

LEGISLATIVE ASSEMBLY OF ALBERTA

Monday Evening, March 25, 1974

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

GOVERNMENT MOTIONS (CONT.)

AN HON. MEMBER:

You don't have to hear yourself.

MR. DRAIN:

Mr. Speaker, it gives me great pleasure to have this opportunity of making my humble contribution to this very learned debate, especially the very learned debate that has come from the hon. members on your right, Mr. Speaker.

First, I would like to congratulate the hon. Provincial Treasurer on his very warm and articulate enunciation of the budget program for the 1974 fiscal year, a program that is filled with good news.

The budget itself, a prosperity budget, reflects the affluence of our time. During prosperous times you can always be generous with a budget. Unfortunately when the times are not that good, the situation reverses itself. This, of course, is a very regrettable situation.

So we have an enunciation of government programs that should make everyone in the province of Alberta feel happy - tax reduction ...

AN HON. MEMBER:

Agreed.

MR. DRAIN:

... expanded government programs, \$140 million that in fact is no longer taken from the people of Alberta in the form of taxation.

Certainly the hon. members on the right, Mr. Speaker, who listened to the Provincial Treasurer as he very ably presented his remarks, were overwhelmed with enthusiasm by what they heard. I could only use as an analogy the thinking that it was equivalent to a group of teen-agers listening to a rock band. Although I have great respect for the hon. Provincial Treasurer, I do not think he is a rockandroller. Therefore I attribute the ...

AN HON. MEMBER:

Rockandroll.

MR. DRAIN:

I attribute the reaction to two things. Possibly - and I don't want to be unkind, only truthful, Mr. Speaker - I refer to it as a brainwashing process or possibly the thinking apparatus of the hon. members on your right, Mr. Speaker, has been turned off. Because unquestionably nothing could be all that good. There has got to be something wrong with it.

Therefore I must explore the things that are wrong in the hope that this light of knowledge will be spread upon fertile soil, Mr. Speaker, and will grow forth with the tree of knowledge. Because amongst the other responsibilities that the hon. members have in this Legislature, Mr. Speaker, is the necessity to stop and think ...

AN HON. MEMBER:

Hear, hear.

MR. DRAIN:

... to think not only of today but to think of tomorrow, to think of the implications of what is actually occurring in our budget. As I said before, no one can quarrel with the social programs that are geared to help the poor, the unfortunate, the aged, the old, the victims of workmen's compensation and so on. However, I question the common sense of a program that tries to expand the capital development of the Province of Alberta in a time when the economy is running flat out. This can only result in an acceleration of the inflation program ...

AN HON. MEMBER:

Hear, hear.

MR. DRAIN:

... something that will come home to roost, something from which the poor and the unfortunate whom the programs that the hon. Provincial Treasurer enunciated had the intent of assisting, a reverse process which is going to occur because of a non-realization of the facts.

I can accept the remarks and I can hear in my mind the mental rebuttal of the hon. members to your right, Mr. Speaker. They got up to say that Alberta is a chip in the maelstrom of life being hurled around in the vortex of forces over which they have no control. But I suggest to you that any such supposition is wrong, narrow thinking, parochial and not within the realm of the proper evaluation ... [Inaudible] ... as they should be, Mr. Speaker.

Before I go into the real depths of despondency that I feel about this particular budget, I am compelled, Mr. Speaker, to go back slightly in time and look at the history of inflation as we have it in Canada, to possibly identify for the hon. members some of the causes.

I think we can all credit the basic roots of the inflationary cycle to the war, the results of the war, because in wartime all rules disappear. The end result is to achieve success. Therefore it becomes practical and reasonable to pay more to get something done, for people to work overtime, and of course, governments as such could not, in spite of the patriotism that people have, expect them to work overtime and put more effort into any particular thing if they were not going to achieve something. Hence, Mr. Speaker, the end result is that government finances by borrowing. Thus, in a time of curtailed production the amounts of goods and services are reduced, and to offset that there are compulsory saving plans and so on.

So the last major injection of inflation, of course, that we had was the Korean War, which resulted in a 30 per cent acceleration in our particular costs. However, this was pretty well absorbed and stabilized during the 60's. We found ourselves living with a reasonably comfortable rate of inflation, a rate that in fact allowed for the expansion of our economy, reasonably full employment, a growth in national product and a utilization of our resources, both human and physical.

However, a regrettable situation did occur which has probably one of the most far-reaching implications of any event that has occurred in recent times. I refer, Mr. Speaker, to the Arab oil crisis. This has not, in fact, been accurately evaluated. I just happened to read a slight article in relation to Jamaica, which is a Caribbean island with a gross national product of \$25 million. As a result of the accelerated fuel price, their fuel bill to maintain their very primitive economy is \$125 million. Now, where is this money going to come from? Their principal product is sugar. Quite obviously the price of sugar will have to go up to accommodate that, or there will be no way for these people to survive.

What are the implications of the change in the money centres of the world, for instance? The major currency nations, which are the United States and Britain, have in fact lost control of their currencies as such. They no longer have the fiscal muscle to contract or expand their economies. This is taken out of their hands and brought into the purview of the Arab states.

Where does all this lead? I accept that the role Alberta can play is not that stellar. Nevertheless there is a role that should be played, a role of provincial-federal cooperation, an identification of the problems and the priorities that should be laid out. We talk euphemistically of opportunity prices. If we get a larger price for a product it's an opportunity price. If we buy it at another price it's a rip-off price. But, being that we're good guys, that doesn't matter anyway.

However, there is a dangerous precedent being set in Canada because really the energy crisis is only the indication of the tip of the iceberg. The same situation will occur, possibly more rapidly than we think, in the area of vital products like asbestos, a depleting natural resource, a product of the province of Quebec; nickel from Ontario; copper from British Columbia; aluminum raw material from the Caribbean islands, or phosphate from Florida. So the scene is set. All of these are depleting natural resources. All of these are candidates for the opportunity price. So hence lies the problem.

I wonder, Mr. Speaker, we've had a little trouble with cattle prices. We find that although cattle prices made a farmer gloat in 1960, in 1973 they are rather a sad-sack situation. How does this occur? Probably one of the reasons is that there is a conflict or direct competition between cattle feeding and human feeding in the matter of grain. That's one thing, a side-effect possibly of the energy crisis.

During the 60's in the eastern United States the majority of the new homes built were built and heated with electricity, based on a cost of low-price fuel. The average home at that time cost in the neighbourhood of \$30 or \$35 per month to heat. This same house in 1974 is costing \$250 per household to heat during the winter - visualize that. Therefore, this kind of savage pull out of money from the customer sector of the economy can only result in curtailment in different areas.

So now we see a falling-off in United States demand of 5 per cent in term, on beef, and this is enough in fact to shatter the entire beef market situation.

What are the solutions then? The hon. Member for Edmonton Beverly, the hon. Member for Stettler and the hon. Member for Stony Plain got up and enunciated the ritual of goodies - and certainly they are entitled to do that, Mr. Speaker. They asked for solutions but offered none themselves.

So there are ways and directions you can go. A positive approach to intergovernmental relations would be the first step. A realization that although we are all very fine people, the manna from Heaven fell without us starting up the rain-making machine, and therefore there should be some responsibility for the rest of the world and the rest of Canada - not to the point of poverty or destitution. I'm not trying to make that particular point, Mr. Speaker, but a point of compassionate understanding.

The Hon. Robert Stanfield propagates the idea of price controls, freezes. Of course if you analyze this, you discover that without rationing, without total state control, it is rather an unhappy solution and one that can only result in chaos. Because the only way any price-control scheme can work is with the total cooperation of the people of the country. Even in wartime this presented a certain amount of difficulty and I would doubt very much whether it would be acceptable during peacetime.

The Brazilian economy, which is one that has been fraught with inflation for many, many years, has evolved a method of indexing which might well be the answer. Deflationary policies result in attrition and hardship for the poor, the underprivileged. Hyperinflation such as we see now results in essentially the same result as is achieved under a deflation system. When your economy is travelling flat out you find a situation where suddenly there are shortages. There is no steel. There is no plastic string, or whatever you call the stuff for bales. You get out and you find a situation where there is continuous hoarding. People reject the role of keeping money. They realize that if they keep it it loses value, therefore they spend it, they put more stress on the market. The end result can only be increased shortages. Increased scarcities create unemployment.

I can illustrate this for you, Mr. Speaker. I was talking to a person of some knowledge about a particular group of machinery and he was telling me that there are 36 transmissions sitting at this time from earth-moving tractors, for which there are no parts whatsoever available - certainly beyond the power of the Province of Alberta but an indication of what is occurring, an indication of the end result of where we're going.

I would see a role, Mr. Speaker, for the Minister of Consumer Affairs who has been funded quite generously this time in the budget. I would see his role as that of a police dog. I realize there is not the legislative muscle to act like a price czar or that this role would be acceptable to the people of the Province of Alberta, but a role he could well function in is that of casting the harsh light of publicity on the price gougers who represent opportunity prices.

I would think that when a person buys antifreeze for \$1.78 a gallon and sells it for \$10 a gallon, there is something that there should be some publicity scattered about. I see this is the only weapon he has. I see the role that he is doing very ably and well - that of being the advocate of the customer. The customer is ripped off in some particular transaction and it is brought to consumer affairs. He has the people with the expertise and the muscle to go to work on this and they have performed very effectively. But I see that his role and the role of his department should be unique in that it should publicize - it should make available the realities of what is a fair price.

