

LEGISLATIVE ASSEMBLY OF ALBERTA
Tuesday Evening, December 11, 1973

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

MR. HYNDMAN:

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

MR. SPEAKER:

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

HON. MEMBERS:

Agreed.

INTRODUCTION OF VISITORS

MR. BATIUK:

Mr. Speaker, I would like to beg the indulgence of the Legislative Assembly to make an introduction of two very ...

MR. SPEAKER:

I'll have to ask the members if I may return. I'm not here.

HON. MEMBERS:

Agreed.

MR. SPEAKER:

Would the hon. member proceed please.

MR. BATIUK:

Mr. Speaker, it indeed gives me pleasure to introduce to you and through you to the members of this Legislative Assembly two very distinguished guests here tonight. They are in the members gallery. They are the very newly-elected president and vice-president of the Alberta Association of Municipal Districts and Counties. They are at the Farmers' Union Convention here in Edmonton. I would ask the two gentlemen to rise and be recognized.

I'm sorry, Mr. Speaker. Mr. Whitehead is the newly-elected president, and Mr. Roland the vice-president.

[Mr. Speaker left the Chair.]

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COMMITTEE OF THE WHOLE

[Mr. Appleby in the Chair]

Bill No. 97 - The Gas Utilities Amendment Act, 1973

MR. DEPUTY CHAIRMAN:

Are there any comments, questions or amendments?

MR. HENDERSON:

I would like to ask the minister one question. Is it possible under the legislation as it now stands, inclusive of these amendments, for a municipality, a town or a village to buy gas from Gas Alberta?

MR. FARRAN:

That's not included in this particular act, Mr. Chairman, but there is no reason why Gas Alberta shouldn't entertain an application from a municipality which wants to buy through this broker.

MR. HENDERSON:

I would hope that they would entertain it. But do they have the statutory authority to deal with it; to accept it and try to accommodate the request?

MR. FARRAN:

Mr. Chairman, they are not under any obligation to buy from Gas Alberta but Gas Alberta has the authority to sell to them. It's merely a broker which translates a price. It doesn't produce the gas or even negotiate the purchase. It has an agent for that purpose. It's really a bookkeeping operation. However, there are a number of municipalities which are being connected to gas systems together with rural co-ops so, naturally, they will be getting their gas through Gas Alberta.

MR. HENDERSON:

Mr. Chairman, just be more specific about it. I am thinking particularly in terms of the fact that the minister said earlier that he anticipates some nominal degree of equalization would take place in the rates. Also, the act stipulates that after such and such a date all the co-ops shall buy gas from Gas Alberta. They will deal with Gas Alberta. But it doesn't make it mandatory before that date that the co-ops deal with Gas Alberta.

There are some municipalities, like a town or village that runs its own system, which due to peculiarities in location pay a substantially higher price for gas than is probably the going rate throughout the province. I just want to be sure that there is nothing in the act that restricts Gas Alberta; that where the municipality desires to deal with Gas Alberta, that it could, when its existing gas contract expires, go to Gas Alberta and try to buy gas from them; that the legislation will allow Gas Alberta to entertain such a request - that's really all I want to know at this point in time.

MR. FARRAN:

Yes it will, Mr. Chairman, and where the act pertains to this subject is under Section 6(1): notwithstanding any contract any interested party or municipality or utility can ask the Public Utilities Board to arrive at a just and a reasonable price for their gas.

MR. HENDERSON:

Mr. Chairman, that still doesn't deal with the question of Gas Alberta getting involved. That's the question I'm trying to get an answer to. If it doesn't include the statutory authority maybe just leave it at this: that possibly the government would examine the desirability of bringing in amendments at the next sitting so that any municipality that is now established in buying gas could, if it wishes, approach Gas Alberta and Gas Alberta has the authority to sell them gas if it is mutually advantageous to do so. That's really all I want to know.

MR. FARRAN:

I don't think any special authority is needed. If a municipality wants the Public Utilities Board to intervene in a relationship to a contract they themselves have with a producer, the facilities are there through The Gas Utilities Act. If they want to deal with Gas Alberta and if Gas Alberta itself wants the assistance of the Public Utilities Board, it can obtain it through this act.

MR. DIXON:

Mr. Minister, through the Chair, I would like to ask the minister if his statement of last night about the increase of propane from \$40 to \$80 is wrong, because the industry today said that statement is not correct. I wondered if the minister had had a chance to review his statement in light of what the propane industry producers are saying?

MR. FARRAN:

Mr. Chairman, I believe the hon. member is referring to a representative of Cigas, which is not really in the true category of producers. They are buyers and sellers of propane both for the Alberta market and for export. The gentleman, whose name has slipped my memory for the moment, who spoke for Cigas to the newspapers, according to this newspaper report, was claiming what I believe to be a very low average annual consumption. According to the figures I gave you last night, 300 gallons a month is the consumption of an average Alberta farm. If you multiply 28 by 3 you'll see that my figures are not far out. The average distributor markup above wholesale is about 10 cents. If the price had advanced to 17 cents, which is the NEB new minimum price, and you add 10 cents for distribution and multiply that by 300 gallons a month, you will see that my figures are not far wrong when they relate back to former prices in the neighbourhood of 10 to 11 cents.

MR. BENOIT:

Last night during second reading, Mr. Chairman, some observations were made with regard to the portion on page 4 where it says that you have hearings after the prices have been set instead of having hearings and notifying the people before the price has been changed. I would like the minister's observation on the change of philosophy here in setting the prices arbitrarily before a hearing instead of after.

MR. FARRAN:

Well, Mr. Chairman, we went into that at great length last night. It is kind of repetitious but I'll say it again briefly. It will take two to three weeks to set up a full-scale hearing and three weeks before you get an answer, which is a six week delay. We are in a situation where the prices have been escalating terribly fast. We believe that the right method is to fix it now and hold the hearings later.

MR. BENOIT:

I heard that, Mr. Chairman, last night as he said, but it still doesn't alter the fact that there is a change of philosophy here. We have always had to have some time lapse between the time a hearing was called and the price was set. I suppose that the urgency of the situation now might be used as an excuse for changing the philosophy, but I'm not satisfied that it is, Mr. Chairman. I think that I'd like to know what the value of having a hearing afterward would be.

MR. FARRAN:

I'm sorry to appear a little impatient at the question. Through the Chair, your philosophy is probably not the same as my philosophy. I don't know what you are talking about - what philosophies have changed.

Certainly Alberta Power received an interim increase, as somebody mentioned the other night. Calgary Power received an interim increase and full scale public hearings were held at a later date to either confirm or adjust the price. This has been the practise in this province for quite awhile.

MR. RUSTE:

Mr. Chairman, to the minister, I understood last night you mentioned there was a cut-off date or the rollback date would be December 31, 1973. My question

is, do you think this can be accomplished by that time? Secondly, have you had any opportunity to assess the amount of the rollback at this time?

MR. FARRAN:

I'll take the second part of the question first, Mr. Chairman. The assessment of the amount of the rollback will be left to the Premier and, of course, the final decision will presumably be on advice of figures from the Public Utilities Board. What was the first part of the question?

MR. RUSTE:

Would it be possible to have this rollback completed by December 31 this year?

MR. FARRAN:

If it is not completed then, of course, this act will be proclaimed and the price will then be set by the Public Utilities Board.

MR. HENDERSON:

I just wanted to follow up on the observation by the minister that the procedure outlined regarding the hearings really isn't a change in philosophy so far as what has happened in the past, but I think members in examining ought to bear in mind the purpose of the amendment is to roll back the prices. I've been a little up tight in the past, where the hearings were held after the fact and the price was going the other way. But I think in this case, it is highly desirable that action be taken and do the talking afterwards.

MR. DIXON:

Mr. Chairman, I wonder if I could ask the minister one final question regarding the fact that the prices will be rolled back and then we'll have the hearing. I am wondering if the minister could give an idea, seeing that he is asking the companies to roll back their prices voluntarily, what price does the government have in mind at the present time as a fair price for propane in our province?

MR. FARRAN:

I think that is a fair question. The rapid escalation of price has taken place since October. At the beginning of October, the price was 8.5 cents; at the beginning of November it was 10.5 cents. I would say that it should be somewhere within that range.

MR. NOTLEY:

I just wanted to raise essentially the same question that the hon. Member for Calgary Millican raised. I noted, Mr. Minister, that you mentioned this was going to be up to the Premier. I don't know whether I mistook you or not, but I gather you are looking at 8.5 cents to 10.5 cents. My question that I raised last night, and again I raise it tonight, is, to what extent is this going to be influenced by the export price which, I gather, is 17 cents? Suppose the American market remains strong and that export price goes up to 20 cents or 23 cents or 24 cents, is that going to have any impact on what you consider to be a reasonable and just price in Alberta?

The other question I would put to you is, is there going to be any consultation with the major consumers, either through Unifarm or the NPU or through the Association of Rural Municipalities and Counties?

MR. FARRAN:

Mr. Chairman, it's really a hypothetical question, looking into the future, how much these prices will continue to go up, if at all; whether the energy crisis has peaked and is beginning to settle down. I think it is an impossible question to answer.

The second part about input from farm organizations, et cetera; we have already had that input. This is the reason that the bill has been brought before you.

MR. NOTLEY:

Mr. Chairman, just one further question. I can understand how the set-up is going to work if the bill is proclaimed. But, assuming for a moment that you are able to reach voluntary agreement, my question is, to what extent is that going to provide for a stable price? Are you going to look at an agreement that would cover a price for a year or for the winter season, or for what duration of time? I put this in the context of what you do if you can seek voluntary agreement as opposed to what happens if the act is proclaimed.

MR. FARRAN:

We'll just have to judge by events as they unfold in the year to come.

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

MR. FARRAN:

Mr. Chairman, I move that Bill No. 97 be reported.

[The motion was carried.]

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

MR. DICKIE:

Mr. Chairman, on Bill No. 94 an amendment has been submitted to the hon. members dealing with Section 141(1). I now move that amendment.

MR. CLARK:

Mr. Chairman, perhaps we might start the discussion in this area by asking the minister to outline the amendment to us. Then if the minister would like to become involved in telling us how the government is going to go about the discussions on royalties, we could start there.

MR. DICKIE:

Yes, Mr. Chairman, with respect to the amendment, the amendment really states in the various leases where there is a maximum royalty provision - and you'll notice subsections (a), (b), (c) and (d) - those clauses were designed to cover the clauses in the leases which contained the maximum royalty provisions. Those provisions are set forth as being void.

I think, too, if you'll recall, the hon. Member for Drumheller mentioned a concern that he had about being in a position to escalate and de-escalate the rates up or down. I think now, Mr. Chairman, if the hon. members would refer to the Act and the provision in the lease, by making the maximum royalty provisions completely void then the Lieutenant Governor in Council has that power to set royalty rates at whatever they so desire, so they could move them up or down.

Mr. Chairman, I believe the hon. Opposition House Leader had one further question. That dealt with our steps after perhaps the legislation was passed by the members of the Legislature.

As I believe I mentioned in my initial remarks, we set up five committees in our department - dealing with oil and gas royalties, drilling incentive, land tenure, cost allowance and sulphur. We called them study groups. Those study groups have been meeting with representatives of the Canadian Petroleum Association, the Independent Petroleum Association and the drilling contractors. It is our intention that after those preliminary meetings I would also meet with them to advise them, if the legislation had been passed, that we would now be in a position to move on finalizing some suggestions and thoughts on royalties and welcome their observations and proposals.

MR. NOTLEY:

May I ask the minister whether a working paper has been prepared on the royalty question, at this time, for purposes of discussion with the oil industry?

Secondly, with respect to the incentive scheme, is the minister in any position to give us a ballpark figure as to what the government is looking at in terms of public funding for that incentive scheme? He mentioned that the old scheme had, I think, pumped something like \$18 million back into the industry.

What are we looking at in ballpark terms as an annual figure for incentives for drilling?

MR. DICKIE:

First, Mr. Chairman, I believe the hon. member was referring to whether a working paper had been submitted to industry for the purpose of discussion. I can advise the hon. member that there has been no working paper submitted to industry for the purpose of discussion.

On the second question of the drilling incentive system, I recall my remarks as to the amount we had set aside for that and estimate that it has presently cost us some \$15 to \$18 million. We haven't, at this time, allocated an amount that might be used on the new drilling incentive system. I think it would be rather difficult to estimate that because we are looking at various ways and means of adding to the drilling incentive system, which would include not only exploratory wells but development wells. I think at this stage it would be very difficult and certainly very premature to even try to determine what might be a reasonable figure.

MR. NOTLEY:

Mr. Chairman, may I follow that up?

When can we anticipate some announcement with respect to the drilling incentive program both in terms of its provisions and with respect to the amount of money that will be used to fund it?

MR. DICKIE:

Mr. Chairman, in respect to when we might announce the drilling incentive system, some of the representations that have been made have been to the effect that when you are looking at royalty you should also look at the drilling incentive system about the same time. I would think that if it was possible we would suggest that the drilling incentive study committee would have a report ready which we might be in a position to finalize about the same time as we could on the royalty, so that we would have a complete picture of the situation at that time.

As to the question of what the amount might be, even at the time that that decision was made it may be very difficult to actually determine the exact cost. Even on the last occasion, when we were just talking about new field wildcats, it was most difficult to estimate the amount that might be involved because we were not sure at that time how extensively the drilling incentive system would be used. I would anticipate that some of the areas and suggestions that have been made as to improvements to the drilling incentive systems might be even more difficult.

So I would say that at the time the announcement is made I am not sure we would be in position to advise the hon. members or any other interested parties just what might be the figure that would be anticipated by the drilling incentive system.

MR. NOTLEY:

Mr. Chairman, if I can ask the minister a further question with respect to the royalty system.

I take it that we aren't going to be able to squeeze any figures out of him as to what the proposed royalty arrangement is going to be, but I am wondering if, perhaps, he might be able to shed some light on the approach with respect to the method of determining the royalty. Do I take it that the government is considering that the total royalty would go up as the price goes up? What I mean by that is - let's take the price at \$4 a barrel - if the price went up to \$5 a barrel then the royalty rate would be a higher figure and it would be computed on the entire amount. Or is what the government is considering at this stage a standard royalty rate for a given amount, and then as the price rises above that floor there will be a higher rate as the price goes up?

MR. DICKIE:

Mr. Chairman, I think we have mentioned that no decision has been reached, and perhaps those comments would be a little premature at this time. A number of proposals have been made and are under consideration, and I think that is about as far as I could go at this time.

MR. HENDERSON:

Mr. Chairman, I am wondering if the minister could give the House some indication, once the new royalty rate is struck and structured, how long they anticipate it would apply for. In the last go-round it was to be for five years, and I have no quarrel with the fact that circumstances dictated that that period of time didn't materialize. Obviously this factor is increasingly critical to the future of the private enterprise involvement in the industry, and yet I appreciate some of the pitfalls that the government faces in trying to make a projection of that sort. I am wondering if the minister could give some indication, if he feels it is in the public interest to do so at this time, as to exactly what their thinking is. Are they still thinking of five years?

MR. LOUGHEED:

Mr. Chairman, perhaps I could respond on that item.

We certainly won't make a decision until we have had an opportunity to have some consultation with the industry and given them a chance to make their representations. I am sure their representations will be that to create some certainty from their point of view, they would desire a fixed period of time. On the other hand, we have to weigh the fact that there are, in our assessment, very few situations where a given period of time of that nature is, in fact, committed to by a government. Very few indeed. That's not to say that the previous administration's judgment in that situation was wrong in the sense of the period of time, because they were dealing in an entirely different situation.

