting their living.

Inflation has hurt people much more seriously than just the cost of fuel, Mr. Speaker.

So I think now is the time that we have abandoned the principle of the free-market economy, let's look at the whole thing.

MR. NOTLEY:

Mr. Speaker, I join with the other hon. members in supporting the principle of the legislation.

I should say, just by way of initial comment, that it's rather unfortunate in a sense that this issue has not been given as much publicity as it should have in the province as a whole during the last several months. Just picture what would have happened had there been a 50 or 60 per cent increase in the cost of natural gas in our two major cities for example. There would have been headlines every day. It would have been a major crisis and the government would have had to deal with all sorts of people making representation. The newspapers, the radios and the TV stations would be doing nothing other than telling people what a sad state of affairs the situation is.

But here we've seen some pretty substantial increases. The hon. minister has cited four cases. In my own constituency the price of propane a year ago in the town of Fairview was 15 cents a gallon, it is now 24 cents a gallon and there was a possibility it would rise to 29 cents a gallon, almost 100 per cent increase in a year's time. Now admittedly not all the increases are of that order, they range from the one example he cited of 25 per cent, on up.

The fact of the matter is, Mr. Speaker, there has been a very substantial increase in the price of propane. That increase is affecting rural Albertans wherever they live in the province, whether it's in the northern part of Alberta, whether it's in the Lacombe area, southern Alberta or what have you. I think it is unfortunate in a sense that the media haven't given this issue as much attention as, in my judgment, it merits.

The second comment I would make on this bill, Mr. Speaker, is that while propane is extremely important in rural areas for heating, it would be, I think, important during this debate to point out that it is also vital for grain drying. In view of the fact that we had a very bad harvest year, and that many farmers have been forced to use grain dryers, the increased price of propane has necessitated increases in the cost of drying grain which, to top all the other problems that farmers in these areas have had to face this year, is in many cases just adding insult to injury.

I would raise several questions during the discussion of the principle of this bill, Mr. Speaker, and would invite the hon. minister when he closes debate to answer these questions.

I understand what the government is doing when they suggest they want to negotiate first of all. I think, with the Member for Wetaskiwin-Leduc, that they probably would be better to proclaim the act, but assuming that a negotiated approach is successful, is the government going to base as its objective a consistent wholesale price for the entire province? Or are we going to have a voluntary agreement where you will have differing wholesale prices? I think it's pretty important that we nail that down. We can have an agreement, but is it going to be based on a consistent wholesale price for the entire province?

The second question I would pose to him relates to the point he made about the National Energy Board saying that propane should not be exported unless the price is at least 17 cents a gallon, the presumed opportunity export price. My question to the hon. minister is, whether or not that opportunity price is to be the ceiling or the floor, or is it to have any impact whatsoever on the fair and just price? Now I'm assuming here that this is the fair and just price which is negotiated as opposed to the price that is set if you are forced to proclaim the act - but I think it would be interesting, Mr. Speaker, because if the fair and just price is going to be the export price as a starter, then rural people are not going to be very pleased with a wholesale price of 17 cents a gallon.

I agree with many of the comments that the hon. Member for Lacombe made with respect to the pricing of propane and suggest that perhaps the suggestions he made with respect to pricing of propane could well be considered as a yardstick by the Public Utilities Board in the future.

The final comment I would make, Mr. Speaker, is again to pick up on a statement made by the hon. Member for Lacombe with respect to the distributors

of propane. It seems to me that there is going to be a tendency on the part of many distributors to get what they can while they can, and there is going to be a period of two or three years where these rural gas co-ops are getting off the ground but they are not sufficiently underway, that in a sense there won't be a captive market, a substantial captive market for the distributor. While I'm not suggesting that distributors have, in fact, been gouging the public, I'm inclined to go along with your argument that the major reason for the increase to date has been because of the wholesale rather than the retail level increases. I would simply suggest to the hon. minister that the government should continue to watch the retail price of propane very closely so that the distributors don't take advantage of what is a declining market, but also a captive market for a period of two, three or four years, however long it takes to get our rural gas program off the ground.

By and large, Mr. Speaker, the principle of this bill is one I can support. I think it is long overdue, but it is nevertheless a bill which merits the support of all members of this Legislature.

MR. SPEAKER:

The Chair has already recognized the hon. Member for Drumheller followed by the hon. Member for Smoky River.