So we in Alberta, endowed by bountiful, bountiful nature, will get more from our resources. Other people in the Dominion of Canada and the United States will pay more - a happy situation if we could build a wall around the Province of Alberta. We have some sort of wall which contains the rats from the other areas of Canada very successfully, but I don't think that would be effective enough to insulate us from the prices that will be charged for other products - nickel, any of the steel products, you name it. All of these are going to be affected by the high energy prices. So in reality, where in fact we feel that we were coming up, we may not be coming up quite that fast.

I recall the hon. Premier when he was Leader of the Opposition making a very - what I thought was a very - profound and interesting speech, and one that had a lot of good knowledge and understanding in it. He at that time made this particular statement, and it stays in my mind very clearly. He said, the answer is not, and I repeat, is not that of cutting the economic pie into smaller pieces, the answer is to bake a larger pie. So I think if we bear these particular things in mind and realize the desirability of uniformity and cooperation, we will progress far better.

I would be remiss, Mr. Speaker, if I did not make some remarks about the famous constituency of Pincher Creek-Crowsnest, because I want to express my appreciation to the Minister of Agriculture for the prompt manner in which he reacted to the hay crisis. I wonder if he is going to be there when the grasshoppers attack us next summer. With the protein crisis in the world, Mr. Speaker, I wonder why he doesn't approach the problem of grasshoppers with some thoughts of innovation?

We know that when the anchovy crop disappeared off the coast of Chile it meant trouble for the poultry producers and many people in the world. Possibly he could gear the Research Council of Alberta, which also has a little bit of extra money in the budget, to work towards some giant grasshopper gatherer. These could be processed for protein, a free crop. This is not quite as ridiculous as it may sound, because I understand the Province of Manitoba has already reached an agreement with the Japanese on the harvesting of grasshoppers and shipping them over as an epicurean food for the Japanese people.

What has the Minister of Agriculture done about grasshoppers? I haven't heard anything at all.

AN HON. MEMBER:

He is one jump ahead of you.

MR. DRAIN:

In Pincher Creek, of course, we have problems, and everyone has. I hope that the Minister of Health and Social Development will be receptive to a happy method that will result in a happy solution of this particular, rather nasty problem.

There is, of course, the perennial situation of road relocation that is rapidly coming, hopefully, to some conclusions from the Minister of Highways. I suppose, or at least I hope, that the budget does have some funds towards the improvement of Highway No. 3, west.

The areas in the improvement district that have not got water and sewage cry out for service, and the people are prepared to pay for it. So the government is, in fact, the responsible party in this particular area. Being the stepfather of these people has certain, I think, decision-making responsibility and in that they are not asking for charity, they are prepared to pay. The thing is just simply, get the thing in gear, get it off the ground and do something about it.

I was interested in the budget for the agriculture programs and certainly agriculture is a fundamental. The farmers of course are, in fact, the most important people in the economy of the Province of Alberta because theirs is a responsibility to feed everyone. Hence, there certainly is a necessity for government to be preoccupied in this particular area.

Although I have some particular doubts, or I ask rather than question the minister of - it says five minutes, courtesy of the clock. I wonder, the making of so much credit available - what effect has that on the price of land? I see farmland that has gone up from \$100 an acre to \$375 an acre in my constituency in a matter of about ten months. Now, is this possibly one of the spin-offs of hyperinflation? It could well be. Where does it leave the young farmer? In fact, this just about precludes the possibility of him getting anywhere because what it really does, it just augments the farm crisis. If land on one hand is going to keep jumping up and prices are lagging behind or not staying level with the price of land, very obviously you have a genuine crisis situation developing because you evolve then to one particular situation as a result of inflation. You eventually evolve to the position where, in fact, the state is going to be forced to be the landlord.

We already have this situation in housing in many parts of the world. We have it in Holland, we have it in England and we have it in Italy. I'm talking about the western countries now. The reason is that the prices of housing have become so astronomical that it is no longer possible for people to own their own homes. Hence, therefore, another point is made for some comprehensive evaluation of where we're going. I do not see it as desirable that farmland as such should not belong to the people who farm it. I feel it can be done better that way, but I have great forebodings that unless some process of government controls or some containment of this inflationary spiral is achieved, the results are going to be completely opposite to what could be anticipated.

So you defenders of free enterprise on the right of Mr. Speaker, when you become complacent, when you say that all is good, when you do the 'huzza huzza bazanza' bit, I wonder, I sit here and wonder in awe how much money is appropriated in the Department of Public Works to replace the desk tops which are being hammered to pieces, Mr. Speaker; if, in fact, this is the proper direction to go.

Thank you.

AN HON. MEMBER:

So, you finally got one up.

AN HON. MEMBER:

The end of free enterprise. Good show, give it to them.

MR. PEACOCK:

Mr. Speaker, I would like to thank you for the opportunity to address the Legislature on the Budget Speech which my colleague, the hon. minister Gordon Miniely, so eloquently delivered on March 22.

Members of the Assembly may recall that the budget speech announced expansion programs for two very significant items relative to my department, transportation and industrial development and diversification.

In proposing to expand our programs let me assure the Assembly that my department has a general set of guidelines to follow. Do not let this be confused with a strict set of rules that are not flexible and that cannot meet the sudden changes in world happenings such as the energy crisis situation. Our guidelines are flexible and the most paramount feature is that we obtain the highest quality of life for all Albertans.

Growth, whether it be demographic, industrial or whatever, is not apropos in today's society unless it is accomplished in an orderly fashion. It is our intention to assist industry in relating its activities to this government's philosophy of growth, such that growth should occur only when it benefits the citizens of Alberta.

Mr. Speaker, much will be said in this debate about free enterprise and no doubt some may view certain government actions as an infringement of this concept. Free enterprise, I submit, Mr. Speaker, is just that - a concept open to many interpretations and all subject to the constant change of economic necessity.

The fact that nothing is static is perhaps best demonstrated by our acceptance of change. It is unlikely that the free enterpriser of 20 years ago would have embraced today's social reform, yet business now shares in this awareness through its own employee benefit programs.

The building of a national railway and the determination of the federal government to provide a national airline and broadcasting system were indeed conceived during an era of intense growth of the private sector, yet there was little resistance to the government sponsorship of the CNR, the CBC and the TCA.

The litmus test of free enterprise, I submit, Mr. Speaker, must satisfy that the individual or company has been guaranteed the right to compete in the market place. In our first session we expanded on this definition, for in recognizing the historical economical difficulties of Alberta, we accepted that the right to compete must also ensure the ability to compete. We therefore established a program of activities designed to stimulate the private sector in competing outside of our provincial boundaries.

Hon. members will recall that we therefore established the Alberta Opportunity Company to provide capital funds. Our research facilities were expanded to assist in product development. The Alberta Export Agency, an international marketing agency, was introduced to sell our industry products abroad and we launched transportation offensive to remove the restraints on the movement of goods and services. Suffice it to say, Mr. Speaker, that each of these thrusts was calculated to stimulate the private sector to reach beyond the limiting economic barriers of the past.

In this session, Mr. Speaker, the House will be asked to consider a new dimension in the relationship of government and the private sector. It is not a departure from our conceptual belief of free enterprise, but rather it represents a recognition of its limitations. It is our view that we have reached a time in our history when government must play a role in the development of our economic society and that some of our goals cannot be accomplished just through private endeavour. I submit that it is a moment in time not unlike that which saw the birth of federal ownership emerge when the public good and necessity become the dominant and in fact the only issue of the debate.

Mr. Speaker, it has therefore become necessary for us to select an instrument that will permit Albertans to participate in those ventures whose magnitude and importance transcend the narrow definition of free enterprise. It is also incumbent upon us to consider government participation in major capital ventures, for it is only through its direct ownership that Albertans can ever hope to achieve a basic steel industry in our province.

Mr. Speaker, I assure you that what we are trying to achieve for the people of Alberta is not just a dream; it is not just lip service, it is a reality and this reality has objectives.

One of our principal economic objectives is to provide creative earning opportunities for all Albertans. We are confident that the resources and the potential exist to achieve this objective. However, to do so, we must complement our heavy reliance on primary production and resource extraction by increasing our secondary and tertiary development. We must upgrade our natural resources thereby increasing their value before they are exported from the province.

Alberta has provided its citizens with a high standard of living through resource export. However, many of these resources will soon attain their maximum production level. Therefore, in the long term, exports can be expected to decline as the non-renewable resources are depleted.

We must now plan alternative means of generating income and employment. Your government has been doing this since taking office in 1971, and will continue to do so. Permit me to elaborate in broad terms a few of our industrial objectives. Those are: to take an integrated developmental approach to primary industries and to various manufacturing industries; to increase the processing of natural resources in order to maximize the returns from these resources; to develop an efficient and internationally competitive processing and manufacturing industry to meet competition at home and abroad; to develop basic industries such as petrochemicals, steel, wood products and coal that will provide depth and security for our future economy; to achieve the maximum attainable levels of employment to match the current and future growth of the labour force; to improve income and career opportunities through balanced regional development, and to provide for greater domestic control of Alberta's economy so as to create conditions conducive to greater Alberta entrepreneurship at home and abroad.

Our emphasis has been on the quality of life in Alberta, by creating an environment which will allow Albertans to satisfy their creative and managerial talents. This environment we speak of must allow the small entrepreneur access to feedstocks at a basic price that will permit his business to serve and expand into the local, national and international market place. This is one of the reasons why we look at scale of plant and the size we are today in regard to ethylene, et cetera.

