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Committee of Supply -- Subcommittee A
Department of Utilities and Telephones

Thursday, June 14, 1979

Chairman: Mr. Campbell

8:00 p.m.

MR. CHAIRMAN: Subcommittee A will now come to order. This evening we're dealing with [not recorded].

MR. SHABEN: Thank you, Mr. Chairman.

First of all, I'd like to introduce the officials who are here. Of course, everyone knows Dr. Webber, who is the Associate Minister responsible for Telephones. Between us is Bob Steele, the deputy minister of the Department of Utilities and Telephones. Sitting behind us are the two assistant deputy ministers, Doug Brooks and Gordon [Pollis]. Eugene Tywoniuk is our finance expert. Also with us is [Barry Speelman] from AGT, and executive assistants, in Dr. Webber's office Jim Dawson, and in my office Glen Cleveland.

What we thought we might do, Mr. Chairman, is make a few brief remarks about the scope of the department and some of the areas the department is involved in, Dr. Webber will comment on the AGT function, and then we would welcome general questions. If you wish, we could then move into the specific areas of the finances, if that's agreeable to the committee.

MR. CHAIRMAN: Very good, Mr. Minister.

You might as well carry on.

MR. SHABEN: Thank you.

The department has mainly the responsibility in the area of utilities, as it's properly named.

I'd first like to deal with the rural gas program. The rural gas program is an exciting program. Our latest numbers indicate to us that about 160,000 Albertans are now benefiting from the use of natural gas as a result of this program. That's over 50,000 rural families. So it's a very important program.

A large part of the program has been the capital grants that go into the construction of the lines and systems. To date, our closest figures . . . We have invested over \$105 million in grants toward the development of the rural gas program, and that of course is in addition to loan guarantees that assist the individual co-op members in obtaining service.

This year some of the priorities -- and of course you will recall last year there was a reassessment of the GTG, the gas transmission grant program. It was enriched substantially in order to overcome some of the difficulties the co-ops had. This is continuing to be under way.

We expect the replacement of 3306 pipe that has been found to be faulty or defective to be a three-year program. We hope to assist the co-ops in

replacing about 600 miles of pipe this year. Of course, the government provides 90 per cent of the financing for the replacement of that pipe.

There are a number of co-ops that are new and will be getting under way: the County of Vermilion River, the Northern Lights Co-op, the East Peace Co-op, and of course the High Level area with that new transmission line to service those people of High Level as well as the rural area. We expect that to be under way this fall, in August.

So these are some of the important areas in the rural gas program.

Another area of responsibility is in the rural electric program, where we now have 355 rural electrification associations in the province. The government provides assistance to them in terms of capital and in terms of [part two] loan program. One event that occurred recently was the amalgamation of five REAs into one, which is now known as the Landing Rural Electrification Association in the Athabasca area. We believe that could be an important first step toward the amalgamation of a number of the smaller rural electrification associations, and that will improve their viability, with the large numbers we do have.

Incidentally, as has been mentioned in the House, that is one of the priorities of the government, to try to rationalize the rural electrification system within the province. One of the concerns, of course, is the rebuilding. As the systems become old and obsolete, funds are required for rebuilding the lines and so on. Some of the co-ops haven't provided sufficient funds and reserves for the rebuilding program. So this is an ongoing program. One of the things we're looking at within the department is the possibility of writing a new rural electrification act. That's one of the things that may develop. It depends on our examination of the various possibilities.

The major budgetary item we have in the estimates is the natural gas price protection plan. In the estimates we are asking to have approved \$140 million. Our estimates for the past fiscal year ended March 31, the forecast was \$110 million. So we're asking for approval of about \$140 million for the natural gas price protection plan which, as you know, shields Albertans to the extent of 75 per cent of any increase. This is a difficult one to estimate. As has been discussed earlier in the House, the natural gas pricing agreement expires August 1. The extent of the support would depend on the kind of agreements entered into between the government of Alberta and the government of Canada.

Just to give you an idea of what that means in terms of support to Albertans, that's 46.6 cents per gigajoule. Now everybody knows what a gigajoule is. That's a new metric way of saying how much support is provided to Alberta consumers. In MCF, in thousand cubic feet, that's 48 cents.

So as I mentioned, that's the major budgetary item within the estimates for Utilities and Telephones.

Some of the things we're going to be looking at as a department over the next year and in the years ahead are: a better utilization of our hydro-electric potential; we're looking as a result of the four western premiers agreeing to examine the potential for a western electric grid. Of course, involved in those things are the possibility of hydro development -- that's Dunvegan and Mountain Rapids. There's a study under way with Mountain Rapids. The financing of that study comes largely from the Department of Environment, but our department is closely involved with the committee. The stage that is at is that we're in the process of hiring a project manager. As soon as that is under way, we'll be closely examining the three potential sites, the

environmental aspects, and so on. That's an important future item for electric utility users within the province.

I had indicated earlier in the House that we'll be working closely with the rural electric council, which was established in 1978. That's to work on matters related to rural electrification and the item I talked about earlier, Mr. Chairman.

I don't want to prolong my opening remarks, so I would just say that generally the department addresses itself to utility related matters. Those are some of the highlights of our involvement. Any questions would be welcome. We might, Mr. Chairman, like to have Dr. Webber review his area, and then we could field general questions, if you like.

MR. CHAIRMAN: Go ahead, Dr. Webber.

DR. WEBBER: Thank you, Larry, Mr. Chairman, ladies and gentlemen.

As Larry mentioned, I'll make a few remarks about the telecommunications area. This is the first time I'm aware of that we've had an Associate Minister of Telephones. I thought I would briefly say what I see my responsibilities as.

First of all, I'm chairman of the AGT Commission. According to The Alberta Government Telephones Act, I'm responsible for telecommunications in the province of Alberta. At the same time, we have two other members of the commission here. The Minister of Utilities and Telephones is vice-chairman, and Mr. Steele is also a member of that commission.