MR. TAYLOR:

Thank you, Mr. Speaker.

I want to just make four points in supporting the bill. The first one is that, in my view, propane is just as much a utility as natural gas and I can't, in my mind, find a reason why the price shouldn't be set by the Public Utility Board Commissioners.

I endeavoured, particularly the last year I was on the government side, and since then, to have the price of propane set by the board. When I was on that side of the House, I didn't even get to first base. Now we are around on third base and I would like to see the government score because this is good for the people.

The only thing that bothers me in this one now, is the proclamation end. I think all the other points have been recognized by the hon. minister and I commend them for bringing in this bill. At almost every meeting I held, somebody raised their concern on this particular matter. I can't see a thing in the bill, with all respect to the hon. minister, that would be a worry if the bill became law upon assent. The Lieutenant Governor still has the authority to direct the board to establish the price. It doesn't become automatic in the setting of the bill. The Lieutenant Governor in Council still has full authority to watch the situation and to direct or not direct that the board establish the order.

So I really don't see anything to be gained in putting in anything by proclamation. But I do see something to be lost. That is, when this bill was introduced, the hopes of the people in many parts of Alberta were raised and their hearts gladdened. I don't know what percentage of this 80,000 people use propane, but I would think quite a large percentage of them became heartened with the fact that this was going to come under the control of a board.

Generally, the principle has been accepted that where there is market competition, you don't have the prices set. But I suggest that in the case of propane, there is really no competition until natural gas co-ops are formed in an area. You can't call coal a competition, much as I hate to say that. It just isn't in competition today. Oil, with nine gallons of propane equal to six gallons of oil, isn't in competition or at least in very, very few places. So really there is no competition. This is one of the reasons why the prices started to escalate ...

AN HON. MEMBER:

Right.

MR. TAYLOR:

... based on what they could get in the United States. I don't think that was sound at all.

As a matter of fact, the only places in Alberta where the prices have not gone up have been where there are co-ops composed of directors of the people.

They have not raised the price. Every other distributor has consistently raised the price.

I would like to ask the hon. minister to refer this matter to the board of combine commissioners because I am not at all certain that there hasn't been some combining in establishing the increases in prices for propane in this province. Matter of fact, when I look at the record - what records I have looked at - it looks very much as if these distributors got together and made up their minds that they were going to increase the price of propane so many cents and that's what has been going on.

Now if the co-ops have been able to operate without these escalating prices, my question is, why were the others, all of them, going to set up the prices for those who are using propane?

I attended a rural gas formation meeting [held to] establish a gas co-operative. The propane agent was there and he got up and said something about what the people would gain by using natural gas. It's a pretty picture, and I think that the government should be commended on its natural gas program.

Once that is in operation, as the hon. Member for Spirit River-Fairview says, then there is going to be competition. There may then be some requirement, even more of a requirement, to make sure that the price of propane doesn't escalate beyond all reason for those who must still use propane. There will probably always be a few.

There is also some strong argument too for some assistance at that time for propane users, but that is not the point I am dealing with now.

The agent got up and said when you use this price of an average of 24 cents, in that area, and likely 30 cents by spring if these prices keep going, don't forget we're going to lower these prices, we can give you much lower prices than this. The thought came to my mind at the time, why did they raise them, if they can now lower them because there is a competitive factor coming in? Makes me think of the railway, particularly in Fort McMurray, look at the huge prices the people of Fort McMurray had to pay for freight for years because there was no competition. Then when the road went in, even the gravel road, their prices came down tremendously. They made no bones about it, that they charged all the market would bear, because there was no competition. Here we see something similar in the case of propane. They are charging all the market will bear. Unless the threat of this bill stops it, it's going to continue to escalate. I would like to see this matter investigated by the combines board of this country.

We've got too many places in Canada today where industries are taking advantage of the people because of factors over which the people have no control. I would be very surprised if a combines committee investigates this and doesn't find that there has been some violations of the Combines Investigation Act. I think it should be investigated. Matter of fact, I would be prepared to sponsor a resolution in this House, if the government is not prepared to do it without that particular thing.