Also, Mr. Speaker, this environment will eliminate the harmful effects of industrial activity on the natural and social environment and still afford Albertans satisfying job opportunities.

The Department of Industry and Commerce and those agencies for which I am responsible are actively working towards meeting the objectives I have just outlined.

Industrial policies are being developed for the basic industry sectors: transportation research, finance requirements, labour needs, productivity improvement, technical assistance, rural development and export market development.

The Transport Research and Development Division of my department has acquired expertise in rail, road, air and marine transport and is in the process of developing specific transportation policies for the province. Its main function is to ensure that transportation services are provided, promoted and controlled in the interests of all Albertans.

Progressive steps have been taken to enhance the economic development of rural Alberta through our regional services program. Work is going forward to assist communities in preparing plans that will result in the attraction of new industry and the expansion of existing industry and commerce. The services provided include industrial promotion, site location, expansion of production for export and the communication of government economic development services to the public. During 1974-75 organization plans will be completed

such that ten decentralized regional offices and development representatives will be located throughout rural Alberta.

The Alberta Opportunity Company is assisting Alberta industry in its need for financial requirements. As of December 31, 1973 the total amount of funds committed was \$36.8 million. The funding needs of 282 clients are presently being met by the Alberta Opportunity Company.

Research policy guidelines are being established to meet the growing needs of Alberta's expanding requirements for technical assistance. Major thrusts have been made by my department to establish basic industries in Alberta. The two industry sectors upon which we have placed the most emphasis during the past year have been petrochemicals and steel. Our availability of hydrocarbon feedstock has provided us with an excellent opportunity to develop a major petrochemical industry in Alberta.

Mr. Speaker, since I will be participating in my department's budget estimates review, I would like to defer at this time further discussion on general departmental programs and activities and concentrate my remarks on one specific subject.

It is my purpose, Mr. Speaker, to take this opportunity to discuss with you a very important issue in the future industrial development of Alberta - steel. Steel is the building block of an industrialized province. Industrial expansion relies heavily upon this commodity, and if Alberta is going to expand and diversify its industrial base, then an integrated steel industry is essential.

Allow me to review the steel industry in western Canada and in Alberta particularly. Western Canada has traditionally been a steel-importing area for a large percentage of primary steel shapes. However, reinforcing bar, rod and merchant shapes are produced locally in Alberta, B.C. and Manitoba. The Regina steel mill produces hot rolled steel. The skelp, which is the material used in the production of steel pipe, comes from there, plus strip, sheet and plate steel. The major portion of this production is used to supply pipe-manufacturing plants in Regina, Edmonton and Fort Moody. The balance of primary steel products consumed in western Canada is imported either from major steel-producing plants in Ontario and the United States or from off-shore suppliers. This includes hot and cold rolled sheet and plate, galvanized and plated sheets, heavy structural beams, column sections and other steel products.

Western Canada has been treated as a dumping ground by both domestic and foreign suppliers, with the result that during periods of high demand in world markets, supplies to western Canadian based steel-using industries are either sharply reduced or cut off entirely. An example of this is the Calgary large diameter pipe mill that was brought up in this House some time ago, Big Inch.

Alberta is currently suffering from a steel shortage with demand running some 25 per cent above supply. This situation has caused a slow down in major construction, which will only be aggravated over the next few years by the large number of industrial projects planned for our province. Every time a shortage occurs, my office receives letters from Alberta firms outlining their problem, which is generally the same - their supplier has cut back on supplies and raised the price. We in Alberta are the first to feel the effects of a shortage in steel in the domestic or the world market place.

In my position as Minister of the Department of Industry and Commerce, it is my responsibility to help insure that the supply needs of Alberta firms are satisfied. Therefore, I would like to briefly outline the steps my department has taken to assist Alberta industries in meeting their steel needs.

Firstly, we approached Canadian steel firms to ascertain whether they were interested in investing in the development of an integrated steel complex in this province, with the understanding that they might utilize the iron ore deposits in the Peace River area. Unfortunately we were not able to obtain a suitable commitment from eastern Canadian steel mills to establish a total integrated mill in Alberta.

Discussions were held with foreign interests, but once again our objective was not obtained. The Japanese firms did not have the technology for a small-capacity mill, nor were they interested in any complex which was not a tidewater location. German firms did not want to invest in such a project; however, one firm was willing to provide technical assistance.

In the meantime, while we were searching for someone interested in a steel complex in Alberta, we were also trying to find supplies for the short-term needs. The International Marketing Branch of my department has been able, on a number of occasions, to find short-term supplies for specific Alberta firms in desperate need of steel. Trade missions have been instrumental in initiating talks with the Brazilian and Mexican governments with regard to supplying Alberta with iron ore in trade for shipments of coal and/or sulphur from Alberta. As a matter of fact, it might be of interest to the House to know that such a meeting will be going on on Wednesday night and Thursday in Calgary with the Mexicans in

regard to a crossover shipment regarding coal and ore. This week we are hosting a number of Mexican government officials to further our discussions on this subject.

The production of steel in western Canada is currently limited to the supply of scrap, and any expansion beyond the present capacity requires a controlled supply of iron ore. The Peace River iron ore, if proven economically feasible to mine, will take many years to come onstream as a source of supply. In the interim we must look for alternate sources.

Allow me to spend a few moments with you discussing the option Interprovincial Pipe and Steel Corporation Limited has offered the Alberta government.

In June 1973 Mr. Jack Turvey, President of IPSCO, approached the Alberta government with an offer of equity participation in that firm, in return for which IPSCO would undertake to expand and develop the existing steel production capability in the province, and expand over a period of time its steel-making capabilities in those areas that I have alluded to earlier and which we now import.

Copies of the two-party and three-party agreements between IPSCO and Alberta and between the Saskatchewan government, the Alberta government and Slater Steel Industries will be filed in this House. The agreement reads that the Government of Alberta has the option to buy 938,400 common shares of IPSCO. This amount represents 20.1 per cent of the total shares issued by that company. An equal amount would be held by Slater Steel and the Government of Saskatchewan, with the public of Canada holding the remaining shares. The purchase price per share will be, if the option is exercised, \$11.41, for a total investment of approximately \$10.8 million. I might add that the market value today is between \$16.50 and \$17 per share.

The advantages of accepting the IPSCO offer are many and I will itemize them for you now. First, it will provide a long-term reliable supply of steel at competitive prices. The development of one strong western Canada steel company will accelerate the development of a western-oriented steel facility that will strive for self-sufficiency in those products not presently being produced in this market area.

Second, it will create a strong and growing base of steel products, and this is most important, for a secondary steel-using industry in Alberta. IPSCO's expansion plans for Alberta include a cold-rolled and galvanizing mill, two large diameter spiral mills, a structural mill and a coupling manufacturing plant to name only a few of their planned projects. In total, the estimated capital cost would be in the millions of dollars with a gross sale potential of products produced in Alberta in excess of \$90 million per annum.

Now I think that is the most significant part of any steel operation because this is where it allows the creativity, the entrepreneurship, all the diversification of what comes out of those institutions called universities, and polytechnicals to be applied and used in Alberta.

This allows the man with ability to finance, to sell, to understand marketing, to research and develop, to take those things in his hands and fabricate, weld and develop something new for the market place.

Expansion plans in Alberta would create direct employment equal to that in Saskatchewan - this is another part of the offer - which will be in the order of 1,000 new jobs. Of these 1,000 new jobs it is important to note many of the employment opportunities will exist in developing new technology, thereby affording Alberta the opportunity - as I mentioned - to develop its technical expertise and further its research and development knowledge. Also, new jobs will be created in selling and administrative functions.

IPSCO is developing a new pricing policy and this is indeed a most important part of this option. IPSCO will be developing a new pricing policy for steel products which will eliminate the traditional disadvantage to Alberta-based steel using plants that presently pay up to \$20 per ton more due to the base price at Hamilton plus freight. The new pricing policy will result in an equalization of delivered prices to all points in western provinces, thereby giving equal opportunity for all steel-using plants in western Canada.

The development of an economical source of iron ore, preferably within the West, is necessary to insure the continued growth of IPSCO. The current evaluation of the Peace River iron ore deposits could provide this source for the supply of oxide pellets to a direct reduction plant feeding the IPSCO steel furnaces. IPSCO has shown a direct interest in attempting to utilize the low-grade Peace River iron ore deposits with other deposits such as choice land.

IPSCO is the only western Canadian firm with the technological and plant capability of expanding western Canadian steel production. The management of IPSCO has had 18 years' experience in creating production facilities to meet the specific requirements of western Canadian markets. And that's most important.

From an investment point of view, IPSCO represents an above average return on capital based on historical and potential future earnings in relation to our purchase price per share. I pointed that out at \$11.46. Actually their dividends on their shares are paying about six times the payout, which is rather unusual for steel. Indicated repayment of total investment, based on the 1973 level of earnings, is six years. The company has paid dividends each year for the past several years in relation to earnings during that period.

Mr. Speaker, permit me to point out what alternatives exist, for there are basically only two.

First, if Alberta does not exercise its option, it is likely that the expanded facilities will be located either in Saskatchewan by IPSCO, or in British Columbia by foreign firms attracted to the tidewater location. Although the province's supply situation will be improved, it would represent a considerable loss in terms of future development for this province.