When we look at the fact that these companies are now drilling, have been drilling for about three years in the Mackenzie Delta without not only any assurance as to a period of time, but without any regulations and without any royalty rights. In the northern delta situation we have to weigh that.

We also have to assess that any decision we make will be predicated upon the effectiveness of our Alberta Petroleum Marketing Commission. It has to be predicated upon actions that may be taken by the federal government. It has to be predicated upon, as the member mentioned himself, the very nature of the rapidly changing events in the energy industry. For those reasons we certainly are not prepared tonight, in any way, to suggest to this House that it is our intention to follow in any given period of commitment of years. But before we finalize on that point, I think it is only fair for us to give the industry an opportunity to make its case.

MR. HENDERSON:

Mr. Chairman, I wonder if I could just follow up on it. In general, with existing leases I am certainly fully sympathetic to the point of view expressed by the Premier. But, I really think - and I come back to the incentive issue - the question of just pouring money in dry holes really isn't necessarily in itself the final answer in an incentive program.

I think there is something to be said in setting policy for at least giving industry the commitment that on new leases, strictly on new leases, we do have a five year term that applies to them, or some fixed period of time with a rate that goes with it. This would not be applicable across the board to all existing leases - the ten year leases, the twenty year leases, and leases in their first term - but at least it could be applicable to a fixed period of time on new wells, new drilling. I think it would complement the drilling incentive program which is strictly based on either dry-hole money or whatever you wish to call it. I realize that we are going to maintain the royalty forgiveness factor that, related to new discoveries, is part and parcel to this.

I certainly wouldn't advocate that any type of commitment be made specifically for infield drilling in existing pools, that any commitments are made, any royalty rates made, on that type of drilling - and there has been an awful lot of the drilling being done in the province in the last year. So there is strictly infield drilling to increase the capability of industry to produce at a faster rate the reserves that are there. Very little of the investment has done anything to add to the reserves of recoverable oil in the province.

So it does seem to me that there are some grounds for setting aside the royalty considerations for new wells and new pools. Truly it is somewhat different than what you would do with all the existing leases. I think this is the only point that I really wanted to make in bringing the matter up, Mr. Chairman.

MR. DICKIE:

Mr. Chairman, might I assure the hon. member that his point has been noted. I think it was along somewhat the same lines that the hon. Member for Calgary Foothills mentioned earlier in the debate. I think we will take those two thoughts and pass them on to the royalty committee and have a further discussion with them when the royalty study group meets.

MR. DEPUTY CHAIRMAN:

Mr. Strom is next.

MR. STROM:

Thank you Mr. Chairman.

My first question, if I may, to the minister. I maybe wasn't listening as closely as I should have. You mentioned the committee structure that you had. The committees would be reporting to you. Did I understand you to say that they have discussions with the industry, they report to you, and you will be having discussions with the industry? Have you had those discussions as yet, or is this something to be held in the future?

MR. DICKIE:

Well, Mr. Chairman, so it is absolutely clear, we have asked the three organizations if they would strike comparable committees of their organizations. Those committees would meet with the officials of our department. Those officials of our department as well as the representatives of the various organizations have been meeting with the idea of getting together and discussing various common grounds. Then it would be the officials of various organizations who would meet with me and perhaps other of my colleagues in the cabinet, to discuss the preliminary work that they have done.

So that would take place when the session adjourns. I can, however, say, too, that prior to this time there have been preliminary discussions with industry; they were at various meetings that we have had on a regular basis where the question has come up.

MR. STROM:

Mr. Chairman, I was pleased to hear the Premier state this evening that he felt that the situation that the previous administration had faced was such that decisions made then certainly do not hold any relevance, as far as time factors are concerned, in the problem that we are looking at now.

I would be the first to echo the same thought. But I would like to point out this; as a member on this side of the House, I am extremely concerned as to what it is that I am giving agreement to. I am the first to say that we have reached a point where it is absolutely necessary to review the royalty structure from the standpoint of what a ceiling ought to be, and for that reason I have no hesitation in supporting this legislation in that it is removing the ceilings. I don't think that anybody, I don't care on which on which side of the House they sit, I don't think that there is any way in which they can justify saying that the old legislation will continue to apply. It leads me then to make this point. I am prepared to accept that we change the legislation but I am now extremely interested, Mr. Premier, through you, Mr. Chairman, in the reply that you gave to the hon. Member for Wetaskiwin-Leduc.

Here again, I certainly don't want to be placing words in your mouth, but I, for one, am very interested in understanding it as clearly as possible. I certainly understand that in the decision that we made as a Legislature a year ago, we provided changes within The Mineral Taxation Act that would permit the government to get additional revenue from the industry. That, I am sure, would have been in effect for one year, and then it could have been changed.

The government in its wisdom has now decided that that arrangement is not good enough, that we have to use a different approach, and, if I am interpreting it correctly, I understand that that is the reason this particular act is before us at this time. It is going to provide more flexibility for the government because of the situation that we are in.

But before I agree to it, it seems to me that I should be entitled to get some more definitive answer, Mr. Premier, as to what the government has in mind in setting up the royalty structure. Is it going to be for one year? Will it be for a two-year period? If I understand correctly, we were looking at a five-

year period. Yet again, maybe that isn't effective now, and we need something shorter.

Mr. Chairman, is it unfair for us on this side of the House, who are asked to agree to some very radical changes, to ask what the government has in mind? I would be very interested if we could have some more definitive answer. If the Premier can give us some logical reason as to why it can't be done, then I would be interested in hearing it, Mr. Chairman.

MR. LOUGHEED:

Fine, Mr. Chairman. A very reasonable request. I believe that hon. members will have to vote for the bill on the presumption that there will not be a period of time, that it might be in effect only so long as one year.

On the other hand, we are not going to finalize that position. We don't think it's fair to do so until we give the industry an opportunity to come to us and make a case, if they can: that it should be two years, three years, or five years. I am sure all hon. members would agree that they wouldn't expect it to be more than five years.

Our thinking about it, and our assessment, is that other jurisdictions are not making that sort of commitment. And we feel that for that reason and for the very fact, which I mention in answer to the question from the hon. Member for Wetaskiwin-Leduc, that as far as the continual talk about certainty is concerned we've had a situation over the past three years where the industry has spent an enormous amount of money in the Mckenzie Valley delta, in complete ignorance of any situation with regard to the royalty or the land regulations that they face.

For that reason and for others, we're of the view that we don't want to put ourselves in a position that is any different than a government does with regard to taxation or anything else. We feel, as we did on The Mineral Taxation Act that the members have before them, that the mill rate would be set each year. We think that the royalty position is one where we need the maximum amount of flexibility. But I say that members would have to vote on that presumption, and we would have to present it to the members that way.

We may, after hearing from the industry and hearing their argument, or in terms of what the hon. Member for Wetaskiwin-Leduc raised, in certain cases and in certain exceptions, give some consideration to a commitment by the government to a longer period of time.

MR. STROM:

Mr. Chairman, I would have to say that I am going to find it very difficult, as an individual sitting on this side, to cope with the legislation that is before us under those circumstances. I am going to have to take a very careful look at it.

I would like to approach it from another point of view, if I may. That is - maybe I am missing something here as far as the industry is concerned - but in the Premier's view, Mr. Chairman, does he then suggest to me, in the answer he has given referring to the situation facing the oil industry in the North, that we really don't need to make any commitment; that we are still going to have them here; they are still going to be developing in Alberta, and that the industry itself is not in any jeopardy whatsoever? Because I think I have to tie the two together. I can't separate them.

When I spoke, earlier, Mr. Chairman, and this is the point that I really wanted to make, in my view, the decisions that this Legislature is making at this time are maybe some of the most important that we have made in relation to well-being, as far as the long-term situation is concerned. I think the hon. Premier has suggested that, too. But I would be interested in having a further response to the situation as it refers to the industry itself, because I think that's another factor we've got to look at.

MR. LOUGHEED:

Yes, Mr. Chairman, I think I would respond by saying that the industry naturally would desire a period of time. They have argued that in the past. I am sure they will argue, when the session prorogues and we have discussions, that it's in their interest in terms of certainty to have a period of time, whether it's two or three years or five years, in which they could rely on there not being any change in the royalty structure.

All we're saying is, we are not prepared in terms of debate at the committee stage of that bill to give that undertaking. We're satisfied, in our view of the industry, that they recognize that, in taxation and in many other ways where they operate, they are in the position that they have to rely on the good faith of government. They have and will continue to do that in my judgment.

On the other hand, I don't want to be, in this committee, placed in the position that without having had an opportunity to have heard their case we make a final decision on it. But I don't want to mislead members either, and have them feel that they're voting for this legislation in the committee with any presumption that we're going to have longer than a one-year period with regard to the royalties. We may have, but we may not.

MR. STROM:

Mr. Chairman, if I may just touch on one other point that I think is very basic to the discussion that we are having at the present time. I would refer to the - I was almost going to use the term battle but that isn't the word that I want to use, but the dispute, wouldn't you call it - the dispute that is going on at this time between the federal government and the provincial government in relation to the revenues that are accruing to the federal government through taxation, which could be coming to us in royalty.

Now, is the flexibility factor that the government is seeking to a great extent being sought in order to try to get all the additional revenue that is now available through the industry in one way or another?

Also, does the hon. Premier, Mr. Chairman, feel that with this flexibility we will in fact take the federal government out, and that they will not be collecting any revenue by way of taxation? I would be interested in knowing that.

MR. LOUGHEED:

Well, Mr. Speaker, that is I think what the hon. Minister of Mines and Minerals answered before. We certainly haven't reached a decision on that point.

MR. STROM:

Mr. Chairman, if I may, on that one. Then I take it that this would maybe be a secondary consideration; that the main consideration is related to the rapidly-increasing prices that are accruing to oil and gas, and that the government wants to ensure that it is in a position to take advantage of that but does not feel that it will actually resolve the other dispute presently going on between the federal government and the provincial government.

MR. LOUGHEED:

Well, Mr. Speaker, I think what we're really saying is that flexibility has to be the key. There are so many variables involved. There are the variables in terms of the question of price. There are the variables in terms of action by the federal government. There is the situation with regard to export. There are the very wide differences of view in terms of the utilization of our crude. There is the fact of whether or not the distribution system is going to be there; whether or not the Montreal pipeline is going to be built. There is the whole question of what's going to happen to the Puget Sound market. There are going to be the needs in Alberta and the review in Alberta. There is the whole question of the Arab oil position and the OPEC nations. There is just such a multitude of variable factors in the energy situation in the world today that I think it would be folly for this government to tie its hands. It needs the flexibility and that's what it is seeking in the legislation.

MR. DEPUTY CHAIRMAN:

Mr. Clark followed by Mr. Taylor.

MR. CLARK:

Mr. Chairman, just following along the comments and questions that the hon. Member for Cypress asked. I think it should be clearly understood once again that there is no member on this side of the House who is arguing frantically right at this moment that the government doesn't need some flexibility. I think that we have made that clear on a number of occasions.

But if I can go back to the comments made earlier by the minister when he talked about the various committees, the royalty committee, land tenure, drilling incentive, gas cost allowance, and sulphur. I assume these committees have met a number of times and now counterparts have been set with the CPA and IPAC and other groups.

Is it fair to ask the government what kinds of guidelines have you given these committees, specifically on the royalty thing? What guidelines have you given them as far as royalties are concerned?

MR. DICKIE:

Well, Mr. Chairman, there were no specific guidelines sent out to the committees. I think they are to hear some of the proposals that industry would perhaps have and have a general discussion along the lines of royalties. That's been the extent of the committees' discussions.

MR. CLARK:

Is the minister telling us, or expecting me to swallow that point of view? You have given the committees no indication of what the government is thinking of? You have given them no guidelines at all? You have given them no indication of whether you expect royalties should go up or whether royalties should go down? Has the government given them no indication at all?

MR. DICKIE:

Mr. Chairman, that's right. There has been no discussion of rates and whether they go up or down or anything like that. We are just discussing the question of royalties. That's what they are doing, and we are coming back to them after they have discussed a number of proposals that have been put forth.

MR. LOUGHEED:

Mr. Chairman, they can take one presumption, that they will be going up.

MR. CLARK:

We made one bit of headway.

Now secondly, in dealing with this whole group of committees that are operating here, has the government given any indication to the committees, or in fact to the industry, of whether you are going to tie the several items together: the royalty, the land tenure, drilling incentives, at least those three? Are you going to tie those three together when you finalize royalties?

MR. DICKIE:

Well, Mr. Chairman, again I think the hon. member is getting into this question of some of the proposals that have been made. As I mentioned before, a suggestion has been made that when we look at the question of drilling incentive we should consider that when we are looking at the royalty package. No decision has been reached on that. Again that is perhaps a little premature. I would be unable to stand here and advise the hon. members that we would make the decision on the royalties, cover drilling incentive, cover land tenure, cover gas cost allowance and cover sulphur. I wouldn't like to make that decision today or this evening. I think that's just a little premature.

MR. CLARK:

Well then, following along, Mr. Speaker. When the Premier spoke, I believe it was yesterday, he talked in terms of really three ingredients as far as the government take was concerned. He talked in terms of royalties, as far as an incentive program was concerned, and also in the field of income tax, corporation tax, and then other forms of taxation.

Now, if you are going to be looking at the royalty thing, and you are going to follow along the point of view the Premier outlined yesterday, it just seems eminently clear you are going to have to tie the whole works together. You are telling us right now you have made no decision about tying the royalty program, the drilling incentive thing, tying those together, or the introduction of any new taxes.

MR. DICKIE:

Mr. Chairman, I think we should be absolutely sure what we are saying. No decision has been reached. That may happen. I think the hon. member may well appreciate that on some of the problems we are contemplating specifically, say in land tenure, we have had many discussions over the last year. It may not be that that decision can be reached at the same time as the royalty question, but I wouldn't want to say today that that could be or couldn't be. I just don't know at that stage.

What I am trying to suggest, Mr. Chairman, as clearly as I can, no decision has been reached. It is a little premature to even try to make those kinds of decisions until we have all the information.

MR. CLARK:

Mr. Chairman, in the earlier portion of the session we talked in terms of a date early in January when the government will be making some announcement on royalties and related areas. Is this still the target date the government is looking at? Just following along, in the course of your discussions with the industry and your advisors, have you talked in terms of figures, percentages, as far as royalties are concerned?

MR. DICKIE:

Again, Mr. Chairman, going back to the royalty statement that I did make, I did say that they would be effective January 1, 1974, but we made no decision as to when the announcement would be made on that.

Again I might confirm that really this was in line with the Premier's statement on October 4, when he announced that existing royalties would come to an end in 1973. So I think that's as far as we can go this evening, to say that the royalties will be effective from January 1, 1974.

MR. CLARK:

Just to follow it along, in the course of the discussions that you have had, have you been making proposals to industry as to what the royalty rates may be, or how you will be handling the royalty question? Have you made proposals to the industry that as long as the price is frozen at approximately \$4 per barrel the royalty rate will stay the same as it is today?

MR. DICKIE:

Mr. Chairman, again I imagine there are a number of proposals that have been considered. I can say to the hon. member this evening though that we haven't discussed specific rates.

MR. CLARK:

Either I didn't pose the question very well or the minister doesn't want to answer it. I suspect it's the former, but it may be the latter. Can I have another crack at it?