Telecommunications is an industry which I'm sure you're all aware is changing very rapidly. We no longer have just a system where you have telephones, where one person is talking to another by telephone. In addition, we have computers talking to each other from one part of the country to another these days. Communications by satellite and cable television is involved. It's really a rapidly expanding area. Because it is expanding rapidly and so many changes are taking place, the whole question of jurisdiction is in the air. There are discussions taking place, or there have been discussions taking place, in the last number of years regarding jurisdictional issues between the federal and provincial governments. It is a topic which has been on the agenda for the premiers' conferences across the country.

The importance of telecommunications to Alberta has been shown by the Premier establishing the associate ministry of telephones.

With regard to the areas I would like to talk about, I'll break them down into basically two, although it's hard to separate them completely: AGT-related issues, and non-AGT areas.

With respect to AGT, I tabled the annual report in the Legislature the other day for the members to observe. But I'd like to mention just a couple of stats to indicate to some of the newer members, who might not be aware, the size of the organization. For example, this year's annual report indicates \$1.4 billion in assets for AGT. Employees total 10,696 full-time. Total revenues this year were \$443 million.

Of course, AGT is regulated by the Public Utilities Board, and this is the first year in a number of years that AGT has had an allowable return which has been close to what the PUB has allowed. In other words, the allowable return was met this year for the first time in a number of years. When you compare the \$15.9 million net income with the fact there's \$1.4 billion in assets, it really is not that substantial a net income.

You may remember several years ago AGT made a rate application to the Public Utilities Board respecting their basic telecommunication services. At phase one of that rate case, AGT received two interim rate increases, I believe. Phase two of the hearings was delayed because of a pending court case, a court case that's in place now, involving an apprehension of bias charge against certain members of the Public Utilities Board. So phase two of those hearings has been stalled until the court case is over with.

Now, as I mentioned before, AGT traditionally has been involved in local and long-distance telecommunication services. Because of the improvements in the network, a wide variety of new but related services is offered by AGT. I'd just like to mention three of those services tonight. I find them exciting from the point of view that it involves a new technology. The three of them are: fibre optics; and then an experimental program which is just beginning to get under way in Calgary involving what's called a [bidon] system; and then Westech, which is an area that was brought up in the Legislature just the other day.

First of all, with regard to fibre optics: this is a transmission of telephone/television pictures by a little wire. I have a sample of a wire here tonight. You can hardly see it; it's a hair-like, thin wire made out of glass. This replaces coaxial copper cable. Light pulses pass signals through this wire from one point to another. The actual fibre itself is so small you can hardly see it. That's the coating you may be able to see. It has a tremendously high capacity for transmission of signals, and the first installation in Alberta is between Cheadle and Calgary. Do you all know where Cheadle is? It's just about 50 kilometres east of Calgary. The first installation is scheduled for early 1980.

AGT is not alone in the telephone industry being involved in fibre optics. It's a new technology that telephone companies throughout North America and the world are getting involved in. There's a tremendous potential in that area in the future.

The [bidon] experiment used to be [called] the [ukes] experiment, but because of some racial overtones it was changed to [bidon]. This is an experiment that is taking place in a new development in west Calgary, and about 120 homes are involved. I believe fibre optics are involved in this experiment as well. It's a system where you can dial into your television set and use a telephone system hooked up to the television set to access information banks at distance places. This particular system is also designed to provide for: automatic meter reading services; fire and burglar alarm services, which will work when you're not home and somebody will be able to respond to; and also, as I mentioned, the information retrieval systems. This particular system in Calgary incorporates a federal Department of Communications system called [Teledon]. They believe their [Teledon] system is one of the better ones in the world in terms of providing the services I mentioned a few minutes ago.

In regard to the mobile telephone system in Canada, AGT is the leader by far in providing these services. In Alberta, it's forecast that the network will become so crowded in the next few years that the current available capacity just won't be satisfactory. So AGT has gone together with two other Canadian companies, International Systcoms and AES Data, for the purpose of designing a new mobile system which will, hopefully, meet the needs of the mobile telephone industry in Alberta in the next few years.

In the Budget Address reference was made to the EFRC program, which I'm sure most of you are aware of, particularly those from rural Alberta. This program was started in 1973, and provides customers in one exchange access to

customers in another exchange by simply paying a flat monthly rate rather than paying long-distance toll rates. I guess it's in 1980 and 1981 that these services will be provided for about 22 different exchanges in rural Alberta.

Another program AGT has been involved in for the last short while has been zero-plus dialing. Connected to that system is the overseas dialing. This is a side benefit of the zero-plus dialing, in that once you get zero-plus dialing the overseas dialing aspect of it comes about easily. I expect the zero-plus dialing system will prevail throughout Alberta by about 1982.

One area AGT has been involved in that I think I should mention is the CN-CP/Bell interconnect case, where Canadian National and Canadian Pacific made application to the CRTC, the Canadian radio television corporation, for a hook-up, or an interconnect, with the Bell telephone network. The consequences of that particular application were such that the telephone companies and a number of provincial governments in Canada intervened in the case, opposing the application. AGT was involved in the intervention and was opposing the case on the grounds of a loss of long-distance toll revenue, the effects of which may have led to increasing local exchange rates. A decision was handed down just recently on that particular case awarding CN/CP the interconnect. Different telephone companies are now assessing the decision, and it's possible that Bell may appeal, but that's up in the air at the moment.

I think I've talked long enough about AGT. Just one area we're looking at right now: there's a fair demand on the part of a number of oil companies for air-to-ground telecommunication services. By having telephones in aircrafts, they can phone offices or stations on the ground. I guess another possibility in that area is in the area of air ambulance services, which could be quite important.