But I would like to see the minister consider a request to the federal government to have this matter investigated. If they are clear, fine. But there are a lot of people in this province who do not like the way the price of propane has been escalating, while the co-ops, the few that are in existence, have been able to keep the prices down. There hasn't been that much increase, if any, in the wellhead price. There may be some increase in wages, there may be some increase in other items, but certainly not to the extent that is shown here. I think that it is based entirely on a price that they could get in the United States. Again, I say the needs of Alberta should be looked after first.

The setting of these prices and the almost consistent rise - and in some degrees, almost the same percentage-wise in various parts of the province - lead me to believe that this has not been accidental, but by design. I don't think it is fair to the consumers of this province. Heat is an essential in this country, just as essential as food. You can have all the food you like, but if you are in a house when it's 20 below, you are not going to live very long.

The other point that I wanted to mention was this matter of interim increase. I was very much alarmed when we were in government and Alberta Power applied to the Board of Public Utility Commissioners for an increase in power rates. Immediately the board gave the company the authority to establish an interim rate.

Scores of people in my riding, where this was effective - and perhaps the hon. Member for Stettler, he wasn't the member then, but he probably heard the same thing. Why do they give an increase before they've even heard the case? The idea that they would take it away seems a little ridiculous to me, but to grant the increase, an interim increase, when they are going to have a hearing, I think is completely unsound.

Again, I want to say that that this section in the bill, in case that happens again in the case of propane, the section in the bill that freezes the price at that time, I think is a very sound procedure. If the company can show the Board of Public Utility Commissioners that the price increases, that the price is warranted, that they need this extra margin, or to retain the same margin to which they are entitled, well and good.

But let's not give them an interim increase on the strength of the fact that they are going to prove their case. I don't think that is sound procedure at all. It is like saying to a man who is before a court, we'll put you in jail and then we will hear your case. Or, we will fine you and then hear your case. Or, we will give you an interim fine and then we will hear your case; if you're not guilty we'll give you some of the money back. This doesn't make sense to me. It didn't make sense with Alberta Power and it didn't make sense later with Calgary Power when the same thing happened. I would certainly like to see the government instruct the Board of Public Utilities Commissioners, if necessary, that interim increases are not to be granted before a hearing, before the case is actually heard.

MR. MOORE:

Mr. Speaker, I just wanted to make a few comments with regard to the bill and perhaps some of the comments that have been made by other hon. members.

The Minister of Telephones and Utilities has certainly done an accurate and good job of describing step by step the events that led up to the government's desire to introduce this legislation, the inquiry that was held by the Public Utilities Board and the concerns that have been expressed right across the province.

There are a few things I would like to address myself to with regard to what some other hon. members have said.

I was particularly surprised, I guess, at the hon. Member for Calgary Millican and his concerns with regard to the propane distributors. Having been involved for a number of years, Mr. Speaker, as a retail agent for a propane distributor, I can only say that the propane distributors right across the province will welcome an intervention by the Public Utilities Board on the wholesale price of propane. Surely they are as anxious as anyone else to maintain the price of propane at a reasonable price so that they might maintain their customers over the coming years, in a manner that they have done in the past. I see no reason whatsoever why any propane distributor in Alberta, after having heard the hon. minister say this evening that the intention of the government is to regulate wholesale prices, should be at all concerned about this piece of legislation. In fact I think you will find that they will all welcome it.

The concerns expressed by the hon. Leader of the Opposition in regard to interim price adjustments: I think we should not forget that when we talked about interim prices it's not only increases that can be achieved on an interim basis but also decreases. Surely the reason why we will continue, under the terms of the act, to allow interim price adjustments is because it is simply not possible, in my view, over the course of a few short weeks to have a proper hearing with regard to propane prices. It may be necessary, in fact desirable on the part of the minister, that propane prices be brought downward as quickly as possible. I think you have to view it in the terms that probably for one of the first times in the history of this province the Public Utilities Board will be looking at a decrease rather than an increase.

Some of the other concerns expressed by the hon. Member for Calgary Mountain View with regard to this government moving in the direction which was in his view far to the left and not in keeping with the free-enterprise party: even in the years of office of the former government I think we all have to recognize that they must have been responsible for either bringing in or certainly amending The Public Utilities Board Act a number of times. I guess we have a precedent to follow when we consider it was that government which brought the pricing of milk and natural gas under the Public Utilities Board.