Has the minister, or the government or the Premier, in the course of discussion talked in terms of specific proposals to industry people, or to their advisors, very specifically about keeping the royalty rate at what it is now as long as the price freeze is on, and as long as the price stays at \$4 per barrel, approximately that is?

MR. DICKIE:

Well, Mr. Chairman, again I'm not trying to avoid answering the questions. I don't know whether I can be any more specific, to say no decisions have been made; a number of proposals have been discussed, and leave it at that.

MR. CLARK:

Well, Mr. Speaker - or Mr. Chairman; you're right, thank you - it's really amazing that the minister will sit there with his rather enjoyable smile on his face, and give us this kind of double talk.

I can recall when the Premier and the members sat on this side of the House. They talked about making the Legislature the place really where the action was going to be in this province. This was where we were going to have the discussions on public business, and as much as possible this kind of public

business was going to be done right here in the Legislature. It wasn't going to be done behind closed doors, it wasn't going to be done by order in council, and all this malarkey as it has turned out to be, frankly.

I recall very well - we'll get to Ponoka in a minute - a comment that the Premier made when he spoke to the Edmonton Chamber of Commerce either in 1970 or 1971, when he used those very terms: that he was going to make the Legislature the place where the action really took place, where the public business was discussed. I think many Albertans took him at his word there.

Apparently the government has changed its point of view as far as that's concerned. We're not asking you here this evening to divulge information that will tip your hand as far as Ottawa is concerned, in negotiations with the federal government. It may well be that there are areas where you have to keep information in. But it is really suprising that the minister waffles around and refuses to talk in terms of anything concrete at all when you can read in some publications dealing with the industry that in fact the Premier has talked in terms of pretty concrete things to the media.

In the publication *The Energy Analyst*, and I'll just quote from it, Mr. Chairman; I'll have to take the time to read from it. On page 4 of the December 7 issue, 1973, the article *Lid off Royalties* is included:

A bill introduced Monday will lift the limit on oil and gas royalties and also throw out the oil reserve tax (introduced to catch those royalties which could not be altered because of long term contracts with the province). Once passed the new bill will give the province a free hand in setting the level of royalties it wants. This will give the province one more weapon to keep Ottawa in check, and it will bring "windfall revenue" to provincial coffers.

Industry will wait and see what the rates will be, before it will react to the new scheme. In an earlier interview with EA the Premier had said that while the province will take an escalating cut with higher crude oil prices, incentive would also be left for producers to explore for more oil.

Quiet discussions between government and industry give this approximate picture: the base royalty as now applied to the frozen price level will remain. But for any increase in crude price above that level, royalties will go up steeply to, say, up to 50 per cent of a price of, say \$6 bbl, compared to old maximum royalty of just over 22 per cent on the first \$4 and up to 50 per cent on the next \$2. The new rates mean something like a 37 per cent royalty measured against the total price. However, the base royalty will remain at least approximately at the same level. Increased royalties applied to the difference between old and new price, will take the royalty increase "off the top."

Now, Mr. Chairman, I don't think we're being unreasonable at all when we ask the minister if they have had discussions with regard to certain rates. The minister pussyfoots around and refuses to say, yes, frankly we have, and this is the ballpark we are looking at.

I don't think we are being unreasonable at all when we remind the government of the fact that we are prepared to go along with a considerable amount of flexibility. Most of the members on this side of the House voted on second reading in favour of the legislation of taking the lids off royalties. I think very frankly several members over here have given the minister, and given the Premier as far as that goes, an indication that we would really like to know what you are thinking of.

Frankly, it's surprising, and I might say disappointing, to me that on the floor of the Legislature in the committee the government gives us the kind of effort they have given us this evening, when in fact the Premier has been holding interviews with people in the press, very obviously giving pretty definite indication of what the government is thinking of.

The Minister of Mines and Minerals stands in his place this evening and tells us, you know, we really haven't given the committees any guidelines at all, when you know they can look at royalties just virtually doing anything. We haven't really told them whether we are going to try to tie the incentive program with the new royalties. We really haven't told them anything. They are just meeting. After they have finished these "just meetings" then I am going to sit down with them, and I am going to listen to their "just discussions" about whatever they have discussed apparently.

That is a strange way to run a government. Very strange. I frankly have grave difficulty accepting that you would set up committees, have people inside and outside government on these committees, ask them to go to the industry people and talk about royalties, and say you have given them no indication.

The Premier later said, well yes, the royalties are going to go up. I think that is pretty obvious. But we find ourselves in a situation where the minister would like us to accept his point of view. There has been no indication to this committee at all.

I am told by people in the industry, and if this isn't right I would like the minister to tell us, that the government has given a formula to people in the industry indicating how this royalty program will work, but to date the government has not put the figures in the formula. I am also told that some people in the industry have told the government that they could live with a royalty of up to approximately 50 per cent of the take above \$4 a barrel. Yet the minister sits in his place and isn't smiling as much now but expects us to believe that there has been no indication to the committee involved as to what they are looking at.

I go back to the comments made several years ago by a number of the members who are now in the government. When they sat on this side of the House they used to talk about closed government. They used to talk about the need for open government, for the Legislature to really be the place where we had an open and frank discussion of public business. That's right. I'm glad the Minister of Federal and Intergovernmental Affairs agrees. If he agrees - he, on occasion, appears to be the Minister of Mines and Minerals - maybe he would give us some of the answers.

MR. DICKIE:

Well Mr. Chairman, again I would like to say what we have endeavoured to do is follow the proper parliamentary procedure. We have taken forth, set and looked at the legislation and said, the first step is to get the enabling legislation so we can deal with this question. I think we tried to point out to the hon. members in this House too, on other occasions where we were talking about legislation that will be introduced, we have been very, very careful to make sure that other parties have had legislation ahead of time to examine it before the hon. members of this Legislature have. We have done that because, Mr. Chairman, we were quite sensitive on that on the other side when the government of the day at that time abused those privileges of the Legislature. We have been very careful not to do that. We thought it would be wrong for us to try to make decisions before we actually have enabling legislation. So, the proper course, in proper parliamentary procedure, appears to be to pass the enabling legislation, then go ahead and make the decisions.

What we are suggesting to the hon. members tonight is that no decisions have been made. If there was a decision made, I can assure the hon. members that I would stand up and advise the hon. members of that decision. I am sure the hon. Premier would like to. What we have said, is that there have been discussions going on, various proposals have been discussed. I think the hon. member confirmed what we have said about the rates and so forth, so there is no question on that. But proposals have been discussed and we have said that. To stand up tonight and say we should discuss those with the hon. members, I suggest that is a little premature.

What we would like to do is ask the hon. members for their suggestions as to royalties, and some of the members of this House gave us some excellent suggestions. We would like to go back now and discuss the proposals that have been discussed, consider the thoughts that have been expressed in this Legislature after we have the enabling legislation, then reach a decision and advise all the hon. members. I think that is the proper course of action to follow.

MR. CLARK:

Mr. Chairman, the comments attributed to the Premier [were] with regard to leaving the royalty at the rate that it is now at, basically at \$4 a barrel. For any increase in crude price above the level, royalties will go up steeply, say up to 50 per cent of the price for, say, \$6 a barrel. Frankly, has the government considered this and is this portion that I took out of The Energy Analyst a fair assessment of what you told the interviewer?

MR. LOUGHEED:

Mr. Chairman, I am sure that I have discussed it on a number of occasions. I'm sure it must be well on to half a dozen, it might be more than that. There are a dozen different ways of our looking at the question of royalties, but there has been no decision made and there may be even more options if we look at.

MR. CLARK:

Mr. Chairman, may I ask the Minister of Federal and Intergovernmental Affairs, he appears very cooperative all of a sudden, has the government reserved time for a province-wide telecast on January 10? The Bureau of Public Affairs; have you reserved time for such a province-wide announcement by the Premier of the whole energy situation?

MR. GETTY:

No, Mr. Chairman, we haven't.

MR. CLARK:

Following that along, Mr. Chairman, is it the government's intention to go this route when you have arrived at the decisions? That you will go on a province-wide network again and announce the decisions to the people of Alberta by that means rather than come forth from the Legislature?

MR. GETTY:

It's an excellent suggestion, Mr. Chairman. If the House wasn't in session, it might be an ideal way to let everyone know at once.

MR. TAYLOR:

Mr. Chairman, I have one or two questions, then I would like to make one or two comments.

To the hon. Minister of Mines and Minerals, does the hon. minister anticipate that the royalties that are going to be effective January 1 will be announced prior to the first ministers meeting?

MR. DICKIE:

Again, Mr. Chairman, no decision has been reached as to when the announcement will be made. Again, I would think it might be a little premature to actually try to anticipate when that decision will be made.

MR. LOUGHEED:

I might just add to that, not in a spirit of complaint but in a statement of fact, that there was just no discussion, at least with the first minister of the Province of Alberta, about the dates. My inclination is that a similar discussion was not held, Mr. Chairman, with other first ministers in Canada about the specific dates of January 22 and 23. Frankly, they don't come at a very good time for us because they come at a time when we are going to be very extensively involved in the question of making a final decision on royalty rates, on the incentive system and hopefully on the other incentive systems. So if they were trying to select a date that was difficult for the Government of Alberta, they picked it.

MR. TAYLOR:

Would the finalizing of the royalties and the incentive program and the announcing of these prior to the first ministers meeting act somewhat as a handcuff to the Alberta delegation?

MR. LOUGHEED:

Mr. Chairman, that is an excellent question. It could really work both ways, and that is one of the matters we are looking at. In one sense it could be a handcuff to the flexibility that we may have. Maybe we should have the opportunity of hearing the views of other provincial governments before we finalize such an important decision.

On the other hand, I think from our point of view we are conscious that the problem the industry is concerned about is establishing some certainty as to

where they stand. It's trying to balance between the difficulty of getting that certainty to the industry with a minimum amount of delay, because it was announced on October 4 that we would be changing it and we have been spending the first segment seeking the enabling legislation. Then the next situation is the point the hon. member makes, that we have to look at the position we would be in at the first ministers conference if we have already concluded that matter.

MR. TAYLOR:

One further question along that line. Is it anticipated that there will be a meeting of western ministers in order to try to get a western program in connection with this matter prior to the first ministers conference?

MR. LOUGHEED:

Mr. Chairman, because of the date that has been selected by the Prime Minister, I would doubt that that would happen. In fact, in today's mail, subject to the appropriate clearances in the mail, the recollection is that I received from the Premier of Saskatchewan [notice] that circumstances are now such that we won't be meeting until subsequent to the meeting of first ministers in January. I think our proposed date of meeting is some time in late February, 27 or 28 of February.

MR. TAYLOR:

Thank you.

On the next line of questioning, I'd like to ask the hon. minister, is the government considering some type of storage in connection with the item in the legislation where you take royalty in kind if necessary?

MR. DICKIE:

Mr. Chairman, that's a good question. It did concern us when we were drafting The Petroleum Marketing Act. That section of storage has been inserted in The Petroleum Marketing Act for protective provisions only. There is no other reason that that was inserted.

MR. TAYLOR:

Has the government received any indication that the Canadian government will be setting the wellhead price of oil?

MR. DICKIE:

No, Mr. Chairman.

MR. TAYLOR:

I think then I have one or two comments to make.

During the second reading I dealt, to some extent, on the royalty, the way I would like to see it in connection with escalating and de-escalating royalty. I was very happy to hear the hon. minister say that this is going to be considered.

One of the first things I will ask myself, and prepare an answer for my people when the royalties are announced, is: what are the people of Alberta going to get from this program? I think that is the number one thing as far as I'm concerned. You can't have jobs without industry and you can't have industry without confidence.

The major concern in this whole issue is: how much will the people of Alberta get from their own resource? At the same time, we must provide a reasonable and fair profit to the industry. I haven't heard anybody say that the industry is not going to receive a reasonable margin above their costs. I'm not one who thinks the industry should be making a windfall. This has happened too many times in this country where a few people have become millionaires at the expense of the rank and file of the people. I would have difficulty in following industry's complaint if the royalties are set in such a way that they're going to have a good margin. I think that margin has to be above the going rate of interest, and the going return from Canadian bonds, et cetera. But if there's going to be a reasonable margin for the industry, then I think there is even more strength added to the possibility, the flexibility and the

stability that might arise from an escalating and de-escalating set of royalties.

The situation is changing. If an escalating and de-escalating set of royalties is established, then that can change with the changing conditions in the world price, in the Canadian situation, in the Far East, the European situation and so on. At the same time, industry will always be guaranteed a margin, a good margin of return. I don't know why industry would not accept this. Industry, I believe, has indicated that it's not happy, would not be happy with an escalating and de-escalating set of royalties. If they're not happy with receiving a reasonable margin above their costs, then they want to make a windfall. I'm not so sure that industry is entitled to that windfall. I say they're entitled, like any other business and industry, to a fair margin, a good margin of profit, but not any windfall resulting from something over which they have no control whatsoever and had nothing to do with bringing about. The windfall should go to the people of this province.

When these royalties are set and established, the number one objective is giving the people the greatest possible return from their own resource, the second is establishing flexibility and stability in the industry with a good margin of profit. I can't see that this wouldn't be good. As a matter of fact, I think it would be excellent. From the representations I've received from my people, I think that is what they want, something along that line.

There's one other thing I'd like to discuss, just briefly, arising out of the answer given by the hon. minister about receiving royalty in kind. I think this is an excellent move. Should things come around to the point where somebody, whether it's the Government of Canada - I shouldn't say somebody, it's the Government of Canada - which does establish some constitutional right to establish the wellhead price in this province.

I know there are arguments both ways. Maybe some people feel there's no argument for the Canadian government doing this at all. I know the Canadian government would like to have the right to establish wellhead prices. If those wellhead prices are established by another government, the Alberta government, if it had storage, could purchase at that wellhead price and still be within the limits of the constitution of Canada. Then, having placed the mineral or the petroleum in a storage tank, I don't know of any law that would say the government would then have to sell that at any particular price. It would be their product. They could set the price. They could sell it to whom they choose. They could put on the conditions they wanted. I think this may be an excellent opportunity to secure some of the advantages we've been fighting for in western Canada for a long time, and we just have not got to first base. Or, if we got to first base, we certainly never got to second base.

This method of handling the matter, I think, we may well be able to accomplish something that we just haven't been able to accomplish under any other system we've tried. It's been tried in a number of ways.

My concluding remarks on this particular bill are, number one, I have mixed feelings in regard to whether the royalties should be announced prior to the first ministers meeting. I would not want the Alberta Premier and the Alberta ministers to go to this conference with their hands tied. At the same time, I would hope they would go as Canadians, with a view to helping Canada to the greatest possible degree cooperating with the Prime Minister and the other premiers. Every one of them will have suggestions. We don't have any monopoly on wisdom in this province. Every provincial premier and the Prime Minister will have, I think, probably excellent suggestions to make in connection with this matter. It may well be in the interests of Canada, perhaps more so than the interests of Alberta, to have these things pretty well set but not completely finalized until after you have heard from the rest of Canada. Certainly if we finalize them before we hear from Canada, we may well be charged with putting Alberta ahead of the interests of the people of Canada.

I want the Alberta people to secure the greatest possible benefit, but I would not want to be in a position where I want Alberta to become greater than Canada. I think Canada is our country. We are part of it and a part cannot be greater than the whole. I would hope that we would contribute towards a greater Canada, a greater unity, through the fact that we have been blessed with a tremendous amount of resources in this province.