In the non-AGT areas, of course there is the jurisdictional uncertainty that's developing across the country. As I mentioned, there is the CRTC, which has jurisdiction in the broadcasting activities of cable companies and television broadcasters across the country. They also regulate Bell Telephone and B.C. Telephone, as well as CN/CP and Telesat Canada, whereas the Public Utilities Board regulates the activity of AGT here in Alberta, as well as others -- but's that in the area of telecommunications.

There's a growing alarm on the part of provincial governments across the country that the CRTC is getting involved in provincial and local areas that it may not have any business being involved in. For example, the CRTC let it be known not too long ago that it would accept invitations from cable companies for the purpose of those cable companies offering non-broadcast services, such as the alarm system, the type of system I described AGT were experimenting with in Calgary. I believe about two or possibly three of those applications have been approved to date. This really is CRTC deciding it has jurisdiction in those areas. As I said, some of the provincial governments feel differently about it.

Pay TV is another area which has become very popular in the United States, and a number of cable companies want to get involved in that area in Canada as well.

As a result of the jurisdictional concern, the Alberta government last fall asked our Public Utilities Board to get involved in having a hearing related to local non-broadcast telecommunication activities. I believe the Public Utilities Board recently outlined a schedule and procedure for people who wanted to be involved in that particular case. I believe that will start in mid-July.

Without going on here for too long, Mr. Chairman, I think that pretty well covers everything I want to say. As I mentioned, in the constitutional discussions, communications is a topic which is being discussed. Tomorrow I'm leaving for a conference in New Brunswick related to the telecommunications industry. The topic of discussion is monopoly versus competition in the telecommunications industry. This is an area of much discussion these days.

I must say that this whole business of telecommunications technology is beyond me. I'm learning a little bit as we go along. It's an extremely interesting area, and I'm looking forward to getting further involved in the future.

MR. CHAIRMAN: Thank you very much, Dr. Webber. It's certainly very interesting [not recorded] around this table and listen to the ministers [not recorded].

I think now we'll turn to page 359 [not recorded]. Vote 1 -- Departmental Support Services, Summary by Element. If you could, would you please direct your questions to the minister through the chair. We'll start off with Vote 1, item 1.0.1.

MR. R. CLARK: Mr. Chairman, just before we get to Vote 1, I'd like one of the ministers to tell me how many people we now have in the minister's office, deputy minister's office, how many deputy ministers, how many AGT commissioners, and the whole outline. I see there is a 117 per cent increase as far as the minister's salaries and benefits are concerned. What are we now looking at as far as ministerial and executive appointments and deputy minister appointments to this new operation -- which I must say, frankly, I have some very serious questions about, the idea of having a cabinet minister being the chairman of the AGT Commission.

MR. SHABEN: Mr. Chairman, first of all, on the minister's office: in my office there are two secretaries and one executive assistant. Dr. Webber will respond on the specifics as to the staffing within his office.

The question of having an associate minister involved in Utilities and Telephones is a decision that has been made, and I suppose it's open to discussion and debate.

In terms of the specific, you can describe your office, Dr. Webber.

DR. WEBBER: In my office in the Legislature Building, we have one full-time secretary, an executive assistant Mr. Dawson, and a part-time secretary for the duration of the session. That's it as far as the office here is concerned.

MR. R. CLARK: How many deputy ministers in the department?

MR. SHABEN: There's one deputy minister, Mr. Steele.

MR. R. CLARK: And how many assistant deputy ministers?

MR. SHABEN: Two assistant deputy ministers, who were introduced earlier.

DR. WEBBER: As far as commission members are concerned, I mentioned three members of the AGT Commission are here now. The president and five vice-presidents of AGT are members of the commission, as well as Mr. Chip Collins, Deputy Provincial Treasurer. I believe that's the total number.

MR. STEELE: It comes to 10.

DR. WEBBER: With respect to the associate minister being chairman of the AGT Commission, this is certainly no change in government policy. The Minister of Utilities and Telephones has been, for as long as I am aware of, a chairman of the commission. So that's no change in policy there.

MR. SHABEN: With respect to the department, Mr. Clark, there has been no increase in the number of assistant deputy ministers or deputy ministers.

MR. R. CLARK: So what we're looking at, if I get the whole picture straight: four in your office, Mr. Shaben; three in your office, Dr. Webber; three between assistant deputy ministers and deputy ministers; and a president and five vice-presidents of AGT. Is that accurate?

MR. SHABEN: In those areas you asked about, yes.

MR. R. CLARK: I'm talking of ministerial staff people, deputy and assistant deputy ministers, and presidents and vice-presidents of AGT.

MR. SHABEN: Right, which is no change from previously.

MR. R. CLARK: I'm not questioning that yet.

MR. CHAIRMAN: Milt.

MR. PAHL: I'm sorry, Mr. Chairman. The question was answered. I was asking about the chairmanship and membership of the commission.

MR. R. CLARK: That's 13 altogether.

MR. SHABEN: Which is no change, other than the associate minister's office.

DR. WEBBER: I think I should point out, Mr. Chairman, referring to the AGT Commission, that AGT being a Crown corporation is thought to be somewhat at arm's length from the government and is not part of the department. So in grouping together AGT Commission members with deputy ministers in the department for the total of 13 is not quite the right way to look at it, I wouldn't think.

MR. CHAIRMAN: Shall we continue?

We'll take Vote 1, item 1.0.1: Minister's office, \$104,090. Agreed?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Item 1.0.2: Associate Minister of Telephones, \$86,016. Agreed?

MR. R. CLARK: Mr. Chairman, could we just for a minute .#.#.

Dr. Webber, earlier in this session when we talked about Westech Systems, we asked for the total commitment as far as Westech Systems is concerned. In a memo you sent to me later, which I thank you for, you said AGT is committed to some \$50,000 to date, but you aren't able to.#.#. It says, and I quote:

The bulk of financial support involved by AGT will be in the form of equipment for a field trial of mobile systems. This field trial is anticipated to take place in 1980.