The only other alternative would be to try to attract another eastern-based steel-producing firm. However, it is unlikely that another Canadian integrated mill would locate in the western provinces since the western Canadian market could not support two major steel-producing firms in the foreseeable future, and since IPSCO is already a well-established western company.

In addition, Mr. Speaker, I would like the hon. members to note that exhaustive studies by independent consultants retained by the former government administration concluded that it would require an investment of \$150 million to duplicate the facilities presently operated by IPSCO. The existing market demand would not sustain two companies in this range of steel products, and even at capacity levels of operation the proposed Alberta mill was marginal in terms of return on investment.

In reply to further anticipated questions, I would like to take this opportunity to explain the situation presently existing with regard to the Peace River iron ore deposits.

Annual steel consumption in western Canada is now in excess of two million tons, with production about 800,000 tons, leaving 1.2 million tons short-fall to import. Consumption by 1980 is expected to double and reach four million tons. Western Canada, and available U.S. sources can only generate some 700 to 800 tons of scrap as a raw material for steelmaking; that is, at an economic level.

A source of iron ore is needed to serve this industry, and the largest potential source is the Peace River iron ore deposits. Reserves are estimated at over one billion tons, of which 227 million tons are proven reserves, grading 35 per cent iron. To date, 'beneficiation' of these iron deposits has been difficult due to the type of ore, and the high silica and phosphorous contents. However, recent advances in technology may allow economic recovery of the iron from this ore.

The Research Council of Alberta is participating in a feasibility study of these deposits which will be conducted over a two-year period. At present, sampling work is underway which is only a preliminary to a research program and has no direct connection with the actual development of the iron ore resources.

No development can be started before 1978 at the earliest, at which time the results of this study should indicate whether or not an economical process has been found. If the feasibility study proves that the ore is suitable for making steel, it would be approximately a decade before this raw material would be available. For the period between now and then, we need a solution. IPSCO will help provide the solution by expanding its Regina hot-rolling facilities from its present 600,000 tons to about 1.2 million tons.

When we talk steel, we must look at western Canada as a growing economic entity. Mr. Speaker, it is my strong conviction that we must free ourselves from the concepts of narrow provincialism when we talk about common economic goals. A strong Saskatchewan economy, indeed a strong Western Canadian economy, is of much greater benefit to Alberta than a reverse situation. Jointly, we face the challenge to find adequate human resources to take advantage of the opportunities offered to us in western Canada. The West must free itself from the unreliable supplies of steel from eastern Canada and non-domestic sources if it hopes to provide a strong impetus for economic development.

By exercising the IPSCO option, the Alberta government can help obtain a stable supply and price for steel in western Canada.

Mr. Speaker, from what I have said it becomes obvious that we have planned what we believe to be a sensible approach - incorporating the preservation of existing viable free enterprise companies and assuring a disciplined and exciting growth of our basic steel-making industries, as well as providing safe opportunity for hundreds of steel-consuming manufacturing industries. When government sees a need in the economy that has

not been met, then it must be prepared to help industry meet the need for the betterment of the people it governs.

This is the philosophy the Alberta government has in regard to developing an integrated steel industry in Western Canada, The choice we make will serve as a legacy to our children, so I trust the situation I have outlined to you today will meet with your approval.

MR. COOKSON:

Mr. Speaker, it's a pleasure to rise this evening and to say a few words about the budget debate. I've been rather disappointed in the kind of delivery we've received so far from the members of the opposition. We've had at least three very capable people, the Member for Macleod, the Member for Calgary Millican and the Member for Pincher Creek-Crowsnest - all three of them capable speakers in this Assembly and yet in the comments which I have to say this evening and the points that I draw attention to, it indicates to me that they simply haven't found a loophole yet in the budget debate. They remind me ...

MR. DIXON:

Mr. Speaker, on a point of order on the first loophole, I haven't spoken yet and I'm just trying to find a few more to add.

MR. COOKSON:

The hon. member still hasn't spoken.

The dissertations that we've heard this evening and this afternoon remind me of a mosquito in a nudist colony - they know what to do but they're not just sure where to start.

AN HON. MEMBER:

You should know. You should know.

MR. COOKSON:

The Member for Macleod rambled around and talked about various things such as, Alberta is not an island. I beg to disagree with him in that respect because we are an island - we are completely landlocked. We're one of the few provinces that has no access to water, therefore we have a particular problem.

He talked about greater consultation versus confrontation. These are pretty lofty terms and I would suggest to him that before you can have consultation, quite often you have to have confrontation. This is essentially what the Premier and members of the cabinet have been faced with over the past few months with regard to oil and gas. The conference at Calgary was, in a sense, a confrontation in order to establish certain boundaries and points at which they could have consultation. Hopefully, in this next week our Premier, the Minister of Federal and Intergovernmental Affairs, the hon. minister Bill Dickie and others will be able to have a breakthrough in this kind of confrontation, if you wish to call it that. I'm just wondering, Mr. Speaker, if we had had just a little bit more confrontation up until 1971, and then consultation, whether in fact we would have been as successful in the fall of '71.

The member talks about government position, free enterprise versus other, and I suggest, Mr. Speaker, that this sort of intellectual argument should be left to the backrooms and the smoke-filled corridors because I think it's just an intellectual argument. There are good things on both sides. I would even admit that to the Member for Spirit River-Fairview. Hopefully we'll get the best of both sides and progress towards a better province.

DR. BUCK:

... to move over there now.

MR. COOKSON:

The hon. member talked about 40 per cent of the total budget coming from oil and gas and not making provision for some future provisions in the province. It's correct that a large part of the revenue in the province comes from oil and gas, with very good reason, primarily because this government has had a confrontation and consultation, has reacted and has been able to adjust royalties so that the Province of Alberta gets some kind of fair return for depletable resources.

AN HON. MEMBER:

That a boy Jack.

MR. COOKSON:

You talk about spending Alberta's heritage. I would suggest that perhaps the former government gave away some of Alberta's heritage.

AN HON. MEMBER:

Shame.

MR. COOKSON:

The question that he poses is that the government invests and industry pulls out. If you look at the facts and figures of what has happened in Alberta since 1971, there is very little evidence that government has pulled out at all - or that industry has pulled out. Certainly you only have to look at what is happening in the province to know we are on the verge of some of the major developments the province has ever known. A secondary industry, which has been one of our themes, I think, since we came into office, is starting to come about.

I could go on and pick out a number of other items that the member from Fort Macleod talked about. He says we have to get to some of the root causes and I suggest to him, when he is talking about inflation let's hear about some of the root causes. There wasn't one offer in his total speech - and you can read it in Hansard - one offer of some kind of solution to some of the root causes of inflation.

He criticized giving the senior citizens \$10 per month and then turned around and suggested that the rates were raised in the senior citizens' lodges. The maximum rates were set, there was no endorsement by this government or requirement that the rates be raised to these prices.

SOME HON. MEMBERS:

Oh, oh.

MR. COOKSON:

They were free to do whatever they wished. The fact of the matter is, if you look into the basic facts most of the senior citizens' lodges have been operating at a deficit and therefore there has to be some room for movement. I don't think the members of the opposition would criticize the position we might take in that we should try to encourage our senior citizens to stay in their own homes as long as is conceivably possible before having to become a part of a senior citizens lodge. If you subsidize some of these programs to the extreme, you end up changing the whole situation.

Mr. Speaker, I would just like to make a few comments about some of the programs we have undertaken since 1971. I won't bore you with too many facts or figures but I'd like to reiterate some of the positive things the province has done. I'll start out with agriculture because it is probably one of the most - as I think the Member for Pincher Creek-Crowsnest suggested - it's the only positive thing that he gave in his talk - farmers are most important people or words to that effect. I would agree with him on that point because if you look at the figures the gross income of the farming industry in the province almost came to the equivalent of the budget that will be handed down for the total for the province, well over a billion dollars in gross revenue for 1973.

Agriculture, under the capable leadership of probably one of the best - and I'm standing close to him so I can say this - certainly of the best qualified ministers of agriculture, has been able to triple the budget for agriculture since 1971, has initiated some of the most ...

DR. BUCK:

Catastrophic.

MR. COOKSON:

... far-reaching and interesting innovative types of programs.

The Member for Clover Bar, I hope, will have an opportunity, Mr. Speaker, to say a few words. I see he is in the Assembly this evening.

The recent announcement, just this afternoon, which spoke about ...

[Interjections]

... which spoke about the great sale to Cuba and Japan - and I remember the members of the opposition yakking and screaming and ranting and raging about some of the commissions and some of the people who were sent into some of the countries of the world to try to promote and sell products - there we have a typical example of a sale which is equivalent to the production of pork in this province for 30 days, a total month in the province. I just can't see how they can substantiate this kind of criticism in view of what effectively has happened.

Education has always been at the forefront of expenditure. It still is one of the major expenditures of the province. I would just like to say I am impressed with the emphasis that has been put on early childhood training, with the emphasis that has been placed on handicapped children, particularly in the area of elementary instruction. I think, as a former teacher, it was clear to me many years ago that the most important area to spend funds is at the elementary and pre-school level. This is essentially what this province has done.

The Department of Highways and its major programs of expansion are to be complimented. The program that the hon. minister, Fred Peacock, spoke about, with regard to decentralization, I could spend a lot of time on. I would say it was one of the boldest, most progressive moves that the province and this government has undertaken as far as rural Alberta is concerned.