MR. DEPUTY CHAIRMAN:

While we are making our way around the bases here, we will just take time out to inform you there are a number of committee members who have expressed a

desire to get into the discussion. I will give you the line-up at the present time so you will know where you are going to come in: Mr. Notley, Mr. Wilson, Mr. Henderson, Mr. Ludwig and Mr. Clark.

Mr. Notley.

MR. NOTLEY:

Mr. Chairman, I hope that in this discussion perhaps we could move into the marketing board, too, since it is mentioned in this bill. That might prevent us from going through the same exercise in the marketing board discussion. So, with respect, I will pose some questions that I think really cross from this bill over to Bill No. 95.

MR. HENDERSON:

I think that that tactic is really highly undesirable in the committee stages in this bill, that we should really go through the debate in principle on the marketing bill before we get into the committee discussion of that bill. I think we are just going to be longer getting through it. I could have agreed, probably to some extent, with what the member has proposed but I think it is the wrong approach.

We should have had a second reading debate on the marketing bill and the mines and minerals bill, if possible, simultaneously. If we got the principle set aside, then we could have dealt with them separately in committee, but as a member of the committee I have some strong reservations at this point in time about getting into debate on the marketing bill before we have dealt with the contents of this particular bill. I think the bill before the House should be the priority of the committee.

MR. LOUGHEED:

Mr. Chairman, we have no objection if hon. members wish to ask questions from an informational point of view with regard to the marketing bill because, as the hon. Member for Spirit River-Fairview pointed out, there is reference to this within the mines and minerals bill. If it is a matter of getting some information as to the nature of the marketing commission that would assist, certainly we have no objection to that.

MR. CLARK:

Just commenting on a point of order raised by the Member for Wetaskiwin-Leduc.

In light of the fact that a substantial portion of this piece of legislation deals with the Alberta Petroleum Marketing Commission, there is absolutely no way we can give thorough study to Bill No. 94 without becoming very much involved in the discussion on the Alberta Petroleum Marketing Commission. I, for one, would simply under no circumstances be prepared to vote on committee approval for this bill until we have had a chance to become involved in quite some detail in how the Alberta Petroleum Marketing Commission is going to operate, because in fact, as I say, it is a major portion of this particular piece of legislation we are considering before the committee of this evening.

Whether we should have had the second reading before or not, the fact remains that we haven't had the second reading discussion on the marketing commission. So whether it slops over and is done here, it has to be done here if we are not going to get the second reading discussion up till now, and we haven't.

MR. HENDERSON:

Mr. Chairman, I think, just for the exact reasons the Opposition House Leader has stated, that we should not get into the details of the second reading of the bill. The proposition that they have to be discussed simultaneously at this time in the committee, I suggest, is not a fact and I think it is unsound. It is going to interfere with the progress of the bills through the committee stage. Just for that reason I think it is unsound to get into a lot of committee discussion of a bill that isn't even before the committee. That the debate of second reading of the marketing bill - all this bill says, Mr. Chairman, is that the production, whatever the government receives in form of royalty, goes to the marketing commission.

The basic thing the committee is considering is how much of the production from Crown leases is going to be taken in royalty. That is the basic issue that

the committee, I think, should restrict its discussion to at this point in time. Notwithstanding the concurrence of the government on the issue, I would suggest that the committee do not entertain any detailed committee discussion of the marketing bill at this point in time.

I would point out that if the marketing bill doesn't get back from second reading it is just going to be a lot of time wasted. I think that it is a fundamental of the cart before the horse.

MR. NOTLEY:

Mr. Chairman, speaking on the point of order. First of all, we have had the undertaking from the Premier that he is prepared to entertain questions that relate to the marketing commission. As the Opposition House Leader has pointed out, Bill No. 94 does make reference to the marketing commission, so it would seem to me that it might expedite matters if we were able to raise questions on it.

That being the case

MR. HENDERSON:

Mr. Chairman, on a point of order. I would like to point out that the Premier doesn't own the bill.

MR. DEPUTY CHAIRMAN:

Mr. Henderson, Mr. Notley is speaking to the point of order at the moment.

MR. HENDERSON:

He is not. He is proceeding with the debate.

MR. DEPUTY CHAIRMAN:

He was speaking to the point of order, if I understand ...

MR. HENDERSON:

... and I would like to suggest, if we are going to have it, that there be a motion made and it be put to a vote and then we can settle it.

MR. DEPUTY CHAIRMAN:

Well, actually we have an alternate here. We can proceed through this act, section by section, if you wish, and there is a reference to the marketing act in one of the sections.

MR. NOTLEY:

Mr. Chairman, speaking on the point of order, with due deference to the right-wing member of our left-wing, right-wing coalition here, which isn't much of a coalition tonight, I really do think that it is a little silly for us to get bogged down in a procedural matter on something like this. As you point out, there is a section that deals with the marketing commission and if we go through it point by point then all these questions could be raised then. But surely it would be more to the point if we could raise them now because I think they relate to other aspects of the bill.

We are dealing with a many-faceted bill here. In order to discuss some parts of it, as I believe the opposition pointed out, we have to make reference to other parts. It seems to me that at this vantage point we would be better advised to allow as much latitude as possible. I suspect in the long run we will save time by doing it.

MR. TAYLOR:

Mr. Chairman, on the point of order. You have now heard the points of view of several members. I wonder if the Chairman would give his ruling and then we can proceed according to that ruling. If we object to the ruling, the members have the right to deal with that. But I think now the Chairman has heard both sides. I personally support the view that we would save a lot of time by having wide latitude on this for the purpose of getting information on the marketing bill.

MR. DEPUTY CHAIRMAN:

Is there any further discussion on the point of order?

On the point of order then, I would disallow the objection raised by the Member for Wetaskiwin-Leduc and ask Mr. Notley to proceed.

MR. NOTLEY:

Mr. Speaker, I have several questions I would like to ask the hon. minister.

The first question really relates to the price mechanism. I think that a good part of the jurisdictional problem today is that what has for a long time been the prerogative of private industry, setting prices, is now being taken over by government. Therefore, it seems to me that in order to discuss this bill we should have some pretty clear idea of what mechanism the government sees as the basis of setting a price. Is it going to be related to the price in the Montreal market? I've heard that suggestion made on a number of occasions, but again, it's a little hard to say that is a free competitive market in view of the games that the Arab oil countries are playing at this stage of the game, and in view of the role of OPEC in many ways acting as a bargaining agent for the Arab countries and Venezuela. On the other hand, if we base it on the Chicago market, we not only have the manipulations of the OPEC countries to deal with; we've got the added effects of the multi-national oil companies.

My first question to the minister is, what does the Government of Alberta see as the yardstick to set a fair market value on the crude oil produced in Alberta? Is it the Chicago price? Is it the Montreal price? Is it a replacement cost? What is it?

MR. DICKIE:

Well, Mr. Chairman, perhaps I could mention a few preliminary remarks that may be of assistance. I may not be able to answer the question in the detail that the hon. member wishes. However we will outline the procedure that will be followed for how the marketing commission might operate and how it might deal with a barrel of crude oil from the Crown.

First, we anticipate that what the commission might consider - and this would be a decision by the commission - to follow somewhat the procedure now that is followed by the crude oil purchasers. That is the organization that presently operates to buy and sell crude oil, and at various times slop oil, and get the various types of crude into the pipeline and transport it through the pipeline.

At the present time they have developed a situation which they call par crude at Edmonton. That figure is at present time \$4.11. That is for 42 degree gravity oil and every degree that is changed on that they drop that approximately 3 cents. In addition to that there is a sulphur requirement of four-tenths and when that sulphur requirement changes one per cent it goes up another 2 cents.

So that is how they work out the posted prices throughout Alberta. There may be 30 or 40 different posted prices throughout Alberta, but it is all worked on par crude at Edmonton. For example, as I mentioned, that's based at \$4.11. At Redwater, for example, at the present time the crude will be, say, \$3.88 based on that \$4.11.

So it is proposed that the commission might consider that the price they would look at would be a par crude at Edmonton on the same basis. Now when they come along to decide that I think they would perhaps want to take into consideration a number of factors.

For that reason we have been looking at the question of crude oil prices throughout the world. We watched with interest what happened at the last major change in prices. That took place, perhaps the hon. members will recall, sometime in the middle of October. That price originally started at Ra's at Tannurah in Saudi Arabia where they set the price. The posted price at that time was some \$5.11. After that the price changed in Libya. Venezuela followed suit and changed their prices subsequent to that. We then had our executive director of energy meet with the various refiners in Montreal to determine and reflect those prices.

In our various discussions with the federal government as well as with industry there has been the suggestion that what they would try to establish is an international price of crude oil. The suggestion has been made that they use

the international price of crude oil based at Montreal, the idea being that we can try to take an average price of crude oil at Montreal and use that as the base point. Whether that represents true average or not, of course, may be a question that we would have difficulty in determining. At a point of time you would have to look at that to determine whether that really represented a true international price. I think hon. members will appreciate that that may vary according to the sulphur, the gravity, and the various transportation problems involved in arriving at that price.

At the present time I think that we would have to keep watch to try to determine what might be the average price at Montreal. We would continue to do that so that that information would be available to determine what would be the average price going into Montreal.

I think that one would also have to keep in mind that approximately 50 per cent of that crude going into Montreal is now from Venezuela, and approximately 30 per cent from the Middle East or Saudi Arabia.

So those are factors that would have to be considered in weighing it. However there could be somewhere down the line a judgment decision made as to what might be the average price of the international crude oil at Montreal.

Now that may change as a result of future meetings that are anticipated now. I think the hon. members will recall that there has tentatively been set an OPEC meeting for somewhere around December 16 to look at the question of their posted price. They are trying to keep the posted price approximately 40 per cent over the market price and the market price is continually fluctuating because over in the OPEC countries they are taking their crude oil in kind at the same time and then they are marketing that crude oil. That is affecting the market price there.

So the OPEC countries themselves haven't really decided that they are satisfied with the price mechanism that they have now that is to deal with the posted price and the market price. Those prices could change radically depending on how they look at that in their future meetings in December and January. I think there is an indication that they are taking into consideration the participation interests and that all affects the market price and so forth. So there could be wide fluctuations in the OPEC prices which would have an effect on Montreal too. I think that those questions of how that is determined would also have to have a bearing on what you might say is the average international price at Montreal.

I think again too, that the marketing commission would look at those kinds of prices and then take a look at the par crude in Edmonton. We have tentative figures of what might be transportation costs, say, from Edmonton to Toronto. That's approximately 50 cents. Approximately a 20 cent charge could be estimated from Toronto to Montreal to relay that back so you would have a true average international price.

I think, Mr. Chairman, that the commission would have to look at that at the time it goes into operation, to consider those factors, consider what the price is, and then perhaps arrive at what might be a fair par crude at Edmonton.

MR. NOTLEY:

Mr. Chairman, just to follow that up. We are not really dealing with a free market price so much as intending to tie the price of our crude oil to the crude that comes into Montreal, 30 per cent of which comes from the Arab countries, and 50 per cent from Venezuela; Venezuela and the Arab countries constituting the OPEC group.

So, in other words, what you are saying then, Mr. Minister, is that at this stage anyway your view is that we should tie the price of crude produced in Alberta to what the OPEC countries are charging in the world market as far as Montreal is concerned. But that really isn't a free competitive market in the largest sense because you do have a very tightly-knit organization, and OPEC is, really, in many respects, the bargaining agent for the producing countries. But, in any event, I don't argue with that as a basis for pricing crude; I wanted just to nail that down.

Following from that, Mr. Chairman, I'm wondering, if perhaps for the sake of information to the members, if the Premier or the minister could advise the Assembly what the position of the government is today with respect to a posted price above the OPEC price in computing royalties? To what extent has any consideration been given to that as an alternative beyond what we have already discussed? As I understand the discussions of the last hour and a half or so,

we have been dealing with royalty rates which, by and large, are related to the actual price, whether that be \$4.00 a barrel or \$5.00 or \$5.50, or whatever the case may be. To what extent is the government now considering setting a posted price at, let's say \$7.50 or \$8.00 or whatever figure they cite, and then levying a royalty on that?

MR. LOUGHEED:

Mr. Chairman, I'd like to answer that question.

It is pretty clear that the government has not addressed its mind and would not address its mind to that matter until this legislation, that is the marketing commission, has passed the House, and also, to make it quite clear, that when the commission reaches a conclusion the member can draw his own. I think the hon. Minister of Mines and Minerals has described the many variables. There are others that I can think of that one would bring into force. So I think there are going to be a number of variables that the commission will have to consider before it establishes the price.

MR. NOTLEY:

Could the minister or the Premier give us some indication as to what sort of mix we are looking at in taking up the slack? As I understand the Premier's statement of October 4, the reason for these very substantial changes in oil royalties and what have you, the rationale behind Bill No. 94, is the moves made by Ottawa on the federal export tax. So I assume that what we are looking at is some sort of method of taking up that slack.

It would seem to me that the marketing board is the best way of doing that. I'm wondering to what extent you see the marketing board as the one agency for taking up the slack from the export tax, and to what extent you see royalties playing a role? Or have you come to the view that royalties are just to be interpreted in their normal position as a way of collecting the economic rent for the people of Alberta from the development of our non-renewable resources?

MR. LOUGHEED:

Mr. Chairman, we haven't addressed our minds specifically to that point. Without getting into the specific wording in the marketing bill, I think we have dealt with the question that the royalty owned by the Crown would be sold in the Alberta public interest. That would be evaluated at the time.

MR. NOTLEY:

Mr. Chairman, if I can follow up that question.

Let's take a look at the question of royalty in kind. Now, I can see the advantages in the short run in Alberta of the government taking royalty in kind, having some knowledge of the problems of the workers at the Imperial Oil refinery in Calgary which is being phased out.

One of their specific requests was that the government provide a sure source of oil. One of the methods of doing that, quite clearly, is for the government to take royalty in kind. But I rather doubt that that is the major reason for taking royalty in kind.

My question - to either the minister or the Premier - is: to what extent is the royalty in kind proposition related to the export market?

Now, to explain what I mean. It seems to me that, from a constitutional point of view, there may be some validity for Alberta setting a different price on our share which we have stored in the Province of Alberta. My question to you, Mr. Minister, directly, is: to what extent is the royalty in kind concept directly connected with the idea of setting a price in the American market?

MR. LOUGHEED:

Well, Mr. Chairman, I'm sure that what we're trying to say to the hon. member is that, in terms of the actual setting of the price, the act deals with the Alberta public interest.

It's a matter of the variables that the hon. minister has referred to. The export price is one, the opportunity price is another. We relate it too, to the question of what we can do in terms of making sure we don't lose a market situation. One of the market situations we would have to keep in mind is the discussion we heard in this legislature when we had the oil royalty hearing

regarding the Puget Sound market and the competitive position that we would be in there. Again, we are dealing with a number of variables.

MR. NOTLEY:

Just to clarify that. Do I take it then that the royalty in kind is to be largely consigned to the export market? Is that the government's intention at this stage?

MR. LOUGHEED:

Well, Mr. Chairman, that would be a misconstruction of the facts and of the position. We have made no decision in that regard.

MR. NOTLEY:

Well, Mr. Chairman, then I take it that the whole question of whether we take royalty in kind is not directly related, at this stage of the game, to Section 4 of the marketing act, which is the section which allows differing prices for differing areas, and would presumably permit the Government of Alberta to set an export price as well as a price for Canadian consumption?