So I take it you can't give us a definite figure, but we've committed \$50,000. Does that \$50,000 include the equipment being made available here? Or is that equipment above and beyond that?

DR. WEBBER: The \$50,000, as I understand it, is a financial investment in Westech, and the equipment for the project in 1980 would be in addition to that.

MR. CHAIRMAN: Is this to do with item 1.0.2?

MR. R. CLARK: This is to do with the associate minister. He now answers for all these things, Mr. Chairman.

So you're saying we're only committed to \$50,000.

DR. WEBBER: At the moment. Only \$50,000 has been committed to the project.

MR. R. CLARK: No commitments as far as next year is concerned at all?

DR. WEBBER: No dollar figures established, to my knowledge, for next year as far as AGT's investment is concerned.

I might add, Mr. Chairman, that Westech corporation is not what you'd call a large corporation. I think there are two employees at the present time, the president and the secretary. AGT have people loaned to Westech, as have the other companies involved. So these people combined can design and research new facilities for mobile telephones in the upcoming years. That's the structure of it at the moment.

MR. R. CLARK: How many people do we have loaned, Mr. Minister?

DR. WEBBER: I'm not sure of the numbers. There are not very many. It's about five people.

MR. R. CLARK: About five? That's five in addition to the \$50,000 in addition to the equipment we're going to loan to them. Is that right? Is that where we are now?

Now is there anything else, Mr. Minister, we're committed to in this?

DR. WEBBER: Not that I'm aware of.

MR. R. CLARK: Could you check with your people and give us a very definite commitment when we get into the House on it?

DR. WEBBER: I can make some comments in the Legislature on it, of course.

MR. R. CLARK: With a view in mind of being able to tell us precisely how far down the road we're committed here?

DR. WEBBER: In terms of commitments down the road, I think we have to see what happens in the next year with regard to how the group comes along in their research and design. At the moment, AGT indicates that they can't determine

for sure the amount of money that's going to be required, but it's certainly not expected to be anything substantial.

MR. R. CLARK: You see, Mr. Minister, the reason I'm being very sticky on this is that I've been around this place long enough -- some would say too long -- to say that these \$50,000 ventures that start . . .

SOME HON. MEMBERS: Agreed.

MR. R. CLARK: Agreed. You're right.

These \$50,000 ventures that start out, and now we've found out we're lending five people and we're lending some equipment . . . In two or three years I suspect we'll come back and we'll have at least a quarter of a million dollars invested in this area.

What I want to know right now -- and I'm being as open and as blunt as I can. I want to know all we're committed to here, so that in two years, Mr. Minister, I come back to you and this committee and you say, we're now up to \$250,000 . . . I want you to really level with us here tonight. If it's \$250,000, let's know about it now. Let's not find out about in two and a half or three years.

DR. WEBBER: Mr. Chairman, I think first of all it should be pointed out that AGT is involved in the mobile telephone industry. It's one of the largest dimensions AGT ever involved in, more than any other company in Canada. This is where the bulk of mobile telephone services is being provided. AGT is receiving substantial revenues from toll services they provide through this system. The potential in this particular area appears to be very exciting in the next few years, not only in terms of providing a system just for AGT here in Alberta, but there are certainly possibilities on the international market for providing these services. Because the technology is so new, and AGT is a leader in this area, I think it's appropriate that AGT be involved with the expertise they have in developing a system which will meet our own future needs in this province.

With regard to the five AGT people who are with Westech right now, apparently they are not full-time people. As I mentioned, \$50,000 has been committed to the project, and as time goes on AGT will have to assess the situation and decide what further commitments are made. As I said, at the moment the equipment loan -- as you call it, Mr. Clark -- for experiment in 1980 is the only commitment that has been made up to this particular point.

MR. R. CLARK: Dr. Webber, I assume in the opinion of you as the Associate Minister of Telephones that there are no people in the private sector in Alberta or in western Canada who could do this, rather than AGT being involved in it.

DR. WEBBER: Mr. Chairman, we get into the question of who can do research and who can't do research. AGT has been involved in research in different ways in the past. For this particular adventure -- or venture . . . [laughter] It's an adventure, too.

MR. R. CLARK: Mind you, I think it will be an adventure. An adventure is likely right.

DR. WEBBER: Because AGT is a leader in the area, it only made sense that they be involved in the research, by coming together with two Canadian companies. These systems are not available on the market anywhere in North America or the world, that we're aware of.

MR. R. CLARK: Dr. Webber, I appreciate your skipping around, but the question was: are there any companies in Alberta or western Canada that could be involved in doing this rather than AGT?

DR. WEBBER: Not to my knowledge.

MR. R. CLARK: AGT naturally has an interest in being in this area. Fair ball.

DR. WEBBER: That's right.

MR. R. CLARK: But you'll recall the cross-subsidization discussions we had in Public Accounts a year ago. I've had representation from people in the electronics industry, who say this is just an example of AGT getting more and more involved in that particular area and getting away from providing the basic telephone services. I appreciate that argument isn't going to be settled tonight. But what you're telling me is that there is no one in the private sector, as far as you or people in AGT know, who could do what AGT is doing in this venture here.

DR. WEBBER: As far as I know, there are no groups in Alberta that are in the position of being involved in this particular venture.

MR. R. CLARK: Did you, the minister, or your predecessor ask AGT if they knew of anyone in the private sector who could do this? That would seem to me a very basic question you would ask before you get involved in it initially.

DR. WEBBER: First of all, you're concerned about AGT's involvement in a service, and you mentioned cross-subsidization. That whole issue, as you know, is before the courts, in the apprehension of bias case. So I don't think we need to get involved in that area at this meeting.

With regard to that, as you know the PUB does regulate AGT. They had a special session during phase one of the hearings related to AGT's involvement in basic versus non-basic areas. The overall direction given AGT at that time was that the total of revenues in the non-basic areas should be such that the basic services do not subsidize the non-basic services.