It disappoints me, and I imagine it disappoints the opposition, that they never recognized this importance many years ago. I spent a number of years here in Edmonton when the population was something like 150,000 to 200,000 people. I saw the two major cities multiply by leaps and bounds with all the social problems that occur because of rapid growth. Yet I never saw any positive attempt by the former government to decentralize industry and government. After all, the Province of Alberta belongs to all the people of Alberta ...

AN HON. MEMBER:

Agreed.

MR. COOKSON:

... and any investment should go to all the people of Alberta.

DR. BUCK:

Not just the PCs.

SOME HON. MEMBERS:

Agreed.

MR. COOKSON:

I would like to compliment the Minister of Lands and Forests on his new parks act.

AN HON. MEMBER:

Agreed.

MR. COOKSON:

We have major parks in our area, and they have received considerable benefit from some of the moves in this area. The major development and participation by the province in the area of Whitecourt lumber developments has to be complimented.

Again, you get into this backroom dissertation on whether we should be right or left. I say this ...

DR. BUCK:

We know where you are.

MR. COOKSON:

... that whatever is good for the province is good for the people or vice versa, and if we could invest some of the resources of the province into other resources in the province, I think that is a positive move and we should continue in that direction.

I would just like to comment on one of the problems in the area of freehold. This has to do with the hon. minister, Bill Dickie's department. There is a fair amount of freehold in my area. I have had considerable concerns expressed to me about these people who own rights to oil and gas but are frozen into the contract for possibly 50 years. It's wrong in principle, I think, to permit the export of a depletable resource in this day and age at rates much lower, for example, than the province itself would permit. It's not a matter of a resource that can be replaced, it's a depletable resource, and I would like to hope that perhaps our government could look at some of these freehold contracts. They represent, I think, 15 per cent of the total ownership in the province and in my area there are a very small number of property owners of freehold. But in effect what has happened now is because of the escalating royalty rates and royalties the freeholders are unable to shift in their position. By default, this increased revenue will go to the oil companies which own the rights. If there is any way at all possible that we can make provision, even if this revenue comes to the province, I think it would possibly be fair because of the fact that it is a depletable resource and when it's gone it's gone.

I would like to compliment the hon. minister, Dave Russell, and Municipal Affairs and the funds that have gone into a basic program initiated by the province, and that was to take services to people off property ...

AN HON. MEMBER:

Hear, hear.

MR. COOKSON:

... and use only taxes on property to serve property. That was one of our basic objectives in 1971, and I'd like to say at this point most of that program has been carried through. I've yet to hear any constructive criticism from the members of the opposition with regard to this shift in taxation.

Well, I can't go on, Mr. Speaker, to list all the accomplishments - because that would take all night, I don't have that ...

[Interjections]

...that the province has carried on, but if the members would like to ...

MR. WILSON:

Go ahead.

MR. COOKSON:

... listen to them I am quite prepared to carry on for some time.

I would like to throw out a plum to the Minister of Youth, Culture and Recreation.

AN HON. MEMBER:

Oh yeah.

MR. COOKSON:

He's one of the most bombastic, enthusiastic ministers in the House ...

AN HON. MEMBER:

Agreed, agreed.

MR. COOKSON:

... and I just want to compliment the minister on his great enthusiasm for the various cultures of the province and the work that he is doing towards promoting culture.

AN HON. MEMBER:

Agreed.

MR. COOKSON:

I'm sure tickled to get a little bit of support from the opposition.

The member for Calgary Millican - McCall - I'm sorry, I must correct that ...

AN HON. MEMBER:

You can't tell the difference anyway.

MR. COOKSON:

It is difficult to tell the difference at times.

The member talked about the province having nothing to do with the contribution to this windfall in Alberta, as he described it.

AN HON. MEMBER:

Agreed.

MR. COOKSON:

I thought that was rather a bold statement in view of the fact that, following August of '71, when the new government took over, they initiated on their own hearings with regard to oil and gas royalties which ...

SOME HON. MEMBERS:

Oh, oh.

MR. COOKSON:

... resulted in spectacular increases in both these areas, the new negotiated right for example, rates for gas going down to California. Part of this is due to doggone tough negotiations on the part of our ministers and the Premier.

He talks about doing nothing to create prosperity, and then the member gets back on this free enterprise problem, and then I lost him for a while - I guess he lost himself - and ...

[Interjections]

... he talked about the major development in Alberta going to cause inflation. Well, this is quite a statement, because as I go down the Member for Pincher Creek-Crowsnest's statement he gets tangled up with some grasshoppers - but basically he argues price fixing and then goes ahead and knocks his whole argument down. The Member for Calgary McCall talked about better planning. Now this is his solution for inflation - better planning. He talks about a new approach.

AN HON. MEMBER:

What's yours?

MR. COOKSON:

He talks about new ways of managing our money and resources, and I suggest, Mr. Speaker, that he might have been talking about the 'funny money' business or the Aberhart manifesto. I imagine that was the intent.

Then the hon. member talks about team effort with municipalities and the fact that perhaps this government hasn't worked with the municipalities, or cooperated with them, and the members opposite say "agreed".

I just want to reiterate what the government has done for the people of Alberta and for the municipalities, 28 mills off property. They are working on a ring-road program around the city of Edmonton. They have adjusted the assessment. They have assisted in promoting the games up to a third of a total, I think, of \$35 million. They've increased the funds to the municipalities by approximately 15 per cent. The government has picked up well over 80 per cent of school costs. The province has allocated something like \$15 million for rapid transit work in the two major cities. The government has promoted a water progress development in the rural areas. There has been a program initiated for paving, special funds for paving, in the smaller rural villages and towns, and \$15 million or \$20 million have been laid out for two major parks that our urban friends can be close to.

They have initiated massive fund investments in the area of assistance to senior citizens. This includes Alberta Health Care, it includes all the hearing aids, glasses, et cetera. They have moved to assist Blue Cross and, you know, I haven't even got started on some of the work that's been done in agriculture to promote a better province.

Well, the Member for Pincher Creek-Crowsnest talks about the necessity to stop and think.

AN HON. MEMBER:

That's a good idea.

MR. COOKSON:

These are quotations. He talks about today and tomorrow. He talks about inflation and causes. The member talks about, in effect, price controls not working. The member talks about inflation being as bad as deflation. The member talks about the importance of free enterprise and then, in the same breath, talks about the problems of price gougers. The member talks about ...

MR. DRAIN:

... that I have been misquoted. The hon. member has now traversed the pathway of fantasy. If the hon. member would refer to what I was saying, what I said specifically did not relate in the context in which you are trying to wiggle it around to hon. members.

MR. COOKSON:

Mr. Speaker, I'll accept that explanation and put it in a different sentence. The member talks about the desirability of uniformity of cooperation and then he started talking about raising grasshoppers, and the really good statement that the Member for Pincher Creek-Crowsnest made was that farmers are most important people. I underlined that twice, Mr. Speaker, so that I wouldn't forget to mention it.

However, the member goes around again and starts worrying about land-price increases, which is quite true. There are land-price increases in the province, but I also suggest that when the former government was in office oats were worth 50 cents a bushel, and today they are worth \$1.50 a bushel. They might have even been worse than that.

Then, Mr. Speaker, the member talks about the comprehensive value of where we are going and he gets back on this bit of government controls. It's beyond me, Mr. Speaker, what the members of the opposition are talking about.

In conclusion, Mr. Speaker ...

SOME HON. MEMBERS:

More, tell us more.

MR. COOKSON:

... I'd just like to say that I'd like to compliment all the ministers. I know members of the opposition don't like to hear this but I'm going to say it anyway - that we probably have the most capable group of ministers that this province has ever known, that they work very long hours ...

[Interjections]

... the member for Clover Bar always has this problem of jumping up when I am trying to compliment a minister or someone else. I know he regrets not being on this side but he may have missed a few debates which have been carried on over the past time because he is not here that often.

AN HON. MEMBER:

Can you figure that out and ask the next question.

MR. COOKSON:

I'd just like to repeat, Mr. Speaker, that the people of Alberta don't entirely realize, perhaps, the long tough hours that our ministers go through, the problem now faced by the Premier in settling this confrontation or consultation at the federal level. I would like to compliment the minister of trade and industry, who isn't here at the moment, in his move towards the development of secondary industry. I think that the province for the first time in its history in confederation has found itself moving into a new era and that if the members of the opposition are around and are patient they will ...

MR. WILSON:

Tell us about it. Tell us.

MR. COOKSON:

... recognize this in the years to come.

MR. ANDERSON:

Mr. Speaker, I wish to congratulate all members who will take part in this debate. Taxation and budget proposals play an increasingly important part in the economic life in this province. I say "increasingly important" because governments at all levels are spending more and more and therefore having a greater effect on the lives of every man, woman and child under their jurisdiction. Governments are assuming more and more responsibilities exercising more and more controls over the citizens of this country. I ask, Mr. Speaker, is this way of life the answer to our social and economic problems? Will more government controls bring about a happier and more prosperous way of life for the citizens of Alberta and Canada?

Some countries of Europe gave up their democracy, their democratic life, for dictatorship. Other nations have since tried dictatorship, establishing practically complete control over the individual. The question may well be asked, Mr. Speaker, what is creating this state of affairs?

The Province of Alberta was formed in 1905, less than 70 years ago. Thirty-six years after the province was formed. The people of Alberta elected a Social Credit government. At that time, half the provincial revenue went to pay the interest on the provincial debt. The provincial expenditure at that time was under \$20 million, a long way from the billion dollar budget of recent years.