MR. LOUGHEED:

Mr. Chairman, I'm sorry. I may then have misunderstood the hon. member if we were referring to PART 4. PART 4, I believe, is a portion that is established within the marketing board act. Perhaps the Minister of Federal and Intergovernmental Affairs might develop the purpose of that part if it's helpful to members at this time.

MR. GETTY:

Well, Mr. Chairman, PART 4 has been discussed previously in the House. That is the portion which would be proclaimed should the government be able to strike a cooperative note with the Government of Canada to allow the marketing commission to sell at two prices - one, presumably a price in Canada, and the other, an opportunity price in the United States. We would hope that having placed that capacity, or potential capacity, with the marketing commission, the federal government would recognize the discussions that have gone on and the statements that they have made that they are looking for a mechanism other than the export tax to cover the difference between the price in Canada and the price in the United States. That mechanism might be one in cooperation with the provincial government.

MR. NOTLEY:

Mr. Chairman, could I ask the hon. Minister of Federal and Intergovernmental Affairs, specifically, first of all, whether this question was discussed on October 29. I assume it was.

Flowing from that, did the minister get any indication at all from the federal government that they were prepared to entertain an Alberta marketing board, in effect setting an export price on oil produced in Alberta, but consigned to the American market?

MR. GETTY:

Well, Mr. Chairman, I have mentioned before in the House, also, that the federal government has taken a relatively ambivalent position. There have been discussions when it appeared that there was some hope for cooperation and a possibility of the Alberta Petroleum Marketing Commission moving into the area presently referred to as an export tax. But then there have been other statements, which all the members have been able to hear and read, which make it seem less likely.

Other than that, Mr. Chairman, I think I would have to say that since there has been a series of ongoing discussions, it would be improper for me to elaborate further on them, because the subject is still open between the federal government and ourselves.

MR. WILSON:

Mr. Chairman, inasmuch as the unilateral abrogation of contract is perhaps the basic principle at stake in this bill, would the Premier like to take this opportunity to outline his government's policy on sanctity of contract?

MR. LOUGHEED:

Well, Mr. Chairman, I would find myself repeating word for word literally on that subject what I said at second reading. I would just endorse the comments that I made then.

MR. WILSON:

Mr. Chairman, I have the Premier's comments on second reading. I have listened attentively to his talk, and I enjoyed it very much - I thought it was a great folksy little talk - but it doesn't say what his government's policy is on sanctity of contract.

The Premier's reference to it was something to the effect that he expected us to give him a little heat on the subject, and we did. We appreciated that. That was fair ball, but he didn't outline what his government's position is. I'd like to invite the Premier again to enlarge, if he would, on what contracts can be considered to be firm in Alberta. What contracts, I'm talking in terms of with the government - what contracts may be subject to attack?

MR. LOUGHEED:

Mr. Chairman, again I really don't think I can expand upon it. It's a matter of judgment in terms of the public interest of Alberta. That is the judgment decision one has to make.

MR. WILSON:

Well, Mr. Chairman, if the Premier could put himself in our place - and he's been on this side of the House - he admitted that he wouldn't have voted for this kind of legislation when he was on this side of the House, yet he's asking us to do it.

He's asking us to approve a licence to dictate without outlining even the philosophy of what he stands for. You know, is he talking in terms of a planned economy, or a competitive marketplace system? Let's go back to the basic principles. What is his goal in his position as the Premier of the province? I think that we're entitled to a little further explanation.

You know, Mr. Chairman, there are all kinds of problems that come to mind. I voted against this bill in second reading and I haven't heard anything to change my mind. You know, we just don't know what the government's intentions are. It is stretching a request far beyond a reasonable state to present this kind of legislation and ask us to approve it. It's just like saying, look fellows, I'm a good guy, I'll look after you, trust me, give me the license. But that isn't good enough. I think that we have to know what is the basic philosophy? And I would once again, Mr. Chairman, invite the Premier to expand upon those comments.

MR. LOUGHEED:

Well, Mr. Chairman, I respect the hon. member's view, and he certainly is entitled as a member to vote against the bill as he did on second reading. I don't know what more I can say, except the fact that it was our judgment that we had to look at the position and say that changes had to be made; the energy situation had changed and because of those changes we felt that we had to bring in legislation that removed the maximum royalty provisions that were contained in the leases. We said that we didn't do it easily and that we did it with regret. But the fact is that it was [in] our judgment in the Alberta public interest to do that.

I appreciate the position that the hon. member is in with regard to this matter. I recall sitting on the other side of the Legislature, I believe in the session of 1968, on the very last day I think it was, when the government of the day made a reversal with regard to the decision on Medicare. They brought forward a bill towards the last day or so of the session, and it was important that that bill take a place - I think it was on July 1, 1968. It was the judgment of the then Minister of Health, I believe it was Mr. Donovan Ross, that he needed the flexibility with regard to the bill, that it was really a basic framework. We went along with it. It's not an easy position on the opposition side of the Legislature to do. I appreciate that.

On the other hand, we are into a situation here, as I have described, where every day literally changes the energy situation, and we feel that we can't be tied into a position of maximum provisions of 16.66 per cent of gross in the leases.

I think it is fair to say that generally, also with concern and with regret, the lessees involved appreciate that this is so; that it is an entirely different situation than when they entered into these leases in the first place. They are not overjoyed about it, but I think they generally accept it. We do it with regret and I think they accept it with regret.

MR. WILSON:

Well, Mr. Chairman, we've got reference here to a petroleum marketing commission because of economic conditions that exist.

One can let one's mind wander and conjure up all kinds of unhappy visions. For example, the economics in real estate have changed considerably in the last few years, you know. Can we expect a real estate marketing commission where everybody would have to sell their homes through the government, with no assurance that they would get any of the increment in value that it may sell for?

What is the basic philosophy here? How far is the government prepared to go because of economic reasons? How far? Are they going to control the sale of homes, everybody's homes? And if the market goes up the government takes the profit?

That's why I am asking and inviting the Premier to say what road he is going to take this province while he is in office. Is it a planned economy route? Or a competitive enterprise system? Or some other explanation?

MR. LOUGHEED:

May I respond?

MR. WILSON:

Please.

MR. LOUGHEED:

Mr. Chairman, I think that's a different point from the other one; equally important, when it deals with the marketing commission specifically. But I think the hon. member will note that there is no inclusion of freehold within the marketing commission. If it is involved, it comes in under PART 4, and that is, of course, on a voluntary basis. There is no compulsion with regard to the freehold production contained in The Petroleum Marketing Act. It deals entirely with Crown production. I think that may give the member some help in terms of assessing the philosophy of the government on this matter.

I know one is aware in reading the news of the expropriation of freehold interests that has occurred in our sister province to the east of us - I almost said west, but east or west - and I know that the hon. member is concerned about matters such as that. But I think that to a degree the philosophy of the government is reflected in the way in which the freehold production is treated under The Petroleum Marketing Act.

MR. HENDERSON:

Mr. Chairman, there are a number of comments I'd like to make. Every time I hear these words sanctity of contract, Mr. Chairman, these words come to my mind as sanctimonious nonsense.

I thought it was sanctimonious nonsense when the government used them a year and a half ago. And when I hear them being repeated by people seated in this side of the House I am even less impressed by them because they know better.

I thought it was a mistake when the government chose to make a public relations exercise, and a cute one, of going through the tax hearings to force industry to open up the royalty agreements. I objected in principle to the industry being placed in the role of an adversary. I think I made my views known to the government at that time. I tried to convince some of my colleagues in the opposition we should even oppose the nonsense of the hearings, but that wasn't popular. I think the government has learned out of this exercise that popularity isn't necessarily the best interests of the government in the long run. And I'm pleased to see they've learned it.

But I am amazed at how quickly some of the members of the opposition assume a role of - because they get into opposition they become completely irresponsible. I think anybody who has to stand and argue before this House ...

AN HON. MEMBER:

Speak for yourself.

MR. HENDERSON:

... and gets into this nonsense about sanctity of contract and equating this removal of oil royalties with real estate dealings, obviously is completely divorced from reality.

Private real estate dealings where there is land owned by two parties and they are dealing with one another has nothing whatever in common with a resource which is owned by the people of the Province of Alberta. So when one tries to equate that proposition and, because there is some sanctity to those contracts, lead to the conclusion that there is sanctity in the contracts reciting the maximum oil royalties, you know, it's completely incomprehensible - it's just gibberish.

I think that if the members of this House want to examine the facts, and they are in the oil policy papers, filed in the House, that led up to these big tax hearings a year and a half ago, it's quite obvious that the ceiling relates to leases that are 20 years or more old in many cases, and 10 years old.

I listened to an argument or proposition, for example, - to get down to specific terms - that relates to fields like the Redwater oil field. With the exception of one or two wells, it was 100 per cent Crown acreage involved. I think the private freehold acreage was watered out within the first three or four years. It's 100 per cent Crown leases. It's a field with a billion and a half barrels of oil in place, and they are going to recover, over the life of it, a billion barrels of oil. Drilling the wells in it and equipping it for production was like drilling fence post holes. A lot of the wells paid out their initial investment in the periods of the first three or four months, certainly within the first year. These are the pools that we are talking about. This type of pool. They are not all like that.

Big major fields were found in Alberta in the early days of the development, and the maximum royalty conditions - I think if you looked at it - would relate to a lot of the major pools. When one has to stand up and use the argument of sanctity of contract relating to the royalty leases, the 21 year and 10 year ones, those are the leases that are best able to pay the higher royalty. There's no question about it.

In my mind I don't separate the question of royalty, when it comes to incentives, from the incentive program. I think there is something to be said for having a fixed royalty period defined for new wells and new pools. I think it can be argued as part of the incentive program that the royalty rate during that period should be lower than otherwise.

Certainly the argument of sanctity of contract that relates to the old leases which now have royalty limitations in them, those are the very pools that, by and large, were the larger pools, the more prolific pools, which were found the earliest and had paid for themselves years back. The people who are producing them are taking the money and moving elsewhere with it. When one argues that the maximum, in the lease agreements, of sixteen and two-thirds should not be removed by legislation, very obviously, they're not taking into account the best interest of the people of Alberta.

I felt a year and a half ago, it was in the best interests of the people of Alberta for the Legislature to remove the maximum ceiling from the royalty agreement. I argue it now and I commend the government for having faced up to the responsibility and having been prepared to have to sit through the exercise they are going through. They need a little crow in the interest of fulfilling their responsibility to the people of Alberta.

I couldn't resist, quite frankly, sending a note over to the Premier the other day, and I hope you won't mind me mentioning it, when Mr. Wilson had presented his dissertation in second reading on the bill, that eating a little crow was often good for the political soul. I commend it to all members, particularly government members. I would like to suggest that all members of this Legislature live in glass houses. Much of concern to me is what is in the best interest of the people of the Province of Alberta.

One word I hear being bandied about in the committee, which is a bit of nonsense, is the word industry. When it comes to paying taxes, there is no industry position, other than they don't want to pay any, any more than I do or you do.

When one tries to come up with the industry position on this or that, there is no industry position on paying taxes. Imperial Oil's position on paying taxes is entirely different than the position of another company which spent millions in the province and hasn't even reached the break-even point yet. There is no such thing as an industry position on the matter.

So when one stands up and asks the government, tell us what the industry position is so we can judge whether we should authorize this legislation - give you the flexibility - such comments are completely divorced from reality. It's a matter of judgment on the part of the government, trying to find out what the industry position is. What the government has to do in the interest of getting the best deal for the Province of Alberta and hopefully to leave the industry in an economically viable position for the future.

I have no hesitation whatever, Mr. Chairman, in saying that, in my view, the government would be irresponsible, and would not be acting in the best interest of the people of the Province of Alberta if, at this point in time, they completely divulged all they are thinking on this subject to this Legislature. It has nothing whatever to do with open government. It relates to one word, and that is responsibility.

Now in past years, Mr. Chairman, the common practice with the previous government was that when the royalty review came up the industry was invited in to discuss the matter with the government. The government outlined what its position was, on principle, the items they weren't prepared to negotiate on and items that they were. The circumstances generally I think lent themselves to doing that type of thing before the legislation came into the House. It was a good way to do it. But there is no question in my mind that it is not applicable in this situation because of the new factor that has been injected, that of the federal government.

Previously the discussions have always taken place between government and the various companies in the province, if you want to call them "industry". But in this circumstance, a completely new, unprecedented factor has been injected into it, that is the federal government. When the federal government doesn't seem to know what on earth its going to do, I'm amazed that members stand up and say, what is this government going to do?

We have a federal government which on September 4 - I just read the speeches as I got them from the Minister of Mines and Minerals - Mr. Trudeau announced what he was going to do in the form of putting a freeze on crude oil prices, asking industry to do it. He would consider the possibility of an export tax or a national marketing board of some sort.

I recall very distinctly, not too many months earlier, the Prime Minister of Canada saying the federal government couldn't do anything about price control without the cooperation and legislative support of the provinces.

Then good-bye to that statement. Then bang we get a price freeze, supposedly voluntarily accepted by the industry. Of course, with the veiled threat that if you don't do it, we'll kick your slats out, naturally the industry is going along with it. Any commitment in there was that the freeze was going to come off January 30. Then, about three weeks ago, the Prime Minister of Canada got on a big nation-wide TV hook-up and told everybody the freeze was still coming off the end of January; Mr. Macdonald was going to come up with some information relating to a national energy policy; they were going to build the Montreal pipeline and a few other things. Then about a week ago, the Prime Minister of Canada says, no, we are not taking the price freeze off in January. We don't know when we are going to take it off.

Of course, we've got other politicians in this Assembly who don't have any concern, they put the interest of their national party ahead of the interest of the people of Alberta. So much for that.

My concern in this issue remains the people of Alberta. When one considers the complete unpredictability of what the federal government is going to do - when they don't even know themselves what they are going to do.

They have got a Minister of Energy in the federal government who was talking for weeks about a shortage of crude oil in Canada. Then somebody all of a sudden, told him about a new refinery coming on-stream in Newfoundland. All of a sudden the argument shifted from a shortage of crude to a shortage of refinery capacity. The question of crude supply was kicked aside, you know, it was no longer relevant. Then, of course, somebody had the audacity to point out to the man that they don't put big refineries like that on-stream overnight, and they

were probably doing good to produce any products in six months. But all that was irrelevant if they didn't have the supply of crude oil.

So we have a federal government which doesn't know what on earth they are doing in the field of energy. I don't think they have a clue. The national Minister of Energy has completely discredited himself. I think the Prime Minister of Canada has put on a performance which has brought politics in Canada to an all-time low.

It has been my observation, when politicians start using personal attacks, inevitably it is because of the lack of capability to come up with a concrete, positive approach to dealing with a problem.

It doesn't matter to me, whether it's in this Legislature, the municipal level, the federal level or the federal-provincial level. Because we now have in Canada a national government which has said they place the interest of partisan politics above the interest of a province of this country. The Prime Minister of Canada removed once and for all any doubt about the question of the game they played with the Province of Alberta being anything other than partisan politics. It has all the makings of partisan politics in the mind of the Liberal government. The people of Alberta are not identified in any way, shape or form, other than being part of the national Conservative party.

So when Mr. Trudeau said fuddle duddle once before in the federal Parliament, in my mind, he said fuddle duddle to the people of Alberta, with this whole exercise he has put on.