MR. CHAIRMAN: Mr. Pahl, do you have a question?

MR. PAHL: Mr. Chairman, I may have missed the thrust of this, but I see that the total department increase in spending is 19.6 per cent, and yet in the departmental support services -- notwithstanding the addition of the associate minister's office, which is relatively small, about 10 per cent of the total of Vote 1 -- we have a 56 per cent increase. Could you perhaps briefly explain the rather large increase in relative terms in the departmental support services, the overhead, if you like, relative to the total increase in activity of the department?

MR. SHABEN: Mr. Chairman, we were going through by the elements. I think that in going through them I can provide the information Mr. Pahl would like. If

we continue on to 1.0.3, which is the deputy minister's office, and so on, which would .#.#.

MR. PAHL: If the understanding is we will deal with them in the aggregate once we've gone through them by item, that would be .#.#.

MR. SHABEN: Sure. I'd be happy to, because the picture will develop as we deal with each one.

MR. PAHL: Okay. Thank you.

MR. CHAIRMAN: Mr. Sindlinger.

MR. SINDLINGER: In regard to item 1.0.2, to the Associate Minister of Telephones, falling in line with the questioning by Mr. Clark: does our involvement with Westech involve any exclusivity to the rights of development? First of all, do we have any exclusive rights to the benefits resulting from this effort, and do we have any commitment to the implementation or development of those benefits?

DR. WEBBER: Both very good questions, and questions I should have answered in my discussions before. This is one of the reasons AGT got involved with the formation of the Westech company: it was because this is a way in which AGT can have the rights to some of the royalties on any products that are developed out of this.

Also, Westech is involved in the research and design of a mobile telephone system, and is not a company set up for the purpose of manufacturing or producing the products. In fact, it's the view of AGT that by establishing this company, it would enhance the private telecommunications sector in Alberta with the spin-offs resulting from this particular venture.

MR. SINDLINGER: A supplementary, then, to that question with regard to the commitment to the implementation or development of those rights: is there any idea of the magnitude of that commitment in terms of dollars?

DR. WEBBER: At the moment, no. But in view of the fact that AGT is a leader in this particular area, the international market is wide open. So there is substantial potential in that particular area, although no dollar figures have been attached.

MR. CHAIRMAN: Mr. Planche.

MR. PLANCHE: Mr. Chairman, I'm delighted that AGT is taking a leadership role in portable communications. This sort of leads me back to the same question I think I've asked in this particular committee two or three times in the last four years: when is AGT going to supply services to the profoundly deaf? It's been asked in the House, and it certainly was asked before. I understand it's available in some of the provinces in Canada. It seems to me that in the kind of society we live in, communications is an absolute essential. These people are unable to communicate, and this year I'd like to, if we can, get some kind of commitment from the associate minister as to what kind of time frame we're looking at in making that available at some kind of reasonable rate to all those people who require it. That's in addition to the function at the other end of the set, where the translator is, where the safety people and police

are, and whatever else you need to communicate with. I wonder if you could respond to that.

DR. WEBBER: Yes. Thanks very much, Mr. Planche.

I guess we both attended a meeting in Calgary several years ago related to the field of [inaudible] the hearing handicapped group for provision of such services.

In the past, AGT has made available to various agencies equipment such as retired teletypes, but they've certainly been less than satisfactory in terms of providing services to the deaf. As you mentioned, there are some provinces that are providing certain types of instruments that can be hooked on to the telephone set. Saskatchewan Telephones has been leasing out a system, but it has been far from satisfactory as well.

Last year I had the opportunity of visiting Bell Northern research labs and observing an instrument called the "visual ear", which is being designed by Bell Northern labs with federal government funding, and expected to be produced by Northern Tel-Com. It is my understanding that that particular instrument will be on the market later this year.

AGT, of course, being a company not in the . . . Its policy in the past has not been to subsidize services for the hearing handicapped or any other groups. But it's my hope these particular services will be made available at a reasonable rate within a year.

MR. PLANCHE: Thank you. That's very encouraging.

As to the profitability of AGT, I think it's fair to comment, though, at this time that surely with monopoly goes some social responsibility, and with the number of people we're talking about who are profoundly deaf, I wouldn't think that would be such a huge burden on the kind of budget we're talking about here.

MR. CHAIRMAN: Now we go to Vote 1, item 1.0.2: Associate Minister -- Telephones, \$86,016. Agreed?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Vote 1, item 1.0.3: Deputy Minister's Office, \$213,191. Any questions regarding that?

MR. SHABEN: Mr. Chairman, this relates to the question raised earlier by Mr. Pahl. I'd like to list some of the items that cause this significant increase.

One of the items relates to our ongoing look at the hydro-electric potential of Dunvegan. In the examination of that project, there is some concern that if and when it's developed there may be a possibility of downstream icing. We've allocated funds, \$20,000, to examine this specific question, in particular with a look at a stand-by natural gas system, in order to look after a problem of downstream icing, if it is a concern. So that's a part of it.

Another part of the extra funds is \$25,000 to be provided to the Slave River hydro committee. That's the contribution from this department toward the Slave River hydro committee.

There's another item of a significant amount to deal with our examination within the department and, if necessary, with outside consultants to determine

the implications to Alberta of entering into a western electric grid. So there's a significant amount of money set aside in that area.

Also, other special studies may be required, and there's an upgrading of our records management system within the department. Funds are allocated to resolve the questions raised by the Auditor General in our records management system.

These are the significant items in the difference in the item referred to under 1.0.3.

MR. PAHL: Mr. Chairman, if I could just add: that kind of brings up a more general question, and I wouldn't want to spend too much time on it. I'm curious as to the relationship of Alberta Environment and the Energy Resources Conservation Board with respect to the hydro-electric studies. If you will, who is the lead agency, and how have you worked out those relationships?