The concerns expressed by the Member for Drumheller are, I think, real. From time to time we see, in the gasoline pricing market and in other areas, large companies who I have the feeling and other hon. members have the feeling, are violating the Combines Investigation Act. I do, however, think that in terms of the investigation that was carried out in some major food chains recently, and other investigations that have been done over the past few years, we would be fortunate indeed in asking the federal government to launch an investigation under the Combines Investigation Act, to achieve any results from that in a period of any less than probably two years when we consider the evidence that has to be gathered, the case that they have to bring forward and the amount of time that it might take to go through the courts. So although that point may have been considered by the minister, and I know it was certainly considered by others, it just was not possible to wait for that long and tedious chore of having to go through the courts and lengthy investigations.

Just two things, Mr. Speaker, that I would like to say to the minister that concern me with regard to the bill. One is that I would hope that when a pricing arrangement is arrived at by the Public Utilities Board there will be some variance there to provide for a possible reduction in the summer months. I say that because, as all hon. members know, a great deal of our propane is produced in plants that produce many other crude oil and natural gas products, and propane, because of our inability to store it, is considered in many of these plants to be an almost worthless by-product during the hot summer months. For that reason many farmers throughout this province have bought propane tractors and have been paying anywhere from 5 to 6 cents per gallon less for propane which they purchase in the summertime than that which they purchase during the wintertime. I would hope that in the event that there are excess quantities of propane available during the summer months the Public Utilities Board pricing mechanism would not disallow the companies from voluntarily reducing that price and making it available for farm tractors.

The only other thing I would like to say with regard to the level of pricing which might be achieved is that, in my view, it would be very difficult, considering the nature of the product, propane and butane, for the Public Utilities Board to determine what it actually costs to produce a gallon of propane.

I think therefore their determination of prices will have to revolve around what it costs for alternative forms of fuel, what it costs for natural gas, what it costs for fuel oil. I would just say to the minister that, in my view, we should be cautious about making it [the price] unduly low because if we were to bring propane down to the level it has been at for the past number of years, we would find an increased and unreal demand for propane, which would result in people using propane when they could readily obtain natural gas, which could result in a shortage of propane for those persons who do require it and have no other means of fuel.

Thank you.

MR. SPEAKER:

The hon. Member for Little Bow followed by the hon. Member for Wainwright and the hon. Member for Whitecourt.

MR. R. SPEAKER:

Mr. Speaker, I would like to make one or two comments on this bill. I would like to say first of all that I appreciate very much the intent of the bill. During my pre-session meetings in the week prior to the session I would have to say that this topic was one of the priority topics of discussion. The people in the rural areas did not have very much information and the main question was, what will the government be doing during this session? I said that I understood it was the intention of the minister to introduce a bill to control and to look at the price of propane, so I certainly welcome this piece of legislation at this time.

Just two comments that I would like to make, and two items that I would like the minister to make comments on.

During a visit to one of the towns, a farmer had the propane dealer drive from High River to Barrons. After he was in the yard the driver of the truck said, "I can only put 500 gallons in your 1,000 gallon tank. I have to come back a week and one-half later to give you the other 500 gallons because of rationing that is going on." I thought at the distributor level. Now I would like the minister to comment on that, as to how rationing of propane and so on is affected by the bill.

The second area is with regard to propane for sprinklers in the irrigation areas. The average cost to the farmer is something like \$1,000 for propane every summer at a rate of somewhere from 14 to 17 cents. The price at the present time looks to be over 20 cents and certainly this is going to be quite an increase to the cost of operation. I would like the minister to comment on how that price could be affected and how we could use propane during the hot season, as was mentioned by the hon. member, to keep the price down and certainly the cost of farm operation down.

I feel we should move ahead with the bill and as other members have stated in the Assembly, I can see no reason either why we shouldn't be prepared to proclaim the bill on assent by the Lieutenant Governor during this session.

MR. RUSTE:

Mr. Speaker, in rising to support this bill, I would just like to thank the minister for the detailed outline he gave of the steps that led to the bill we have before us.

I would like also to extend my appreciation to him for clearing up the words of gouging by the distributor. I think that he has pointed that out now that it is wholly at the producer level. I think there is a terminology that has been used quite easily and maybe erroneously at times relating to the distributor. So it is understood that it is at the producer level where the increase has come.

I am not going to repeat many of the things that have been said, but reference was made that there was no fuel competitive to natural gas. I would just like to point out that I think coal has been one that's pretty competitive. It may not be as convenient but it is certainly competitive as far as price goes.