I find, Mr. Chairman, that I probably feel more strongly on the issue than I should. I feel very bitter about it. I feel bitter also, Mr. Chairman, when I think that exercises in this Assembly are in the interest of a short-term, partisan, political game, which on all issues, most issues, we like to play one way or another.

I think it would be most unfortunate if exercises of that type in this Assembly undermined the capability or the position of the provincial government to deal as effectively and promptly as possible with the whole question of energy marketing and can take into full account the completely unpredictable aspects of the federal government which we now have in this country. I think it would be a tragedy.

The first thing that came to my mind in that regard, when I heard the statements the Prime Minister of Canada was supposed to have made was quoted as having made in Vancouver last week; when I listened to them I thought they sounded like extracts from some of the speeches of the member of the opposition in this Assembly, bause piecemeal they have been stated. I don't think such words on the part of the Prime Minister or on the part of a member of this House have added anything to doing what is in the best interest of the people of the Province of Alberta. There is no doubt about it that that involves getting the best deal for the energy resources of this province.

One of the other things that bothers me a lot about the mythology of this whole exercise is the thing that is projected. The argument comes up that it is the big oil companies that Mr. Trudeau was going to fuddle-duddle. It is nothing to do with the well-being, the material well-being or the interest of the people of the Province of Alberta.

I think in the interest of putting that issue in its right perspective, Mr. Chairman, not only does this committee have the authority to take the maximum off the royalty in the lease agreements, this Legislature has the authority to raise the royalty to 100 per cent if it so decides that is in the best interest of the people of the Province of Alberta. I am not suggesting we do it, but, very clearly, it does have that prerogative. Sure, we would have the question of compensating industry, buying out all their facilities and so on. But when critics of the government inject the element of the major oil companies as an excuse for doing what's been done in Ottawa, I think it's a completely fallacious argument.

The oil issue, I think, boils down to the parallel situation as if the people of the Province of Alberta were selling off the topsoil of the land yard by yard. When it's gone, it's gone. If anybody suggests that we should sell off the topsoil of the Province of Alberta and export it at giveaway prices to Ontario, Quebec, or the United States, I'm sure that we would have everybody in the country up in arms. In actual fact the oil resource we are dealing with are just as irreplaceable as the topsoil that provides the food for the people of this province, the people of Canada, and people of other parts of the world. In my mind, the efforts and energies of this Legislature should be devoted to

seeing that we get the best possible deal for that resource, the oil resource, or if were dirt, the topsoil resource.

I suggest, Mr. Chairman, that it is in the best interest of all the people in the Province of Alberta for all members of this Assembly to keep this objective in mind. I think a partisan political approach is ill-advised in this particular case. I think there will be lots of opportunities at other times to play that game, and I am not suggesting I won't play it myself when it's an internal issue. But this is not an internal issue.

We stand at the crossroads in this country, in my mind, of where Canada - not just Alberta - is going, where the future of private enterprise lies, and, I think, where the future of our confederate form of government rests. If the federal government in the extreme utilizes some of the powers that are available to it, I think they are going to destroy completely any meaningful concept of provincial government. That remains the basic issue.

I would simply close, Mr. Chairman, by repeating again, I think the Government of Alberta would be irresponsible if it were to stand up publicly at this time and completely state everything they think, everything they heard, and everything they thought about in dealing with this particular legislation. I have no reservations whatever about endorsing it, nor about accepting on good faith the government's intentions with it. I think every member of this Assembly in the final analysis can do it, because there is no doubt, in the final analysis, about the fact that the government is accountable to the people of the Province of Alberta. I expect the people of the Province of Alberta to hold them accountable to it in general, and the members of this Assembly specifically.

MR. LUDWIG:

Mr. Chairman, I certainly wish to commend the hon. member who has just spoken. If our hon. Minister of Mines and Minerals had a fraction of the ability that the hon. member displayed we wouldn't have to be trying to extract information from him. He would have it ready.

I also wish to commend the hon. Member for Wetaskiwin-Leduc. He did a tremendous job of defending the government position when neither he, nor we, nor the government, nor anybody, knows what the government position is. It takes a lot of ability to be able to do that.

I didn't realize, Mr. Chairman, that we would see our hon. Premier, who was such a terrific man in leadership, floundering so early in his political career as he is tonight. Somebody said we are at a crossroads. That's exactly where we are and he hasn't the courage to get off it. I believe Dag Hammarskjold once said that when a man is at a crossroads, don't condemn him and don't commend him either, for he is entitled to stay there. But staying at the crossroads is not synonymous with leadership.

The hon. Premier reacted very quickly and swiftly, he drew very quickly against the proposal of Ottawa. And how long later, he hasn't got a policy of his own. Now he is floundering again. He's been firing blanks ever since.

We can criticize Ottawa for no policy. They have somewhat of a more major problem. They have ten provinces to deal with. But the hon. Premier has one province and he is talking about no one else having a policy. I would like to know what his is. Stand up and state it as briefly or as long as he wishes, but I think we are entitled to know.

If they feel they ought not to reveal any more than they have revealed now, then he doesn't need this side of the House to pass his legislation. He's got a docile back bench who will vote no matter what he does. I once stated that if the hon. Premier made a move to amend The Ten Commandments, he's got it made, nobody on that side would vote against him.

So what is he trying to push us to stand with him, knowing that if he gets he wants it on record that we stood with him. Now any MLA in this House - on either side of the House - if he wants to vote for something that he neither understands nor is there any promise that he will understand it in the future because not only are they saying that we haven't got it - that's obvious, they don't have to tell us they haven't got it, we can see that they haven't got it. We want to know when they are going to get it. I suppose we should not be sort of cheeky enough to demand facts.

I said he has got a docile back bench. They'll give him a blank cheque. Let him sink or swim on his own decision, but to want us to go along with him

because he can't get off the crossroads. The first time that this government here comes face to face with a major problem, with a major decision to be made - guess what - he is jockeying around, he's stalling, he's giving us innuendos, he's giving us double talk, because he doesn't know which way to turn.

He is used to making decisions which are popular. He gets his task force committee to find out which way the wind is blowing, and, bang, he's got an answer. I suppose that's leadership and diplomacy.

Now he's got a problem that no matter which way he goes he's not certain what the long-range results are going to be. The repercussions could be embarrassing. But that's his job and he has to make a decision. I am saying that he can't make a decision because he has never had to make a real one, a real serious one that may turn out to be not exactly right.

I was impressed with the fact that the Premier stated that there were variables involved. Well of course there are variables involved. In everything we do, there are things that are not constant. It is bad enough for the industry to be confronted with variables of different types, but the most unpredictable and unreliable variable is the government. They have shifted position two or three times in the last several months and here they talk about sanctity of contract and investor confidence. Apparently he doesn't know what the thing means.

I am impressed also with the hon. Premier's remarks when he states, well, you are going to just sort of have faith in us and vote with us because there may not be any time limit, any projection of time. He says we should have faith in him, but I am not obliged to have faith in it. In fact, I will quote you something that destroys much of the faith that I did have in the Premier at one time. I'll quote this from an article that the Premier must well remember, because I think he wrote it. Here's what he says:

We believe that a provincial government should not just preach free enterprise, but should also promote this system by creating an atmosphere consistently favourable to it. This requires an acceptance that the free enterprise system may have defects, but that it is by far the best economic system for the people of this province.

He goes on to say:

It thus requires an obligation for constant investigation of every new measure introduced by provincial or state administration in North America. It requires the acceptance of the position that the economy is stronger by maximizing the number of our citizens controlling their own economic destiny.

He has reversed himself. He is unpredictable, unreliable, and, I say, deceitful, that this is a deception from his previous position. This comes from jockeying around or juggling around words from the white paper that was written by the Social Credit government.

He says, we are not ready to tell you what this is all about, that he does not know. Well, that's a good beginning. But he is not even telling, he is not giving us when they might come down and come up with the answers. How does he expect to get the answers? The MLAs can have no input. We can't get the answers. I'm saying we can't because the hon. Minister of Mines and Minerals admitted that he can't. He's not even telling us how he's going to go about getting them because we feel that there must be consultation between the government and the industry. There's no reason why there shouldn't be. But I suppose since the MLAs can't get the government to commit itself to which way it's going, perhaps the petroleum industry lobby will. That's what we're heading for. They won't talk to the MLAs, they don't count very much. Those on that side don't, if they are docile enough to give up their proxy votes. They'll vote for anything, so why should the Premier insist that we take him in hand and go with him. Let him stand or fall on his own decision in this case. If he wants a commitment from us, just in case it happens to be the wrong move, well, the opposition stood with us.

This is one time I'm not going to stand with any government that can't put its hands on the table. Are they unable to get the figures? Do they know which way to turn? Are they waiting for Ottawa to make the first move of some kind? What is the holdup? They can tell us. I'm saying that perhaps they don't know.

I think when some people talk about the partisan political approach, I believe that the whole dispute with Ottawa was placed very clearly and evidently

on a partisan and political basis and the prime mover in that regard was the hon. Premier.

I think, when we watch them discuss buying this and getting into the marketing, that they do want to be in the brokerage business. Perhaps the Minister of Federal and Intergovernmental Affairs is more qualified to be a broker than he is to be a diplomat. Perhaps he doesn't want to give up his previous activities, and still be in politics. Some people want to be in business, some want to be in politics. The fellows opposite will have the best of both worlds. Maybe the socialists aren't that stupid after all.

I know that they have intervened, this government has practised the sort of role of intervention in industry. Even though they have intervened, at least they should be able to tell the industry where it stands now, at least for the time being.

But five months ago the Premier was jumping up and down and saying, we've got a policy, nobody else has one. He discarded that policy before it took effect. He did a lot of downwind bleating about nobody else having an energy policy and, lo and behold, he's convinced us beyond any doubt that he not only hasn't got an energy policy, but he is not close to getting one. I think it is an affront to the parliamentary system to say, well, you'll have to have faith in us and vote with us, because right now we can't come out and give you the answers.

I get amused when some questions are thrown at the other side and they pretend that they know them. Watch the hon. Mr. Getty. He pretends that he has acquired full knowledge of all the issues and apparently he's not telling Mr. Dickie what is going on, because certainly we're convinced, and the hon. minister ought not to repeat that he does know the answer. We're convinced of that. But that doesn't solve our problem before we cast our vote. I don't think that anybody who has any respect for his responsibilities in this House, regardless of which side of the House he is on, ought to vote until we have finished this business and get their hands on the table and inspect them to see whether we know the whole truth or whether there are things that may shock us or may make us regret the fact that we voted for this bill.

They're tying in all their legislation together as one complete operation. Frankly, they are getting into the oil business, they're getting into the business of selling oil, they're getting into brokerage and they're also standing up and saying that we have a private enterprise system. I'm sure that the definition of the private enterprise system has changed tremendously since the hon. members now in government sat in the opposition.

There is one more quotation that I'd like to read from the Premier's What Do We Stand For? to indicate that he ought not to expect us to have faith in him, because I'm expressing complete lack of faith in his ability to stand by principles. He's been dropping them one by one and he should not be too careless about dropping his principles because, when I look at him now, I don't believe he had too many to begin with.

He states here, "We believe that public laws should be made in public." This is Premier Lougheed, this is his statement. "This principle must be protected against the comfortable drift of government by cabinet or through Order in Council." Now if anybody says here that their hon. Premier has not abdicated the position that he campaigned on, then I'm afraid that some hon. members could not recognize the truth. I'd like to repeat this. He states: "We believe that public laws should be made in public. This principle must be protected against the comfortable drift to government by cabinet or through Order in Council." And that's what we're trying to do. We're trying to make an honest man out of him and he isn't even interested. "It must be applied to open the doors of federal-provincial or any other conferences whose private decision could profoundly affect our future. The public has a right to know."

That was a short while ago. Now he's telling the public that not only they haven't got the right to know, the MLAs haven't got the right to know. I'm saying that the Premier is not only deceitful but he is irresponsible if he feels he can badger us into supporting him on something that the democratic system had not provided for.

If you're not ready to tell us, Mr. Premier, why don't you adjourn this session and call us back when you are? Call us back when you are. He's not listening, but he'll read Hansard carefully so that he'll know what to get annoyed at later on.

It reminds me of a lady in the House here once who was very annoyed at all the salacious literature that was going around, and she apparently read all that stuff because she knew it all. She'd look for this stuff all day long and get annoyed when she found it. That's the way the Premier will be, because he has all of a sudden acquired a sort of an air of indifference towards his own legislation.

I wish to repeat, Mr. Chairman, that, for once, the hon. Premier, who was quite a proponent of leadership, has come to a crossroads, has a major decision facing him and hasn't got the courage nor the ability nor the intelligence to decide, hoping for once that maybe we could help him make the decision.

Somebody stated that eating crow is good for the soul. I think that if that is good, then our Premier will probably receive ecclesiastical sanction long before his demise.

I'm certainly tempted to deal with the matter of giving the power of taxation to the government - complete power, the power that used to be exercised by the Legislature. I wonder what the Conservatives are saying about the type of bill that Trudeau intends to bring in, which probably will approximate what we have here. I'd like to get those speeches. I think we should stall this legislation long enough. We can see what some of the outstanding Conservatives in Ottawa are saying about this kind of legislation. I'd like to see men like Diefenbaker, Baldwin and perhaps Eldon Wooliams and Paproski stand up here and thump their desks in favour of the government advent into industry.

I think we should look at what happened in the United States with regard to too much power in the executive; that as time goes by, the lobby will determine which way the government moves instead of the elected representatives. I don't believe that it should happen in this province. It can though.

I have no hesitation in saying, Mr. Chairman, that, as far as this legislation is concerned, I have no intention of voting for it unless we have the complete story before us. And as I stated, the Premier need not - I don't know why he even wants to call the session, he can call his own fellows together - as I stated, he's got a docile back bench that will endorse anything he does and he can get on with the legislation, because he's certainly not interested in what is being said in this House. So it is a sad reflection on the level, the nose-dive of the democratic principles, the degeneration of democratic principles in this House in 27 months of Conservative government when he simply says, we are going to want you on this side, we are going to want you to vote with us because we are not sure what is happening and if things don't turn out right then if we don't hang together we will hang separately.

Mr. Chairman, I hope that this is not the last opportunity we will have to try to urge the government to sort of come clean, as it were. If your caucus believes that they can vote for legislation in which the blanks are not filled in, the most important blanks, let them act, it is their responsibility. But I don't think you should ask us to join in with you in this kind of action.

MR. DIXON:

Mr. Chairman, I have one or two questions I would like to put to the hon. the Premier. But before I do that, I would like to make a few remarks following the statement from the hon. Member for Wetaskiwin-Leduc. I feel that in our parliamentary system I don't believe anybody is divorced from reality by stating what they firmly believe in their own mind is a principle they stand by, as the hon. Member for Calgary Bow pointed out. The fact is that there are thousands of people in Canada today who are concerned with government controls, whether they be put in by NDP, Conservatives, Liberals or Social Creditors, and I think the hon. Member for Calgary Bow is certainly entitled to his opinion.

I would like to remind the hon. members that price control and market control is usually the forerunner of government control and takeover, and there are thousands of people today in our Canada who are concerned about that matter. I think the thing was brought home very well last week in the elections in Denmark where the people turned against government control. There is a great feeling, in particular of Canadians who came here, I should say have come to Canada to get away from government controls and they are concerned, so I think there is a genuine group that can come along.