MR. SHABEN: It's interdepartmental. The financial responsibility for the study is budgeted in the Department of Environment, but the committee of officials includes individuals from Energy and Natural Resources, as well as Environment and our department, because there is the overlap as it relates to energy, environment, and utilities.

MR. PAHL: And Utilities and Telephones will ultimately regulate the installation?

MR. SHABEN: No, the regulation of utilities is the Public Utilities Board. They regulate the industry. The approval process is the Energy Resources Conservation Board, which is under the Department of Energy and Natural Resources.

MR. PAHL: What do you guys do?

MR. CHAIRMAN: Any further questions? Does that answer your question?

MR. PAHL: No, it didn't.

MR. SHABEN: Mr. Steele would like to supplement the answer.

MR. CHAIRMAN: Will you be satisfied with that?

MR. PAHL: I think Mr. Steele was going to say something. I'd appreciate it if he could have that opportunity.

MR. STEELE: If I might, Mr. Chairman, explain a little further. The hydro committee is a committee that looks at within government all the hydro developments in the province. In the particular case of the potential development of the Slave River, there's a steering committee which consists of the deputy minister of Environment, the chairman of the ERCB, and myself. The reason our department is on it is because The Hydro and Electric Energy Act, although it's within the ERCB jurisdiction . . . They report on hydro and electric energy developments through our minister to Executive Council.

MR. CHAIRMAN: Vote 1, item 1.0.4: Assistant Deputy Minister -- Engineering and Operations, \$58,525. Agreed?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Vote 1, item 1.0.5: General Administration, \$235,296. Agreed?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Vote 1, item 1.0.6: Training and Development, \$80,810. Agreed?

MR. BRADLEY: Mr. Chairman, I wonder if the minister might explain exactly what that area involves, and how come there's over 50 per cent increase in that area.

MR. SHABEN: Mr. Bradley, Mr. Chairman, the training development program involves assistance in training rural gas co-op managers and utility officers. Our department provides the funds for and assists in the training of the utility officers provided to the municipalities. One of the items the caucus committee recommended last year was improved skills in the area of managers of the utility gas co-ops. So we are improving our training program for rural gas co-op managers. It has required the addition of one person to improve that area, so that we have a better functioning rural gas program, as well as the utility officers being of more benefit to the people in the municipalities. So that is the area where the increase is.

MR. CHAIRMAN: Any further questions? Agreed?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Vote 1.0.7 Assistant Deputy Minister -- Finance and Planning, \$84,530. Any questions?

MR. BORSTAD: Just a little explanation on that.

MR. SHABEN: On the increase, Mr. Borstad? That's largely taken up by the intention of the department to hire a communications director who will work under the deputy minister responsible for finance and planning. This person has been needed for some time because of the importance of the communications industry and its relationship to the department. That's the main increase: the communications director who will be hired.

MR. CLARK: Mr. Chairman, to the minister. Mr. Minister, can you go into a little more detail as to what this person is going to do? I take it we're hiring one additional person here. Is that right?

MR. SHABEN: Yes, a communications director.

MR. CLARK: And that's going to be about \$45,000? Is that right?

MR. SHABEN: No, that's the major portion. I'm not sure what the salary level is.

MR. CLARK: Is that person going to do the communication work for AGT, for the Department of Utilities and Telephones, or for -- I use a slang expression -- the bureau of public affairs? How does that person fit in?

MR. SHABEN: The associate minister will respond.

DR. WEBBER: As I mentioned in my opening remarks, Mr. Chairman, I will be working in two basic areas. One is the AGT area, and the other is the non-AGT area. This particular position would be in the Department of Utilities and Telephones, dealing primarily with non-related AGT matters. Certainly this person would be an employee not of AGT but of the Department of Utilities and Telephones. With the importance of the telecommunications industry in Alberta, and the fact that we have some 1,700 employees in the Department of Communications in Ottawa, I don't think it would be too much to have one person in the department to try to handle 1,700 in the federal office. That's stretching it slightly, but certainly there is a need for a telecommunications officer.

MR. CLARK: Do you not use the services of the Department of Federal and Intergovernmental Affairs?

DR. WEBBER: As Associate Minister of Telephones, I am in contact with the Minister of Federal and Intergovernmental Affairs related to some matters.

MR. CLARK: Mr. Minister, I'm being nit-picky, but you're telling us to accept the idea that this one person is going to handle 1,700 people in Ottawa?

DR. WEBBER: I was being a little facetious.

MR. CLARK: Yes, quite a bit.

DR. WEBBER: But certainly there is a need for assistance in the non-AGT-related areas. If you would like to add anything to that, Mr. Haase.

MR. HAASE: Mr. Chairman, mainly this official will assist the minister to keep abreast of developments in the telecommunications industry generally in Canada hopefully to give some leadership to the people in the Department of Federal and Intergovernmental Affairs, who look to the line departments for those initiatives. The Department of Federal and Intergovernmental Affairs is most helpful to line departments in their relations with other governments, but it does look to the line departments for the initiatives and the development of new ideas and new policies that arise in the sector in the province.

MR. CHAIRMAN: Does that take care of your question?

MR. CLARK: I didn't know Dr. Warrack covered so much space previously.

MR. CHAIRMAN: Are you ready for the question? Agreed?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: And now we go to the complete amount of \$862,458 -- Total Departmental Support Services.

MR. BRADLEY: I have one question before we go there. I wonder if the Minister of Utilities and Telephones might explain further with regard to where we are with the other provinces in discussing the western electric grid, in the planning sense. Has the department looked at possible interconnection points

for that western electric grid? And if he'd comment on whether they're looking in the longer term in terms of opportunities, looking at exporting electricity from the province or out of the country.