I enjoyed it when the minister got up and mentioned the \$116 million rural gas program. I had occasion not long ago to go to my phone on my \$92 million buried cable telephone system and phone my fuel dealer for more fuel. In doing so I turned on the light on the rural electrification system, that was a multi-million dollar system.

The point I am getting at here, Mr. Speaker, is that we have noticed the price of propane go up. The minister has pointed out where the main rise is, and what he is proposing to do for it in this legislation.

I would like to point out, as an agricultural producer, we are faced with other fuel costs. My neighbour may have a propane tractor, may have other equipment that is propane powered, and certainly he is concerned. But I think there are many of us who use other fuels for power on our farms who are faced with many not as extensive increases, but certainly with considerable increases. I would just like to point this out to the minister and ask him if he is looking at an extension of this legislation to cover those other fuels?

MR. TRYNCHY:

Mr. Speaker, in speaking last, or nearly last, many of the questions that I would have liked to ask have already been asked. But there is a point or two that I would like to bring up to the minister.

I am very concerned about the cost of propane. As a matter of fact, it was myself who contacted the minister some weeks ago about the shortage of propane in Whitecourt. Now at Whitecourt we have a large producing oil field with a lot of propane being produced. What really bothered me was that when the local truck came for propane at Whitecourt he was turned away because they had no propane for local use. This is all being exported. The question I would like to ask, and it has been taken care of now by this bill, that we must produce for Alberta first. This was something that I am glad everybody welcomed and something that should be done without discriminating against a local user.

With propane at the price it is now, well, I would like to go back when the wholesale price of propane was 4 cents a gallon, and now it is as high as 17. A year ago we bought propane for 10 cents a gallon. Today it is 21 cents. Who is getting that profit? We have established there is no royalty to the government, so the government does not get it. I've talked to the local dealer. He's getting as much profit today at 21 cents a gallon as he was when he was selling it for 10 cents a gallon. So there again we ask, where does the profit go?

With the cost of propane at 21 cents, it is quite easy to figure out that natural gas at 60 cents is at least two-thirds less in cost. So we will have an influx of gas co-ops. As a matter of fact, I have two going in my area.

But what happens between now and then is what bothers myself and all my rural people, and, of course, the settlements around the urban centres, such as small acreages and small hamlets. I think - and I would like to say this now - that the oil people should get a just return for their product. I don't think we should get them down so they're not making any money. But the exorbitant increase of profits that they have shown is something that we should look at. When you look at over a million gallons of propane sold in my locality, a couple of cents a gallon, or in this case 5 or 6 cents a gallon, is a lot of money.

As the hon. Member for Calgary Millican mentioned, we should be looking after the trucker and the distributor. Really, there is no worry there, because, as I have mentioned, the trucker is still making the same money he was three years ago when he was selling propane at 10 cents a gallon as he is today at 21 cents a gallon. The market will not be a smaller market. As a matter of fact, the plant at Whitecourt can't produce enough propane for the demands that are there; the export market is so great. I think the distributor that might go out of business because of the rural gas co-ops will take a role, and, maybe - I've talked to some dealers who will take a course and become the rural gas co-op people for the co-ops, I think one or two dealers or distributors can become active in the rural gas business. So there is not really too much worry there.

When the hon. minister spoke of high transportation costs in Whitecourt, I think he was mixed up with some other place, because the propane is there. I really can't see any justification in that when we go a 40 mile radius around Whitecourt and we have the product there, the price of propane should be as high, or higher, than it is in some places where they truck for 100 miles. I am sure that the hon. minister will look at that too.

I think the bill is timely. I have some feelings about whether we should proclaim it now or yesterday, or two months from now, but I think it is a good bill and I support it all the way.

MR. LOUGHEED:

Mr. Speaker, before we leave the debate, I think a very important point has been raised by hon. members on both sides of the House. That, of course, deals with the question of the timing on the matter of proclamation.

It is our view that to enter into this situation of price fixing under these circumstances, as important as it is, it is something that a government should do with caution and with concern.