Now, the hon. Premier and others opposite can say, we don't want to go as far as the NDP, we have no intention of doing that. I am not saying that the Premier isn't correct. What I am saying is that people do get concerned when you talk about marketing boards and price control because history has proved

that when that is usually implemented it isn't too long until government control becomes very effective. So I think that is a principle about which many, many people, not only in Alberta but right across Canada, are concerned.

I would like to also remind the hon. Member for Wetaskiwin-Leduc that he should get tomorrow's - I should say yesterday's - Hansard, and I am sure that the Conservative members in Ottawa are saying exactly the same things as many of the members in the opposition here in Alberta are saying. They are asking, well, Mr. Prime Minister, you are implementing this program? What are your guidelines? What are all your legislation? What are your regulations?

The hon. Member for Peace River, Mr. Baldwin, was quoted as recently as tonight in The Edmonton Journal, and I believe the hon. member from the Rocky constituency in the House in Ottawa was saying the same thing, that before this legislation should be passed or dealt with at all, the first ministers should have their meeting. The government should come forward with some details and then we will vote for the legislation. The very same things as many have been asking for on this side of the House.

But I certainly stand up and defend anyone in this House as to the way he votes. I may not agree with him but he is certainly entitled to that. For anybody to say that he is divorced from reality because he doesn't agree with the government is asinine, in my opinion.

Through the Chair, Mr. Premier, there is a question, and it is a constructive question. I am sure the Premier will remember when I got up in the House and I suggested that maybe - and I do this with all sincerity and with an effort to help the Premier and the government and all Albertans.

I really feel that we as Albertans should ask the Prime Minister if we couldn't meet him, by we I mean you, the government; through the first minister, the Premier, have meetings with the federal government two or three days before the actual meetings in Ottawa, because we the greatest energy province in Canada. Over 80 per cent of the energy that we are talking about under the energy crisis and under this legislation is right here. I really, in all sincerity, urge the Premier to at least have a meeting one or two days ahead because all the meetings are going to be, in my opinion, if you look back in the history of them, if all the other provinces meet on the same day or two before the federal and our government has chance to make their position known to each other, I don't think we will come up with an easy solution.

It is not going to be an easy solution anyway, but in my opinion it is going to be a lot easier and a lot more constructive if we can urge the federal government to hear our points of view two or three days prior to the actual meetings of all the other provinces. I am sure there is nobody in this House who would disagree with my argument that Prince Edward Island is not nearly as interested in the energy situation as our own Province of Alberta. I only throw that out as one example and I think you can use probably seven out of the other ten provinces.

The other point I would like to say, through the Chair to you, hon. Premier, is, are we going to carry on, at cabinet level at least, negotiations with the federal government prior to the first ministers conference? Because as you have pointed out, hon. Premier, this is a very serious thing. We are all here to get the best deal possible for our resources for Albertans and we are also here to get the best deal possible and work with you as far as the federal government is concerned. You have stated yourself we don't want to get into any name-calling contests. So I think that we have got to get into a more constructive approach. At the end of January some of the major decisions are going to have to be made - major decisions that I am sure will hinge on whether you, as a government, whether the government is implementing or is going to at least implement the major sections of the legislation that is before us.

But my question to the Premier, I would like him to give me an answer to it if he is considering it at all, or would consider it at all, the idea of approaching the federal government for a meeting prior to the first ministers conference between Alberta, the federal cabinet and the Prime Minister.

MR. LOUGHEED:

Mr. Chairman, in answer to that question. First of all, I guess by the very nature of the way our question period develops, perhaps we haven't been as clear as we would like to be in explaining the extensive degree of discussion that has been going on since September 4 between the Alberta government and the federal government.

My concern, frankly, has been with the number of problems that we have in terms of reaching decisions within this province that affect this province relative to the matters that are in the legislation today. We have had the Minister of Federal and Intergovernmental Affairs, the Minister of Mines and Minerals and the Provincial Treasurer, particularly those three, literally spending hours and hours and hours flying back and forth between here and Ottawa and meeting in Toronto and discussing these things. There is no question that the federal government is fully acquainted with the views and the position of the Alberta government. Now, being acquainted with them and agreeing with them can be two different things.

We had laid on the table, I think, a pretty reasonable summary statement that was printed in The Ottawa Journal that sets forth as clearly as I can write it the position of the Alberta government on the various energy matters facing the province. This was a document that was sent to every other provincial premier. It was a document that was published in The Financial Times and The Ottawa Journal. We hope that they were reading it. The document was also delivered to the federal ministers involved.

We have had numerous discussions and I think that we have to keep in mind the very recent history of the Western Economic Opportunities Conference where our government spent literally hours and hours and hours getting ready for a conference. This conference on energy has been called for the 22 and 23 of January. We will go to the conference and we will make some proposals, but we are not going to do it to the detriment of the decisions we need to make within this province that deal with the matter of royalties, incentive plans, land turnovers, marketing commissions, and I am just talking about the energy matters, much less the multitude of other matters that face us.

I think we have a responsibility to the people of Alberta. We can have good discussions, and we will continue to have the discussions at first minister level, ministerial level, deputy minister level and at official level. But I want to assure the hon. member that the hours that have been spent and the time that has been taken in the travel of the ministers to try to communicate the Alberta view has, of course, been done.

I haven't the slightest doubt the federal government understands the Alberta position. The issue, of course, that we will find over the next six months is the degree to which they are prepared to accept it and to accept the basic position under the constitution that the responsibility for the resources belongs to the people of the province and not to the federal government.

MR. DIXON:

One final question to the hon. Premier, Mr. Chairman. Has the government ever given any consideration at all in their thoughts about changing leases; any thoughts about controlling the oil in the leases prior to a company - let's put it this way, prior to a company drilling, so that the oil stays in the hands - it's actually Crown oil when it comes out, the total oil that is produced? Have they given that any consideration? Because I can see if the federal government keeps pushing this we are going to have to go right back to the drillers at the bottom of the hole. I'm just wondering if the government has considered controls on the oil as a government oil? In other words, it stays government oil even though the government may have to buy it back as the purchaser in their purchasing plan, but I was wondering if they are trying to control it at that extreme? Has there been any thought given to that?

MR. LOUGHEED:

Mr. Speaker, to use an expression the Attorney General used once, I suppose one has to think about the unthinkable. Certainly that is a matter that has to be considered but I would hope that we, in our nation and in terms of cooperation, would not have to come to those sort of extreme situations.

MR. DRAIN:

Well, Mr. Chairman, my remarks are going to be very brief. I might start out by saying that it is no use to bring back yesterday or what was said yesterday. The concerns that we are discussing are the concerns of the present and of the immediate future. The future beyond that we do not know.

In the second reading of Bill No. 94 I voted specifically against this particular bill on the basis of contract; the processes of honouring a contract. The subject of contracts or the breaking of contracts can unquestionably be rationalized in the public interest.

I would suggest to the hon. members that, given the obscurity of the problem that we are confronted with in the Province of Alberta, it would appear that it is in the public interest to arm the province and the duly elected government of this province with the powers to properly deal with what can only be called an extremely ambiguous situation.

Therefore, we have to consider several things. One, the provincial interest, this is our major concern as people in this Legislature representing all parts of the Province of Alberta.

Second, a major concern that we must be confronted with is the national interest because the national interest in essence is the provincial interest. They are interrelated in a manner - in other words, we are married provincially and nationally and it is my sincere hope, Mr. Chairman, that this continues to be the way it is.

Then, there is the industrial interest, or rather the industry interest, and I would view with alarm - I am personally very alarmed about the implications that have resulted from the two directions that the governments, federally and provincially, have taken in trying to realize the solution to this particular problem.

Very obviously, this situation creates a cloud and will unquestionably result in decisions regarding the future development of this very fundamental industry to Alberta being deferred and in some instances not carried out.

Beyond these three interests that I have mentioned there also is a North American interest because we are undoubtedly part of the North American community. So we have the provincial interest, the national interest, the industry interest and the North American interest, and we have looming on the horizon the very serious implications of how the sinews that will be required in capital and manpower can be developed in order to meet the challenge of the industry problems that are looming in the future.

Hence, Mr. Chairman, the situation calls for the spirit of cooperation, the spirit of statesmanship, the spirit of understanding. The people of the Province of Alberta have entrusted this particular role to the gentlemen on the right side of the Legislature. They ultimately will be responsible for the decisions they make to the people of the Province of Alberta. I suggest at this time we have said enough. It is time to do something.

MR. CLARK:

Mr. Chairman, we are making such fine progress perhaps we might go back to the Minister of Mines and Minerals once again, or perhaps the Premier on this particular issue also.

In your announcement on October 4, I believe it was, dealing with the cash flow problems concerning small companies, is it your intention that any provision you make in that area would become effective January 1, and at the same time the new royalty arrangement and, hopefully, the incentive plan would become effective?

MR. LOUGHEED:

Mr. Speaker, yes, although, as the hon. Minister of Mines and Minerals said, we are not able to state the date on which we would make the announcement regarding the royalty rates in that that would apply January 1, 1974. Certainly, I think, it is only reasonable that what we do with regard to the incentive plans would start from that date. In other words, there might be a retroactive feature of 20, 60, 90 days, but when we announce the royalty plan and the incentive plans we would put it back to January 1, 1974 with regard to the exploratory drilling incentive system.

If, however, we come up with some additional incentive system such as enhanced recovery or in the oil sands areas or in land tenure, it wouldn't necessarily - those three might not come back to January 1. But the basic one, that is the exploratory drilling incentive system, to the extent it is expanded, would come back to the date on which the royalties took effect, January 1, 1974.

MR. CLARK:

Following that along, Mr. Speaker. In light of the announcement that the federal government made last Thursday that, in fact, the price freeze wouldn't come off at the end of January, is it fair - yes, it is a fair question to ask

- has that really thrown your considerations virtually out the window to date as far as royalty? Because it seems to me that with the federal government's announcement the price freeze is now going to go on to the end of March, it has been suggested to me, quite conceivably, that even though the government's new royalty program and other incentives may come into effect January 1, it may not be until after March 21, assuming that's the end of winter, that this whole thing can be determined or finalized.

MR. LOUGHEED:

Well, Mr. Chairman, regardless of what happens in the price situation, either in terms of the Alberta Petroleum Marketing Commission or in terms of federal action, our royalty plan would still take effect on January 1, 1974.

MR. CLARK:

The point I was trying to ask is, is it certainly within the realm of possibility that the announcements with regard to the royalty plan, the incentives, and so on, may not be announced until after March 21, yet come into effect January 1 in light of the supposed federal commitment there?

MR. LOUGHEED:

Well, it's a reasonable question, Mr. Chairman, but it's difficult for us to tie ourselves to a time in which we would make that announcement.

As I mentioned, in answer to the the question from the hon. Member for Drumheller, there is that difficulty in terms of taking too much time and creating even further uncertainty in the industry, on one hand. That has to be balanced with the fact that there are perhaps advantages from the strategic point of view to not have concluded either our drilling incentive system or our royalty system in advance of the first ministers meeting.

MR. CLARK:

Can I follow that along then, perhaps to the Minister of Mines and Minerals.

With regard to the Alberta Petroleum Research Institute at Calgary, I believe the board met, or is meeting right now. Has the government given any consideration to increasing substantially the assistance that the province is putting in there?

It's my understanding the industry is putting in \$100,000 a year, the province is putting in \$100,000 a year, and, if recall correctly, at the Western Economic Opportunities Conference in Calgary, the federal government indicated they were interested in perhaps having a federal input there as far as money is concerned. You recall during the course of the debate the suggestion was made that, frankly, several hundreds of thousands of dollars be added in this area. Have you had any opportunity to bat that around, and what do you think are the potential pay-offs in this area?

MR. DICKIE:

Yes, Mr. Chairman. That was a good point. I think, as I have mentioned before, that when we look at the maximum recovery in the average of about 34 per cent, the people I have talked to - members on this side of the House, particularly from Drayton Valley, who are experienced in that area, and some of the other people in the industry - think that that can be improved considerably with research.

I was pleased to hear the Leader of the Opposition suggest that. I think the position I have to take now is that I await the report from the institute. I would like to meet with my colleague, the Provincial Treasurer, and recommend a substantial additional amount in the budget for next year. I think that would be the proper way to handle it, to look at our budget provisions for next year and see if I can't convince him that we should increase it substantially.

MR. DIXON:

Mr. Chairman, one question I would like to ask the hon. minister. I've got here a press release by the Premier on October 4, and there's just one point I wanted to clarify, number five. It reads:

The provincial cabinet to, by regulation, determine the price upon which royalty will be paid in relation to an assessment of world commodity prices
...

My question is, are we going to relate our royalty that is supposed to come into effect the first of the year on world commodity prices, or are we going to base it on what we would consider fair prices for Albertans, with Canada in view?

MR. DICKIE:

Well, again, Mr. Chairman, perhaps we could answer that because we are dealing with the royalty package. I would say that is one of the factors that would be considered when we are looking at this question of royalty package.

MR. LOUGHEED:

Perhaps for clarification I might add this, Mr. Chairman, to the sequence of events for the hon. member.

At the time that that statement was made, and at paragraph five, we had not made a final decision in the provincial government to propose our marketing commission to the Legislature. It was an option. The hon. members will recall the matter was raised by way of question during our fall sitting, and we said we were merely considering it as an option.

Subsequent to the date of October 4 we made the decision to have and to introduce the legislation being the marketing commission. For that reason we didn't feel it was necessary to have the provisions in paragraph five contained in The Mines and Minerals Amendment Act, because in essence the marketing commission would put us in that position.

MR. DIXON:

A supplementary question to the Premier, Mr. Chairman. I was wondering then, are we going to arrive at the royalties with the same sort of staging-in of prices having Canadian needs in mind? I think our problem is that we're looking really at three prices - Alberta price, Canada, and beyond. I was wondering, when you talk about staging, are you taking that into consideration royalties will they also be staged? I mean, the increase, or the length of time?

MR. LOUGHEED:

Well, Mr. Chairman, I think that the observations that I made with regard to staging in price increases were made prior to the Prime Minister's statement of last Thursday.

MR. CLARK:

Mr. Chairman, just following along in two other areas.

One, dealing with the future tar sands policy, either to the Premier or to the minister. This is basically a change of attitude as far as the government is concerned. I recall a year ago we were in terms of dealing with each particular application separately. Would the government, or will you, elaborate on the reasons for the change here?

Secondly, will you also tie in what's the situation as far as GCOS is concerned - their oil being subject to the marketing legislation - and also, what's the situation as far as royalties are concerned with GCOS?

MR. LOUGHEED:

Yes, Mr. Chairman, those are significant questions.

With regard to GCOS, at the moment we have not included within the marketing commission synthetic crude. We have stated that probably it would be included in the future by way of a legislative amendment, presumably when we reconvene in the third sitting in March, 1974.

With regard to the question of GCOS royalties, we felt that it was only proper for us to reach the position that we're almost at, that the Syncrude project is a clear-cut decision and they are proceeding unequivocally notwithstanding the conditions that are contained in the letter of intent.

As soon as that matter is resolved, the discussions we have had with GCOS is that we would sit down and review with them their total situation without any commitment or undertaking on our part to make any adjustment with regard to royalties, but just simply because it would be fair and proper to have a review.