MR. SHABEN: On the first question, the general question on how far along we are in examining -- as the members are aware, a joint study was commissioned by the four provinces, to look at it on the basis of the four provinces. The next step, that we are into now, is looking at the implications for our own province of entering into a western grid. Some of those questions of course will be the transmission lines which provide that interconnection. All I can respond to how far along we are is it's really difficult to say. We would like to evaluate it as quickly as we can, so that we can make a decision as to whether it's valuable to Alberta to enter into such an arrangement. At this stage it would be too early to say that we're at one stage or another. That study is being reviewed now by all four western provinces, looking at it from their own provincial perspective. We expect it to take some time to complete the evaluation on the basis of Alberta's position.

MR. BRADLEY: Just a supplementary to the minister with regard to the question I raised about export. Has the province looked at that area? Do we have a specific policy with regard to export of electrical power from the province?

MR. SHABEN: Of course the jurisdiction for export of energy falls under the National Energy Board. At the moment there is no active consideration by the government as to export of electrical energy.

MR. BRADLEY: So the major need for the interconnection would be transfers of peak load between provinces to meet demands in other provinces, in case some of their generation capacity goes down.

MR. SHABEN: Yes, that would be one. And the other is co-ordinating the development of new generating capacity as it's needed in the western provinces, rather than on a province-by-province basis. As you notice, we're moving forward. The economies of scale of the generating plants are changing; the optimum size is growing. And that planning process may serve western Canada better by co-ordinating on a four-western-province basis rather than on a provincial basis. So that's part of it.

MR. BRADLEY: One further supplementary, if I may. When you get into the discussions of an interconnection between the four provinces, it seems logical to me that the next discussion is whether you interconnect south of the border. Is that part of the review taking place, of the discussions taking place with regard to a western electrical grid?

MR. SHABEN: At the present time, Fred, you'd be aware of course that B.C. is exporting significant quantities of electrical energy, as is Manitoba. I suppose when you complete the U, if that came to pass, it's conceivable that some Alberta energy would flow through that U either way into the United States. But that isn't the basis on which we're examining it. We're examining it from the point of view of supplying Albertans on a long-term basis on the most reasonable cost basis, not with a view to export.

MR. BRADLEY: So that question isn't part of the ongoing discussions in that area.

MR. SHABEN: Not a direct question, no.

MR. CHAIRMAN: Any further questions? Agreed?

HON. MEMBERS: Agreed.

MRS. CRIPPS: Mr. Chairman, before we leave this, fiberoptics worries me. Can I ask the minister: did I understand him to say we musn't get out of the bathtub to answer the telephone?

MR. PENGELLY: Not unless you have a towel on.

DR. WEBBER: Thanks for the comment, Mr. Chairman. You're being facetious, I assume.

MR. CHAIRMAN: Very good; we'll move on to Vote 2 -- Utilities Development, Summary by Subprogram, item number one: Financial Assistance for Natural Gas Development, \$25,250,000. Any questions on this?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Vote 2.2, Natural Gas Planning and Operations.

MR. SINDLINGER: I've had my hand up, Mr. Chairman, I'm sorry.

MR. CHAIRMAN: I'm sorry, Tom.

MR. SINDLINGER: For 2.1.

MR. CHAIRMAN: For 2.1? Too late. Get it in general discussion. Vote 2.2.

MR. CLARK: Tom, the best way is just to keep talking. He will move back to it.

MR. SHABEN: It relates to a specific question Tom asked earlier. It was about 3306.

MR. SINDLINGER: I could cover it under 2.2. Are we on 2.2 now?

MR. CHAIRMAN: Okay, if you would please.

MR. SINDLINGER: Okay. In regard to 2.2, I notice it's much smaller than 2.1. So I have to ask a question about 2.1 here. If I read all this stuff right, and I can't say that I'm an expert on this, but it looks like 2.1 is about 15 per cent of the total budget, which is a large item. I understand that included in 2.1 is an expenditure for the replacement of pipe that has proven to be faulty. I have a question in regard to that: how much of this \$25 million is for replacement of faulty pipe; how much pipe is being replaced and how old is it; how much of the total cost of replacement is for pipe and how much for installation; how much of the total cost for the replacement of pipe is being borne by the manufacturer or supplier of the original pipe; and why is the pipe being replaced?

MR. SHABEN: Maybe I'll start with the last one.

MR. CLARK: That would be the easiest to answer.

MR. SHABEN: When the questions as to the defective pipe arose in the House recently -- it's being replaced, that's your last question, because it is faulty. How old is the pipe? It dates back to 1974.

MR. SINDLINGER: Maybe we can cut this down a bit more. It's faulty, and I'm trying to determine who is to blame for the faultiness of the pipe. Is it the manufacturer or the supplier? And if that is the case, how much of this total cost are the manufacturer or the supplier bearing, if they are at fault?

MR. SHABEN: That's the subject of litigation commenced by 13 of the rural gas co-ops. One resin, known as 3306, is extruded by three different pipe manufacturers. At the moment the government is not involved in litigation. We are moving to solve the problem in order to improve the situation with the rural gas co-ops as the litigation proceeds. We are financing 90 per cent of the pipe as well as the construction involved in the engineering and design. The total estimate for this year is \$5 million, which represents approximately 600 miles of pipe.

MR. SINDLINGER: Then a supplementary. If the litigation is successful, would we recover the \$5 million through that litigation? Would it come to us, the province?

MR. SHABEN: The question is, if the litigation by the rural gas co-ops is successful, would the funds as a result of that litigation flow back to the Crown?

MR. STEELE: That's a good question. I don't have an answer.

MR. SINDLINGER: The question I'm really asking is, in cases where there is a manufacturing default, normally the manufacturer or supplier will replace it or pay the cost. I'm asking why are we doing this, because it's not our fault that the pipe is faulty?

MR. SHABEN: We're doing it because, I think the hon. member is aware, sometimes litigation can take many, many years. While those years are going on, that pipe is leaking, the gas is escaping. It's causing all sorts of difficulties for the rural gas co-ops. And we're moving ahead to replace that pipe at the same time as the litigation takes place.