I believe the hon. Member for Smoky River raised the point or the problem that if you have too low a price in terms of propane you are going to get into some distortions, both in terms of our natural gas plant and in terms of the utilization for those very people in the province who need the supply that is available to us. So, we feel, and felt - and that is why the bill is presented on the basis of proclamation - that some short period of time should be given to the producing segment of the industry which, after all, is producing this as a by-product without royalty, to put their houses in order. In this case that means in our view a significant rollback and reduction in the price that is involved. We are not prepared to set any figure. We leave it to see what their judgment and response will be.

We wanted to assure members on both sides of the House that it is the government's view that that action should be taken before the end of December 31, 1973.

MR. SPEAKER:

May the hon. minister close the debate?

HON. MEMBERS:

Agreed.

MR. FARRAN:

Mr. Speaker, I would like to deal, not in rebuttal, but in correction of a few misconceptions by members. I would like to say that I am very grateful for the participation in the debate which was most thoughtful, intelligent and

meaningful. I just want to emphasize again that this act arises from the conclusions of the Public Utilities Board inquiry. The Public Utilities Board said this:

... the world market price is the major influence on the wholesale prices of propane in Alberta.

Not gouging by retailers, but the wholesale price in the world market.

Wholesale prices have escalated and are continuing to escalate due to the rising world market demands.

... The wholesale price of propane in Alberta is a major influence on the retail price.

Although retail prices are influenced also by varying storage and distribution costs and competitive factors, they have escalated and are continuing to escalate due to rising wholesale prices.

... If the world market demand in prices continue to increase, Alberta consumers will automatically pay more for propane unless action is taken to protect them.

This act is the action.

It further says that:

- (a) since the cost of producing and processing propane will be difficult to establish, and
- (b) since propane distributors are not capital intensive, and
- (c) since competition exists at the distribution level,

full regulation of propane distributors as gas utilities is not necessary at the present time.

Mr. Speaker, I will deal as far as I can in turn with some of the principal points raised by the hon. members.

The hon. Member for Wetaskiwin-Leduc and several other members asked, why not now, why on proclamation? As the hon. Premier has pointed out, this is a grave step which is taken with considerable reluctance by the government. We would prepare to have voluntary action by the producers and to use what one member termed a big stick, or the big club.

AN HON. MEMBER:

Gentle persuasion.

MR. FARRAN:

Gentle persuasion.

The hon. Premier mentioned that we will expect action in terms of a rollback before the end of December, which isn't long to wait.

The hon. Member for Olds-Didsbury, the hon. Leader of the Opposition, has said, why fix the price without a hearing? Well the reason for this, Mr. Speaker, is that a full and fair hearing might take two to three weeks to organize and two to three weeks to complete. As every member who has spoken on the subject has said, urgency is of the essence, and we couldn't afford to wait six weeks for the full hearing. So the idea is to fix an interim price, which I hope will be a low price, and a price based on the ability to pay and the price of competitive fuels, and then test it for justice later in the hearing.

The hon. Member for Lacombe emphasized the need for a rollback and I believe there should be a rollback. He also suggested that the BTU price was one yardstick which the Public Utilities Board should use, and I believe they will.

There was a misconception by at least two members, and I think it should be corrected for the record, that propane does not pay a royalty. It does. The royalty for the six month period ending September 30, 1973, was \$621,000 on sales of 3.7 million, which is about 16 per cent.

Incidentally, the propane royalty is, I believe, comparatively recent under the new administration.

The hon. Member for Calgary Millican talked about the employment of utilities officers. I can assure him that we have stressed that priority should be given to people with propane experience, but since the funding of these people is through the counties and the municipalities, who are self-governing local government bodies, we can only request this as a guideline and cannot force this employment requirement upon them. I know how concerned all members are to respect local autonomy.

He did say that propane was the ideal fuel for scattered farms and that natural gas was the ideal fuel for concentrated urban centres. Well, the government does not accept that premise. We say that it is economic and reasonable to deliver gas to rural Albertans where the capital cost does not exceed \$3,000. This should reach some 90 per cent of the 80,000 rural households who presently do not enjoy the benefits of natural gas. We believe that it is high time that these Albertans should receive similar privileges to other Albertans in the use of natural gas.

The word gouging has been mentioned several times and I can only draw your attention to the Public Utilities Board finding that there was no gouging at retail level, that the escalation in price was totally at wholesale level due to world demand, or demand particularly in the United States.