I believe the hon. leader's first question had to do with the reasons why we made an adjustment or a change with regard to our oil sands development policy. Our original thinking was that we should have a longer term policy and try to fit the Syncrude project within that. We then came to the conclusion last May that we would find ourselves in a position that each plant would perhaps be staged in in terms of its application, its permit, its negotiation, its construction, in such a way that we could deal with each plant in a orderly sequence. That was our view of last May.

Since that date, and because of the changes that have occurred in the world energy situation, I don't think I need to repeat it has been our view that it is only fair to the various lessees, to the provincial governments that we have had discussions with, to other countries that have been involved, to all the various people who are involved in the oil sands, including the federal government, that the Alberta government outline - and perhaps it will be in very broad terms - but at least outline a longer term development plan, taking into consideration our views with regard to Alberta and Canadian ownership, our views with regard to environmental questions, our views with regard to the pace of development. There may be others, but I think those are three of the key questions involved. That also stems from some sort of misunderstanding perhaps that people had with regard to the risk aspects of plant number two on Syncrude certain conditions exist. Those risk aspects may change in subsequent plants. Our views with regard to Alberta ownership may also change.

I believe we were asked the question one time whether that particular agreement would necessarily form a pattern for the future. I think it's only fair for us - with all the people whom I have mentioned have been interested - to answer that. It would not form a pattern but it certainly would form part of our longer term guidelines. We hope in the first six months of 1974 if the Legislature is sitting, we would present it to the Legislature as a longer term plan for oil sands development.

MR. CLARK:

Mr. Chairman, then, three questions following along from that. It has been suggested by several people that starting about 1983 there will be a need for one plant to come on-stream about every, let's say, eighteen months to two years. Does the government, in general terms, agree with that? If we are going to guarantee a long-term supply as far as Canada is concerned, on the assumption that there is no new discovery of substantive basis as far as crude is concerned for Canada ... well, perhaps I'll leave that one.

MR. LOUGHEED:

Mr. Chairman, that's one matter we're considering and that's part - I think that's an integral part - of the question of the oil sands development policy. Because there is the other option, which is, I think, a very fascinating one, that has been suggested by the minister, which should at least be considered, and that's a number of mining projects simultaneously with one or two large extraction plants. That's a very interesting and novel thought by the minister. There may be other ways of doing it.

Certainly that decision or the points that the hon. leader has made have to form a part of the oil sands development policy which I refer to.

MR. CLARK:

Just following that along, and expanding that somewhat, Mr. Premier, does the government agree in general terms that if there is no large crude discovery as far as the rest of Canada is concerned - and I recognize it's difficult, there aren't that many constants now - but in general terms, if we're going to meet the Canadian demand and project it in the next number of years, around 1983, give or take a year or two there, we're going to need some sort of plants in the tar sands coming on-stream at about one and a half to two years, the size of the Syncrude plant or perhaps somewhat larger.

MR. LOUGHEED:

Well, Mr. Chairman, I don't really think I am in a position to answer that question at this time. It's a matter that we have been discussing with the Chairman of the Energy Resources Conservation Board in particular. It's a matter that the Department of Mines and Minerals has been reviewing.

Certainly, the general parameters the hon. leader suggests are close, but we've got to take into consideration the national energy policies; whether or not we have any significant oil discoveries, conventional oil discoveries,

within this province; the development of the heavy oils in Peace River and Cold Lake and the progress that's involved there; what we're going to be doing in terms of other uses in the effectiveness of natural gas in some of this situation.

I think it's tied to so many of those factors that one can't be definitive. I think it is true to say that a certain degree of accelerated development, at the moment, would seem to be in the best interests of Alberta and Canada, provided that accelerated development is orderly and recognizes the limitations that might exist with regard to manpower.

MR. CLARK:

Mr. Chairman, on the same matter of the Alberta tar sands. Recognizing that the government has had some discussions with the Government of Quebec as far as the possibility of Quebec becoming involved in some form in the development of the tar sands, given the situation that we face as far as leases are concerned, where basically it is my understanding that the majority of the most valuable sands are presently under lease, recognizing that you have had some preliminary discussion with the Province of Quebec; how do you square that situation, given the present lease arrangement?

MR. LOUGHEED:

Mr. Speaker, I wouldn't want to shift it into partisan debate because that is a matter that concerns us. We did, in fact, inherit, as we tabled in the Legislature in October, a settled lease position. We're trying to make an assessment as to what options that gives us. Our discussions with the Government of Quebec and the Government of Ontario at this stage have only been preliminary and certainly the point that's raised is a limiting factor in terms of the flexibility of the government today.

We're trying to see whether there are some ways in which we can work to overcome that limitation, that restriction and reduction of options.

MR. CLARK:

One more question, Mr. Chairman, as far as the tar sands are concerned. It seems to me that when we are locking at a future policy, that now is the time to say, rather frankly, to industry and to anyone who is interested in coming to the tar sands, that from here on out, the synthetic crude should be refined as close as possible to its end product, here in Alberta.

There have been members on both sides of the House who have, I think, very genuinely made the point that now is the time for us to take advantage of the particular circumstances we find ourselves in. Members of both sides of the House have talked in terms of broadening the economy of the province, especially the secondary industry. Members on both sides of the House have made the point about jobs for Albertans.

Without going back and getting involved in a commentary on things that have happened previously, it seems that when the government is now going to be coming forward with an oil sands policy, a major part of such a policy might deal with this question of refining of the synthetic crude to its end product, or as close as is reasonable in Alberta. I would be interested in the response there.

MR. LOUGHEED:

Well, Mr. Chairman, we are pleased that the condition we established with Syncrude, the general policy statement which we made in that regard in the Speech from the Throne, is something that is concurred in by the Leader of the Opposition. I think that there is full accord on that point.

MR. CLARK:

Go one step further, then, Mr. Chairman. This deals with the question of the 60 or 70 possible secondary industries which are now available as far as Syncrude is going ahead. If I recall correctly, there was no reference made to that section of the Syncrude operation. What's the government's thinking as far as that area specifically is concerned with Syncrude?

MR. LOUGHEED:

Mr. Chairman, we have, contained in the agreement, the general provision with the word "reasonable" attached and that will be developed in a more definitive nature. Pardon my grammar. It will evolve in a more specific nature

in the definitive agreement between Syncrude and the Alberta government over the course of the months ahead. Because the condition is contained in the letter of intent, as it was in the permit, certainly it will be our intention to do what can reasonably be done in that way with Plant No. 2. It is our intention with regard to Plant No. 3 and future plants to assure, not only in synthetic crude production but in every way, that we do our best to move back upstream the resource processing that's available to us. I think that's where the potentiality for jobs occurs. Of course, we have discussed that in terms of petrochemicals.

MR. CLARK:

One other area, Mr. Chairman. This deals with the McKenzie Valley pipeline and the possibility of the line not going through in light of federal government action. Also, in light of the decision, or apparent decision in Alaska, that the Valdez Project will in all likelihood go ahead, at least on a pilot basis. What's the government's view of the McKenzie Valley pipeline now? Pretty frankly, in light of the federal government action, in light of the recent American action, the likelihood of going ... I recognize that it's a personal or a value judgment. Nevertheless, in the long-term interests of Alberta, - and it's been mentioned in the House several times before - if the McKenzie Valley pipeline does go ahead and comes through Alberta, once again, this just opens up a whole new range of possibilities as far as we are concerned.

MR. LOUGHEED:

Mr. Chairman, that's certainly the position that we've taken. When I made my remarks on September 14 about the export tax and about the discriminatory nature of the export tax, I went on to comment that I think it was regrettable that the action was taken, important as it was, by the Canadian government without any consultation with the United States government.

As our best customers - of a trading nation - there are, I think, going to be some pretty serious repercussions. Perhaps we haven't started to see them, although I noted in news reports today, there is a diminishing of the exports from the United States of certain refined petroleum products. In addition to that, there has been the view expressed - and I think it's regrettable to see it - by the executive of Gas Artic, Mr. Wilder, that the El Paso Project, and that is the taking of the natural gas from Prudhoe Bay over to Valdez, liquifying it, bringing it down the coast, is certainly one that Mr. Simon of the United States government appears, by implications and the reports that we've got that favour and that would be a very major difficulty for the Mackenzie Valley pipeline because if they don't have the gas from the Prudhoe Bay to go it certainly reduces the economics. If the natural gas pipeline is built from Prudhoe Bay across Alaska and then taken down, there will be some considerable pressures, if that market for that gas is eventually, in part, in the United States, to take natural gas from the delta up to catch the top of that pipeline and then move it down. So the repercussions of that particular situation and its detrimental effect to Alberta in the longer term are, in my view, pretty clear. There may be others but that one is before us right now and certainly is the queer result, in my view, of the way in which the federal government handled the matter in terms of the federal export tax.

MR. LUDWIG:

Mr. Chairman, I have here a bill that was introduced in Ottawa on December 3 entitled the Energy Supplies Emergency Act, which purports to set up a very powerful board which would even have dominance over the National Energy Board, and I wonder if the minister has had an opportunity to become acquainted with this proposed bill?

MR. DICKIE:

Mr. Chairman, as we mentioned at the mines ministers conference with all the mines ministers across Canada, the Minister of Energy, Mines and Resources for the federal government reviewed the principles involved with the bill briefly and highlighted those to us. There were suggestions made at that meeting as to that bill. We have since received a copy but we haven't had an opportunity to examine it in detail.

MR. LUDWIG:

The bill purports to set up a board that would have power to deal with export and import of petroleum products and also with a mandatory allocation of petroleum products. I believe that they are dealing with wholesalers and that the provinces fall under the definition of wholesalers. I am wondering if

this legislation, as it stands now, would create any conflict or dominance over the marketing legislation that this government is now proposing?

MR. DICKIE:

Mr. Chairman, I would certainly like the opportunity to consider the bill in greater detail before we come up with any particular views on the effect of that present legislation.

MR. LUDWIG:

Mr. Chairman, would the minister be able to give us a statement as to the impact of this legislation on our proposed marketing legislation before we complete the passage of our legislation, in light of the fact that they might want to make amendments if they feel this legislation does dominate, conflict with or supercede anything that we have done.

MR. LEITCH:

Perhaps, Mr. Chairman, I could make a few comments on what has just been said, as I have had somewhat more time to look at the federal bill than the hon. Minister of Mines and Minerals.

First of all, I disagree with the hon. member's statement that the provincial government under the marketing legislation would be included within the definition of wholesaler. Regardless of that, Mr. Chairman, I don't think one can speak of conflicts between this legislation and the provincial marketing legislation which has been introduced until and unless there is a particular action taken under this bill and until we know precisely what that action is. The bill is couched in general terms. It provides a mechanism whereby the body created by the bill may take certain action, pass regulations and things of that nature.

I think until one has seen what they have actually done it is impossible to make any comment on what effect that might have on either existing or proposed legislation.

MR. LUDWIG:

Mr. Chairman, I just want to quote a section here. It says:

"wholesome customer" means any person who purchased any controlled product in bulk at the wholesale level and includes Her Majesty in the right of Canada or any province, any agent thereof and any refiners, distributors, jobbers, dealers, ...

et cetera. So I believe that the way it is now - I agree with the hon. Attorney General that this is not law yet and they may amend it, but presuming that it goes the way it is now, and there is no reason to believe that it wouldn't, since they've introduced this legislation and want this all powerful board which, in fact, will have the authority of overriding the conflict with the National Energy Board, certainly giving it a sense of power, it must be considered in light of what we are doing here. At least that's my opinion, but I believe the Attorney General, that the question of whether the province may be affected by this, and I disagree with him and his interpretation.

MR. HINMAN:

Mr. Chairman, I have a few remarks to make. I am not going to review all that has been said, but I am going to say that I think it has been sort of a painful exercise for the government to feel that it is necessary to in some ways abrogate the contracts and the agreements which have existed for a long time. With that in mind, I wonder if we could serve the purpose by a couple of amendments which I am only going to outline and leave to the government to decide whether they might be put in acceptable language.

The first one, on page 1 under Section 142.1, the third line from the bottom, to read: "... the Lieutenant Governor in Council may require the lessee to show cause why the royalty should not be renegotiated at a rate higher than the maximum set in the agreement." By so doing I think we could accomplish the same purpose because it is my feeling that the companies themselves recognize that these old agreements are not justified any longer and they would be willing to negotiate and consequently maintain that sanctity of contract which I think is important to the government as well as to us.

The other change which I think might serve as well is in Section 170.2(1). The last next last line says "... shall be sold through the Alberta Petroleum Marketing Commission incorporated under The Petroleum Marketing Act." After the word "sold" if we were to say, "subject to the direction or consent of the Alberta Petroleum Marketing Commission."

Under such conditions we would not then throw away all the expertise, all the oil connections which these people might have, but by directing them we could get the same result. The price would be the same, the oil would go to the sources where we think it is important for it to go but they would not feel that the government had abrogated agreements and was forcing them, taking out of their own hands the rights which have been traditional over the years.

MR. LOUGHEED:

Mr. Chairman, I respect the views of the hon. member. If it were not for the circumstances we find ourselves in in terms of the day to day changes by the federal government and their pretty obvious attempt to invade the constitutional jurisdiction of the provinces over resources, changes of that nature, I think, would be ones that we could give some further consideration to. However, we think the situation is so serious that we feel we need to have the position the way that it is set here.

With regard to the first proposed change, that would involve a time element. It certainly would ease the pressures that the hon. member feels with regard to the question of changing the lease terms, as the hon. Member for Calgary Bow feels as well, and frankly as I feel. But on the other hand I think that the nature of the position we are in requires us to be definitive and be definitive in a very specific way on a specific date, without getting involved in the question of showing cause by the industry. I agree with the hon. member; there would be a fair chance that a substantial number of the lessees would respond in that way. If we had a great deal of time it might be something that we could consider, but frankly I don't think we have that kind of time. I wish we would, wish we did.

With respect to the second suggestion, I would like to assure the hon. member that I know it is the intention of the Minister of Mines and Minerals, when we set up this Alberta Petroleum Marketing Commission, that we recognize, that we take advantage of, that we cooperate, that we utilize the full effect and the efficiency of the buyers, of the people involved in the industry, the people who understand the whole crude oil purchasing situation in Alberta. The very preliminary discussions that we have held with that group, and it's a very specialized and very expert group, indicate that they're prepared to cooperate with government in the best way they can to assure that this Petroleum Marketing Commission will work in the best interests both of their company and the Province of Alberta.

MR. DEPUTY CHAIRMAN:

You have seen the amendments. Are you agreed?

HON. MEMBERS:

Agreed.

[The title and preamble were agreed to.]

MR. HYNDMAN:

I will entertain the motion now.

MR. DEPUTY CHAIRMAN:

The hon. minister has moved that the bill be reported as amended.

HON. MEMBERS:

Agreed.

MR. HYNDMAN:

I move we rise, report progress and beg leave to sit again.

[Mr. Deputy Chairman left the Chair.]

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[Mr. Speaker resumed the Chair.]

MR. APPLEBY:

Mr. Speaker, the Committee of the Whole Assembly has had under consideration the following bill, Bill No. 94 and begs to report same with some amendments. Also, Mr. Speaker, the Committee of the Whole Assembly has had under consideration the following bill, Bill No. 97, and begs to report the same and 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 the amendments be read a second time.

[The motion was carried.]

MR. HYNDMAN:

Mr. Speaker, as to business tomorrow, the House will move right after Oral Question Period on Orders of the Day, the second reading of The Petroleum Marketing Act.

I now move that the House 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 11:17 o'clock.]