Mr. Speaker, it has been reported that the important agriculture industry reached a value of over \$1 billion for the first time in history, long after the provincial revenue had reached that level. It is not just enough to spend money, but it is how you spend it and what you spend it for that counts.

The first government of this province from 1905 to 1921 was Liberal. They were characterized in a report by the Bank of Canada as being a wasteful and extravagant administration. In the early years the Social Credit government, in common with others, was going through a world-wide depression that created terrible social and economic conditions, unemployment and bankruptcies. Grinding poverty was the order of the day.

Nationally, we were governed by the old-line parties. The Conservatives, under the Hon. R.B. Bennett, gave us the Bennett buggy, high freight rates, tariffs and a deepening depression. Then, Mr. Speaker, in 1935 the Rt. Hon. Mackenzie King and the Liberals came to power under the slogan "King or chaos" and we got both. One thing I must say, after the depression eased, because of World War II, the hon. Mackenzie King declared that depression was a monetary phenomenon. I must remind the hon. members that when Social Credit declared in those days that unwise fiscal policies would wreck a nation, the old line party spokesmen were warning the people that Social Credit monetary proposals to use the Bank of Canada more effectively could create rank inflation. They pointed out that history tells us that inflation was prevalent in the collapse of the Roman civilization.

Look at Germany at the time of their inflationary period - they shouted. Well let us take a look back to the inflation in Germany. At that time there was no inflation in England, France, the Netherlands, Canada or the U.S.A. Inflation was confined to Germany. Today we have world-wide inflation, Mr. Speaker.

Today we have the Government of Alberta telling us that it is Ottawa's responsibility. We have Ottawa blaming the U.S.A. and other countries. Today governments are blaming each other the world over for inflation. It is not good enough for this government to blame Ottawa. They should set up a competent board of enquiry to establish the real cause of inflation and what this government can do to alleviate the situation - depletion and depreciation of our monetary phenomenon. What is the inflation and economic depreciation that so many suffer from, but a monetary phenomenon? What member of this, or any government, can stand up and say that inflation is good for Canada. If inflation didn't help Germany or other people from suffering from it, in times past, how can it help us? It is the responsibility of this government to join in the fight to contain inflation. This is no time to stick your head in the sand. If you still contend that Social Credit monetary proposals would bring inflation, you had better devise monetary proposals of your own to bring some greater measure of stability to our economy.

It is no longer good enough to say that Social Crediters are wild-eyed inflationists. We never created the world-wide depression nor the present world-wide inflation. When Social Credit administered the affairs of this province, it established a record second to none in Canada. It encouraged the development of oil and gas and other resources while still protecting the people's interest and control of these important resources. Yes, Mr. Speaker, the record of the Social Credit government in every field of administration under provincial jurisdiction can stand the test of the closest scrutiny.

Today, governments are spending more money and year by year getting less for it as its value declines. Inflation is taking its toll. It is the duty, I repeat, of this government to find some answers to the problem.

I was glad to see the government remove the 7.5 per cent ceiling increase on municipal spending. I would hope, Mr. Speaker, that the municipalities will not take advantage of this move by the government and increase the mill rate to off-set the savings of school taxes. This would create more hardship on the senior citizens and the people on fixed incomes. What about the pension paid to our civil service? Have we brought the pensions in line with inflation or are we going back on our promise to be alert to the needs of those on fixed incomes?

Mr. Speaker, I am looking forward to more discussion of the budget proposals of this government as the legislation comes before us.

MR. FARRAN:

Mr. Speaker, I'd like to join other members in congratulating my colleague, the Provincial Treasurer, on his excellent delivery and preparation of this budget. This is an historic budget with significance for all Albertans.

When this government assumed office, just over two years ago, few would have forecast that Alberta would be able to budget for a surplus so soon. At that time, Mr. Speaker, the general opinion was that all royalties were unlikely to rise to fill the income gap caused by the decline in revenue from the sale of oil leases. In fact, the previous government, aware of the decline in oil lease revenue, has pursued a policy of retrenchment since 1969. The cash reserves of the province had almost gone and the boast that Alberta was debt-free could only then be justified by fancy footwork with the books. The outlook was not all that rosy. That was why certain steps had been taken by the previous administration, such as freezing municipal grants at \$38 million a year, holding provincial assistance to hospitals to the 1969 cost levels, applying a mandatory plebiscite on school boards whose costs increased by more than 6 per cent a year, and an increase in the provincial income tax.

Now, after just over two years in office, the change in situation has been as dramatic as the change in the tide in the Bay of Fundy.

DR. BUCK:

I suppose he started the Israelis into battle too.

MR. FARRAN:

Certainly the unforeseen sea change in the world value of energy was not foreseen by anybody in this province, not by the oil companies who testified before the inquiry in these chambers in 1972 and not by members on either side of this House. The turn of the tide came much earlier than that. You might say it came in August, 1971. Actually probably the big significant change in the financial situation began first with the Provincial Treasurer's money management policies where he consolidated government funds and issued short-term notes or treasury bills instead of locking the province into the long-term market at higher interest rates.

The second big change was the decision to abolish the fixed ceiling of 16 per cent on oil royalties, taking a more realistic view of what was fair for the Albertans, the owners of the resources, to receive as their share. I shudder to think, Mr. Speaker, what Alberta's fate would have been if the old guard had still been in power and the royalty rate would still have been fixed at a mere 16 per cent.

The third point was the determination of the new government to receive a proper price for its natural gas, gas which had been shipped out in an unprocessed state at half price. This policy had resulted in the almost total exclusion of the petrochemical industry from Alberta. This government said, no more, not unless you pay a proper price and if you want real assurance of supply for feed stock gas for petrochemical by-products you would be well advised to site your plants on the gas field.

Those were the significant moves by this government, Mr. Speaker, and they were not related to the new revenues now expected for the increased world price of oil.

In regard to natural gas, Mr. Speaker, the Premier promised as early as November, 1972 that Albertans would be sheltered from the increased price we expected to get for our gas. This was not a two-price system, as the Premier pointed out, but a one-price system with a rebate to Alberta. The rebate was only fair to correct the injustice that Alberta had suffered for so many years, the injustice she had suffered by the former administration having allowed the jobs to be shipped to Ontario with the cut rate gas.

I can remember, Mr. Speaker, when the Social Credit government told the Liberal opposition of those days that gas export would give Albertans the benefit of a

petrochemical industry. The Liberals, the opposition in those days, were diametrically opposed to gas export. But the people believed the ancient administration when it promised the spin-off of a job-providing, tax-producing petrochemical industry.

What did they do to insure that it would come here? Sweet nothing, just sweet nothing. What did we get? Well, all the petrochemical industry settled in Sarnia, Ontario except for a couple of fertilizer plants, one of which had to be enticed with money to come here, with the exception perhaps also of piles of yellow sulphur and a handful of tiny extrusion plants.

Now at long last the petrochemical industry is coming. Every day a new contender announces his plan. So many are knocking at our door that the problem is to accommodate all those who want to come. No longer does the West have to think of enticing these large industries with grants, low interest loans or tax holidays. This, in itself, demonstrates how the times have changed.

Mr. Speaker, I'd like to pay particular attention today to the financial problems of the municipalities.

Local government constantly asks for new sources of revenue. Perhaps they should stop and add up the gains they have made in the last two years. The argument went that property tax should only be used for services of direct benefit to property, that it should not be used to finance human resource programs. If the province would only take over the costly 'people' programs, those most difficult to control, the municipalities could manage quite nicely on property tax alone.

Some even went so far as to say that if the province did this the municipalities wouldn't require any further provincial assistance by way of a grant. This view was expressed by at least two commissioners of finance at a municipal level.

Well, the government of today has done it. The province no longer puts its hand in the residential and farmland property tax pocket. It pays the entire cost of hospitals and local health. It pays 90 percent of welfare and 90 per cent of education. It has increased recreation grants to the cities by 750 per cent.

At the same time, it has first increased municipal grants by 25 percent and now by a further 15 per cent. It has reduced its call on industrial and commercial property tax for education. Every year it has increased the road grant to cities by huge amounts. Now another \$15 million is going to go into rapid transit or other forms of public transportation.

People called for reform in property tax, reform for municipal finance. No more sweeping reform has ever been achieved in Canada than has been achieved in Alberta in the last two years. Almost all the 'people' programs paid by the province, leaving the property tax to the cities while increasing their general grants - there can be no greater reform than that. There are what reform the critics can be asking for. How much does a city need for its policemen, firemen, roads, sidewalks, water and sewer? The province is paying for houses, hospitals, auxiliary hospitals, nursing homes, senior citizens' lodges and there are large sums for recreation.

In my riding alone, Mr. Speaker, there are three senior citizens' facilities in the planning or construction stage, two senior citizens' lodges, a day care centre, two auxiliary hospitals, one expansion and one new. There is a new building proposed for the north Calgary welfare authorities, and my riding is no different from others throughout the province. They all have fantastically increased activity in the last two to two and a half years.

People in my riding have enjoyed the relief of the Property Tax Reduction Plan and recognition, for the first time in Alberta history, that renters pay property tax indirectly through their rent. The latest good news for my riding also, Mr. Speaker, is the announcement by the Provincial Treasurer that the Provincial Treasury Branches will be going into direct lending at low interest rates for mobile homes, new and old.