The hon. Member for Calgary Mountain View made a speech about free market and the free-enterprise government imposing controls. I assume he was opposed to the act and did not appreciate the significance of heat as a utility and the importance of this to the people in rural Alberta. The reluctance of the government is demonstrated by the fact that they don't want to fetch this act into force except as a last resort.

He talked about such a price setting undermining supply. Well, Alberta only consumes some 15 per cent of the total provincial production. I cannot believe there will be any reduction of supply if the fair and reasonable price is set at, say, 200 per cent of the 4.5 cents a gallon that the people were prepared to sell at nine months ago.

He said that inflation hurts in more areas than in the area of fuel costs. I don't think he has properly appreciated, Mr. Speaker, that the heating bills for people using propane on an average farm have possibly gone up from \$40 a month to \$80 a month, which is a tremendous slice for somebody who is living on a limited income.

The hon. Member for Spirit River-Fairview wanted to know if the price was to be uniform. I would imagine that the first step would be a uniform price that could be adjusted at the hearings later, according to the presentations of producers. The circumstances, presumably, are not uniform in that it is perhaps easier to produce propane from a wet gas scrubbing plant than from a refinery or in a deliberate action for the export market. These factors will be judged by the Public Utilities Board at the subsequent hearing.

He wanted to know about the National Energy Board's price of 17 cents a gallon. That 17 cents a gallon, as of December 7, is a minimum wholesale price. It is not designed to protect Canadians. It is designed to get the maximum price from the American market. The NEB has also ruled that no other spot export sales will be allowed. All sales have to be on a basis of contract.

The argument was made that propane has been cheaper from propane co-ops than from private enterprise propane distributors. I think that if this has been so, and it was mentioned by the hon. Member for Drumheller, it is only because a propane co-operative has been farsighted enough to make a forward contract for one or two years and has been able to enjoy the old price of nine months ago. Most of the distributors, I think, were improvident and did not make long-term contracts with the producers.

I was grateful to the hon. Member for Drumheller for saying that we had succeeded, when he had tried so often when he was on this side of the House, to have the price of propane regulated. Again, the reason for not declaring it on assent and on proclamation is that the time for a public hearing will likely be extended. Really we only take this grave step reluctantly.

The lower price not being uniformly spread probably arises from the fact that most of the wet gas plants are in southern Alberta and the refineries are in the north, but the main gas fields are in the southern half of the province. It would be difficult to have a uniform retail price inasmuch as the haulage varies so much from these different propane-producing points. It would be as difficult to set a retail price for propane as it would be to set the price of gasoline at the pump. Variation in haulage is so great. This is true. Maybe

you can set it in Vancouver or Toronto, but to set the price of gasoline, a uniform price at every pump in the province, would be something that is very difficult to do with justice.

Mr. Speaker, the Public Utilities Board did find that the distributors had not behaved badly. I can tell the House that it is not true that all producers have availed themselves of the total opportunity price. There are certain producers who have been voluntarily restraining the price to Alberta distributors. When the average producer price was at 13 cents, there were certain major producers who were still selling at 10 cents. We have some cases on record of Alberta propane distributors subsidizing their customers, of having to buy from a producer at a price higher than the retail price. So it is not all a black picture as far as the propane producers and distributors are concerned.

The hon. Member for Little Bow apparently knew the bill was coming. I don't know how he did because the action was really only taken after the NEB announced a 17 cent minimum price.

[Interjections]

He asked why there was a problem in High River where one tank was only half filled. My guess is that this was because the Shell plant in Waterton closed down for repairs for a period of two months and it is now back in action.

The hon. Member for Whitecourt talked about a failure to supply one of his local distributors. This was fixed up by negotiation through a telephone call. He asked who was getting a profit of 21 cents and again I refer him to the Public Utilities Board finding that the retail price has gone up in exact proportion to the wholesale price.

Well, Mr. Speaker, after dealing with those few observations, I would just like to mention that butane has been included in the bill because it is so closely related to propane and is a possible alternative fuel. The NEB has also set the export price for butane at 15 cents a gallon. We consider it prudent to include butane under the proposed amendments although it is not a problem at the present time.

Thank you, Mr. Speaker.

[The motion was carried. Bill No. 97 was read a second time.]

MR. HYNDMAN:

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

MR. SPEAKER:

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

HON. MEMBERS:

Agreed.

MR. SPEAKER:

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

[The House rose at 10:30 o'clock.]