This budget, as is quite obvious, Mr. Speaker, from the opposition critics, is one that will prove very difficult to pick any holes in.

AN HON. MEMBER:

Question.

MR. SPEAKER:

Are you ready for the question?

MR. HINMAN:

Mr. Speaker, everybody's waiting for the question, I guess, but me. I have a few questions that I want to ask in the meantime. I discovered some time ago that if you want to discover a man's potential for foolishness you just give him some unearned money. Now I can see that it applies to governments as well.

Perhaps I ought to treat some of the remarks that have been made in the House before I forget them, because they didn't make too much of an impression in the first place. The hon. Member for Stony Plain has begun, for each of three years, by talking about the 'funny money' policies of the Social Credit government. The very first year I knew that he didn't know anything about Social Credit monetary policies, and since then I have learned that he doesn't know any more about anything else. So I can't see why he needs an office in his constituency.

Getting back to a few other things, the Member for Lacombe said he'd like to compliment the ministers. So would I, but I have more trouble than he in finding something to compliment them about. That doesn't mean that I am not going to try.

I do want to compliment particularly the Minister of Industry and Commerce. While we may not agree entirely on definition and philosophy, I have followed his reactions and his actions through the years and I think they are most commendable. I don't think anybody can be very critical of what has been accomplished. I know that he has had to have the backing of the cabinet to accomplish many of these things.

Now, philosophically perhaps, we need to have a couple of definitions. When we talk about free enterprise I think we need a definition. Free enterprise, of course, came from the French words "laissez faire", let things go as they wish. It was soon discovered that if you let things go as they wish it is soon a matter of dog eat dog.

I'm very impressed yet with the fact that business is in business to make money, and there are very few businessmen who have any particular social consciousness, unless it's forced on them. Consequently, governments did have to take a hand sometimes in controlling free enterprise.

But nevertheless, when I try to define free enterprise - and I would prefer to use the term "private competitive enterprise" - I don't find that it necessarily excludes governments. I think it excludes governments from takeovers, I think it excludes governments from going into only those businesses which are bound to be lucrative and where there is no way of comparing a government performance with somebody else's performance.

On the other hand, I think many times it is legitimate for the government to be in business. When the hon. member, Gordon Taylor, was Minister of Highways, he had a policy of building some road once in a while, with government looking after it, and building a bridge here and there. I had some contractors in my constituency who 'phoned me and said, what's this man doing, getting in free enterprise, and my answer was, well, he is just making sure that free enterprise is doing a good job. He wants to know, are we being taken in these tenders, is anybody conniving against us.

So I'm not entirely against governments going into business, nor do I regard it necessarily as an invasion of free enterprise, so long as in so doing they do not eliminate the very beneficial effects of good competition.

Now, I suppose we could take the iron as an example. The hon. minister's explanation tonight should have been very clear to all of us. Nobody is ready at this moment to develop the iron industry in Alberta - I mean nobody in the private enterprise sector. Perhaps the reason is, as he has told us, that there is not enough prospect to keep the Saskatchewan plant going and an Alberta plant going. Consequently, only if steel becomes terrifically expensive can we depend on private enterprise. So I'm not particularly against his investment in this fund, so long as there are always shares left on the market for the private investor who might want to go into business in that regard.

Now, the rapid increase in industrialization in Alberta has largely been a windfall. I know in the old days we were as guilty as the new government in trying to take credit for something over which he had exerted no control, but I think it's fair to say that many of the developments which are taking place in Alberta today are taking place because we are a very favoured province.

While we have attempted - when I say we, perhaps I'm taking some credit for what the government is doing - while we may want to take some credit for what we call decentralization of industry, our record is not very good. The figures show me that there has not been any percentage decentralization. There is no way of stopping the two major cities from getting the major industrialization, because these depend on factors that you cannot export to some little spot. We should do all we can, but I would point out to you

too that it's becoming questionable in the economic world that a little centre is in the end going to be helped by the moving in of some one industry.

I have seen the table go the full rounds when every little town sought an industry, and every little suburb sought some industry, and then they discovered that with industry comes problems and costs and that it is not an unmixed blessing. So now you have people putting pressure on planners to prevent this very thing. On the news tonight we had the mayor of our neighbouring city trying to defend his stand in permitting industry to come close to St. Albert, and the reasons were always the same. I think these are things which we have to consider in some new light.

Now, I want to philosophize a little bit about inflation before I get into something a little more detailed. And there again you need to define. I remember as a small boy an exercise in inflating frogs with the help of a hollow straw and tossing them back into the water where they could neither swim nor dive. That's exactly what inflation does to the economy. It just blows it up until nothing works any more.

The first time for many, many years that we have ever seen the law of supply and demand work has been in this last year and year and a half, because of two very unexpected conditions: one, the failure of crops in the world, the demand for feed grains and for wheat too. Strange things happened. The Russians, by means of agents from other countries, got into the United States and bought up so much grain that today the bakers in the United States are worrying about whether there's enough wheat to look after the domestic market until the end of the year. At the same time those people, discovering that they had a means of blackmailing the world in oil, took advantage of the situation to do just that. Suddenly we are faced with high prices of oil and gas.

Now it's all right to look back and think what the Social Credit government didn't do. I'm reminded that there were Conservative governments and Liberal governments in other provinces who were no more foresighted than we. I think before we get to complimenting ourselves too highly we ought to maybe look ahead and wonder what history will say. What mistakes are we making now? All we can do is the best we can. I submit that most of the policies of the present government which are beneficial have only been extensions of the governments of the past, and I refer to all of them, made possible by plain windfalls.

Now, that doesn't mean we shouldn't keep on trying. But I would point out that anybody, anywhere, who injects some cost into goods and services which we demand which is greater than the productivity of the people is helping inflation.

I look at the figures in this budget which say that finally, finally the primary producers of this province in agriculture have got above the billion mark. Then I discover that that would only be 60 per cent of what the government's going to spend. If you look at everything the farmers produced, we're just living on windfalls in this province, and I am glad we have them. But let's not think that we can give anybody all the credit for what's going on.

Now, some of the problems that a provincial treasurer faces are not recognized outside. He gets some credit for a fine budget, but I know from experience that through the year he has resisted many, many policies which somebody has been able to get past the cabinet, and which must show up in the budget. I submit that if we were knowledgeable enough to do everything that could be done provincially to check inflation, we might not find it politically acceptable. Because the nostrums which we would have to apply would be nauseating here and there to various segments of our economy, and being politicians we would be pretty loath to go too far in curing inflation which people didn't really like.

There is no limit to man's appetite for costly services. The past government went a long, long way in helping the municipalities. I would ask you to go back to the formation of municipalities. At that time no government and no municipality expected the provincial government to give them anything but token grants. The province simply said, it's our responsibility to look after municipal things. We'd like you to take it over locally because we believe that the local people can do it better than we. And so we give you the major source of taxation to use as you wish. Because at that time practically all of the revenue of this province came from land tax, whether provincial or whether it happened to be the revenue of a municipality.

But from the day that the province began to have a little more revenue the municipalities began to clamour for what they called greater revenue sources. Now, they said greater revenue sources, but that isn't what they meant at all. They simply meant that, we have discovered as municipal governments that it's forever unpopular to tax the people, so you do it and give us the money. They wanted to shift to us. We responded by saying to Ottawa, we think you can collect it with less criticism than we - at least you're far enough away so they can't get at you - so you collect it and give it to us. And they did. But I submit that after all this government does for the municipalities - and you've done much, you've practically taken the load off the property tax for education and for health service, step by step you've followed the policy of former governments in taking over the cost of welfare - but I submit that the criticism of this government

will be just as great by the municipalities as it's ever been in the past, because the appetite is just there and you can't do anything about it.

Now, if you don't believe me why don't you try some of the things they're asking you? Why don't you say to them, we'll give you the right to collect income tax? If you want us to we'll even collect it for you as long as you let the people know that it's your income tax. If you want a municipal sales tax, we'll do it, and what we will do is take the revenue from oil and gas to do those things which the province alone can do and we'll get out of the taxing field and let you have it.

Well, you try it and you'll find that then they will say, we've got to have a share of the oil and gas revenue too. And there will be no end to it. Well, just do the best you can and, with the right to blame you whenever I can, I'll support you in your efforts.

If we want to go on along this vein, of course we can pursue it forever. But I'd like to take a little look at the budget itself. I think the objectives of this government are just as fine as the objectives of governments usually are. I think they are sincere in wanting to do as much for the people as they can. But I think they are not any freer from certain mistakes of the past than governments in other provinces.

What are these mistakes? Well, largely they are thinking that the prosperity of our people will bring happiness. They are making the mistake of thinking that the experts know best and the experts have a bill to sell. They've got a job to do for which they want to be paid. So we take this as instruction from the people to do things.

I am a great admirer of the hon. Minister of Agriculture. I try to support him in most of the things he is doing. But I say to him that in ten years he won't get any credit for many of the good things he has accomplished. I could point out why he won't pretty easily. Practically everything that a government does to assist agriculture assists the rich more than the poor. Practically every benefit that we can achieve for Alberta will spill over equally into our sister provinces and to the other nations. We can get a market in Mexico if we like and just when we've got it some other country with a surplus will slip in there and say, what in the world are you paying Alberta those kinds of prices for. Let us supply you. And where will we be? Well, we'll be trying to defend our great dependence on that Mexican market.

These are harsh words, but I predict that it happens time and time again. We've heard in this budget that largely the inflation is a spillover. I say to you that it's only partially a spillover, and I could give you examples.

It's alright to say that because the world market for barley became intense we couldn't control properly the price of barley in Alberta, and I admit it. We ought to get what we can in the world market. But if the increase in oil prices is a windfall to the oil people, so is the price of barley a windfall to the farmer. Having been a farmer I can say frankly that if you had come to me five years ago and said, will you sign a contract to produce barley for \$1.10, I'd have signed it and wouldn't I howl now. Well, that's the way it goes.

On the other hand, as long as the dollar of Canada is not irrevocably tied to the currency of any other country, we can do a very great deal to control inflation. Now this time I go back to my definition. Anything which increases the cost of goods and services faster than productivity is inflationary.

Somebody said to me tonight, it is a strange fact, isn't it, that the governments of this country hire one-eighth of all the people. I said, well it's remarkable if they don't hire more, because they are spending 38.5 per cent of the total gross national product.

Now if you can tell me that a government spending almost 40 per cent of the gross national product isn't responsible for a lot of inflation, then I require some proof. At the same time I would have to say that if the government were to pull back you might start a chain of events which would be most politically unacceptable.

We indicate here that we are going to spend 40 per cent for roads and highways. After you have spent that and doubled it I can still get you the demand for some more, and you can double that and the same thing will be true. But you are creating inflation whenever you use more than the resources which are available to construct roads.

I talk to contractors and every once and a while I hear one lament, do you know I left \$80,000 on the table. You people don't know what they mean, but they mean that I got the lowest bid and I was \$80,000 lower than the other fellow. At least I was crazy, I should have been only \$10,000 lower. Well, that is what governments can do. We can do the same in every aspect that we go into.

I think there is no Albertan who is not behind the Premier and his battle to control the resources which belong to Alberta. But I tell you too that we have to have a Canadian outlook and we have to have an international outlook.

The hon. minister told you what efforts are being made, and pointed to aspects of this budget, to get the petrochemical industry centralized in Alberta. Here again I tell you that we might just get it centralized when other countries with great supplies of petrochemical raw materials will also say, we must have the manufacturing here. Then we will find these industries that we have sponsored so vigorously competing feverishly for a market which just may not exist.

I like the idea that we shall not export any raw material which we can manufacture. I think we are all faced with the necessity of knowing that there are nations that cannot provide raw materials. Their very survival is based on getting from us who can produce raw materials economically, putting the input of their labour, their know-how and their investment into them and reselling, if you like, back to us.

If in our effort to do all the manufacturing we cut those people out, then we can expect the old thing to happen again. He who is hungry doesn't consider it theft to borrow from the neighbour who has too much. If you attack him, he will even fight about it. We cannot expect the nations that depend on manufacturing to take lightly in world politics our very great efforts, with government money, to take over from them the industry upon which their life depends. So we have to do some thinking in advance.

I'm not saying the government is wrong in these things, but let's look at a few of them. When I look at the budget page by page, I see many examples that I could say are wrong, and those are wrong. I look at Industrial Growth and one of the things it says is: "The strongest growth in demand was that for investment, particularly business investment which increased by 24.5 per cent, twice the 1972 rate ...". And that reflects the confidence in Alberta. But it reflects too the great demand for investment capital. That great demand for investment capital can backfire, because it sets off a bidding that is not responsive to interest rate. When capital becomes in short supply, it is just like anything else, the price goes up. And who gets hurt? Well all our efforts, our low interest rate loans to buy portable houses, if you like, are in vain because we cannot compete. So if governments do have any place in controlling industry it must be in keeping that balance in saying that unless our people want to work more than 40 hours a week, unless we want to put a lot of effort into it to increase our productivity, then it's foolishness for us, our very own selves, to increase the demand and to encourage the private sector also to increase the demand for capital and thus do one of two things: either force up the interest rate, which reflects badly on all of us, or invite foreign capital.

Now, I'm not by nature opposed to foreign capital. When I read history I realize that the United States would never have been a great nation had it not had access to British, Dutch and German capital in great quantities. These people controlled the industry of the United States for many years, from brewing to steel production. I'm not necessarily opposed to that. What I'm pointing out is that this may be a very mixed blessing, this demand.

Alberta Citizens' Incomes - well, the incomes have been raised everywhere. Certainly our government has contributed to employment, and let's give them credit for it, but let's not think that this is a phenomenon which our government alone controls. We notice that farm cash receipts are \$1.2 billion, and I've already said that the whole production wouldn't pay the cost of government. It's a little bit startling when we think that governments of the past, which we are prone to criticize, had to live on the land taxes which depended on farm income.

Now it says, some potential problems, some bottlenecks. Well, I submit that government action is likely to create new bottlenecks, in fact almost two necks for every bottle. You just can't prevent them by management because nobody can see that far into the future, so they'll be there.

Now I'm very much in favour of the kind of thing that the hon. Minister of Industry and Commerce is doing in trying to anticipate these and trying to alleviate as far as possible their effects on Alberta. I only say that sometimes the best thing you can do is leave these things alone. Alberta has all the advantages over other provinces, and if you leave industry alone perhaps it will do what we are trying to do and not bother us at all.

I go down the page a little bit and it says: "We will continue such policies together with reduction of taxes not based on the ability to pay because this is the most effective action for a provincial government to take." Then it says that these depend on national and international "initiatives because the root cause of inflation today clearly stems from "not local factors."

I submit that we don't always do what we say we do. There are no taxes that can be devised which don't, in some measure, take more from the poor than from the rich. I used

to be the lone advocate of sales tax, and now I find that there are at least two of us because sales tax, of all taxes, is the one which lets the rich pay more than the poor and gives the poor some choice as to whether they pay it. In this business of being orthodox, we can also be a little bit idiotic sometimes. If you expect the international organizations to take a hand to help us, then you're expecting too much because this is a competitive world and shall always be so.

When we look at Energy, it says: "... price increases are required to ensure long-term supply for Albertans and all Canadians." What the hon. minister was saying is - something the opposition has said, no matter who was opposition - you've got to let these fellows make some money or they aren't going to risk any more. So we face that awful decision. How much are we going to let them make? How much is a windfall? Probably what we ought to be saying to them is, go ahead and make it, but unless you show us what you're going to reinvest 80 per cent or 75 per cent or whatever you wish, then we are not going to give you any more of our resources. This is one of the ways perhaps that we could make sure of that without any particular rise in prices.

I wouldn't have the hon. members think that I am against rise in prices. I think that in the free market you have to let prices reflect the honest value of things.

We have had no reason in this great continent, and I include Canada and the United States, to really do research in competitive energy resources. Now I had a fellow up at my ranch a year ago - and I notice The Lethbridge Herald published some of the results just last week - showing me that with some rather expensive kinds of air turbines he could produce enough electrical energy on one section on top of a hill east of Macleod to supply all the needs of southern Alberta, even on the calmest day. Now the only reason we don't do it is because the investment is still pretty high compared with conventional things, but do you think we'll stop using energy just because we run out of coal or oil or gas? Of course we won't, and that gets back to pricing. When the price gets high enough, we'll do some research, we'll find other sources of energy and we will carry on. That doesn't mean that we have to hurry the demise of our industries that do depend on these things.

This budget has some real good things in it too, as I would expect it to have. I am one of those who agrees heartily that the current minister of finance has done some very excellent things in money management. Whether he thought of it all alone or whether he was just able to convince his colleagues, because there is always resistance to these things, it has been effective and I think he is to be complimented on it. However, now that we have the windfall we are challenged, as we have never been challenged before, to fulfil our role as citizens of our nation and citizens of the world.

Last year I remarked on this new name for borrowing, this cash requirement, and I noticed that we have reduced it. We have actually paid off some debts. And here of course we're faced with two problems. We owe a lot of money on the resource railroad that crazy government got us into a few years ago. Now we can do one of two things. We can take this windfall and lend it to the people who need homes for 9.5 per cent and make a little money because we're not paying that high rate on the money that we borrowed to build the railroad, or we could pay off that debt. The main thing to do is get the money, cover it up and tie it down so that every citizen in Alberta isn't thinking up a way to spend it, because if we do that certainly we're not doing any favours for Alberta. Well, these are just ideas.

Now, some other things we could do. The minister mentions indexation of personal property. He was kind enough to tell me what that meant. I'm always worrying about these indexes because when I go to buy a bull and somebody wants \$10,000 I say, how come he doesn't look that good to me, and he says, but look at his index.

[Laughter]

MR. SPEAKER:

I'm obliged to mention to the hon. member that Rule 28 and the clock would indicate that he has approached his conclusion.

MR. HINMAN:

Alright. I'll also draw the conclusion.

The conclusion is simply this: that while we must support many of the good things this government has done, it is the role of the opposition to warn of the consequences which might come in the hope that in the management of Alberta's money in the future we will not make the mistakes which we could so easily make when we have windfalls.

Thank you, Mr. Speaker.

MR. YURKO:

Mr. Speaker, I beg leave to adjourn debate.

MR. SPEAKER:

May the hon. minister adjourn the debate?

HON. MEMBERS:

Agreed.

DR. HORNER:

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

MR. SPEAKER:

Having heard the motion by the hon. Deputy Premier, do you all agree?

HON. MEMBERS:

Agreed.

MR. SPEAKER:

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

[The House rose at 10:18 o'clock.]