MR. SINDLINGER: I can understand that. That's a commendable thing to do. But in the event that litigation is successful, are these people aware that the benefits from that litigation to us for our interim measures?

MR. SHABEN: I can't answer that. I'd like to review it and get back to you. I really don't know.

MR. SINDLINGER: Mr. Chairman, that's all I wanted to ask in regard to 2.2.

MR. BRADLEY: I want to go back to 2.1 for a second, if I may. There is 2.1.8 in the program element details, an area called Other Special Grants, 750,000. Could the minister explain what those special grants are? I notice it's down considerably from the previous year. It's program element 2.1.8.

MR. SHABEN: We're just checking.

MR. CHAIRMAN: Do we have an answer yet, Mr. Minister?

MR. SHABEN: We were just having the official check for the details on 2.1.8.

MR. CLARK: Mr. Chairman, while we're waiting for that information, I believe I'm right, Mr. Minister, am I not, in the fact that this resin Mr. Sindlinger's question referred to was the resin the province itself was very active in acquiring back in about 1973 or 1974, and was the same resin we spent several days on in Public Accounts about two years ago. Right?

MR. SHABEN: Well, just the matter of wording. The government never did acquire the resin. It was acquired by the extruders. I think that should be made clear. With the activity in the rural gas program, there was a shortage of plastic pipe. And there was an active effort by the government to encourage manufacture of pipe. So if that's active encouragement of the development of the plastic pipe industry, yes. But the government didn't acquire the resin.

MR. CLARK: Let me just say this: I think, Mr. Minister, it would be very good for you to go back to check the ministerial announcement made in '73, when the former minister was taking credit for acquiring the resin.

MR. SHABEN: Okay, I will.

MR. CHAIRMAN: Can we refer back to that question now?

MR. BROOKS: Mr. Chairman, that category 2.1.8, Other Special Grants, includes grants not separately identified elsewhere such as, this year, the metric upgrading of (inaudible) drawings for various co-ops, gas source measurement investigations, gas system schematics, and field experiments. It's down considerably from the amount in the previous year, because there are fewer unidentified items that need to be looked after in the program, where most of the basic construction has been done. We're getting less into construction and more into operating and maintenance. There's not as much need for that amount of money.

MR. SHABEN: Thanks, Mr. Brooks.

MR. BRADLEY: A supplementary, if I may. You mentioned field experiments. Could you enlighten us as to what those might include?

MR. BROOKS: Mr. Chairman, that would include such things as checking out the viability, of using new measuring techniques. We have found that there might be a need for a different system of field measurement with relation to the gas which Gas Alberta purchases. For example, today we're looking at a new I believe it's called a sonic nozzle type of meter, which will readily measure gas instantly at the metering source, rather than having to take measurements over a period of time, then take those back to the Calgary office of AGTL and make comparison to those measurements. This would be the type of field experiment funded under that program.

MR. CHAIRMAN: Mr. Hyland.

MR. HYLAND: Thank you, Mr. Chairman. My question falls in here too, Mr. Minister. Has the department taken any steps or made any recommendations maybe to the Research Council so that we don't accept holus bolus CSA's approval on matters that seem to cost us (inaudible) and we don't know how many more \$5 million (inaudible). Have we made any steps to provide our own testing services? I believe, as the gas co-ops said when they met with us once, farmers test by freezing it, hitting it against something to see if it breaks (inaudible) see if the pipe is any damn good.

MR. SHABEN: Mr. Chairman, a new quality-control program is being developed by the department. I'll ask Mr. Brooks to comment briefly on it.

MR. BROOKS: Yes, Mr. Chairman, this program is being initiated this year and involves . . .

MR. CHAIRMAN: Order.

MR. BROOKS: . . . an interim quality-control program at the present time, which essentially is checking on samples of pipe being produced at the various Alberta extruders, of which there are currently three, together with monitoring the type of quality-control equipment and testing, which is being used by these extruders in the manufacture of this pipe. After this interim program, we propose to look at the need for a substantial number of quality-control standards and regulations to provide effectively for a good quality control of the manufactured product, not only the pipe but other equipment which will be used in the rural gas program.

MR. SHABEN: Mr. Brooks, would you in addition comment on the steps being taken for other province's pipe, in addition to the Alberta extruders.

MR. BROOKS: Yes. Mr. Chairman, steps are being taken to provide a modified type of interim control on the pipe manufacturers in other provinces, primarily from Ontario, and some products which may come in from the United States, by taking samples of those pipes as well, and having them tested. Generally these are three- or four-foot samples of pipe taken from produced reels; from the actual manufacturing process, usually one sample taken at the beginning of the reel, one at the end. From pipe manufacturers outside the province, these would be taken off reels received by the various distributors.

MR. HYLAND: In other words, CSA certification won't be good enough for us anymore. We'll also have our own to try to prevent this from happening again. Is that right?

MR. SHABEN: As the deputy minister indicated, this is an interim measure until we can get a program in place that provides us with a kind of testing that would be satisfactory on an ongoing basis. It means, Alan, that we're not accepting simply a CSA stamp.

MR. HYLAND: Thank you.

MR. CHAIRMAN: Dr. Anderson.

DR. C. ANDERSON: Mr. Chairman, to the minister. It was my understanding that -- maybe the opposition was bringing it up -- 3306 resin was recommended by

the provincial government for the co-ops to use at the time of the installation originally. Because of that recommendation, we got the faulty pipe and the problems with the reflow.

In the past year the gas co-ops have been using Phillips pipe, a different resin, which they have found to be far superior to anything else they've had. Besides that, they have a guarantee with it, that if anything goes wrong, the Phillips company will replace the pipe, reflow it, at no cost to the co-op. It's my understanding that the department is telling these co-ops that they have to use a certain type of resin and a certain brand of pipe in certain categories. And I don't think Phillips is one of them, because it's a higher price than the other pipes. Now, it's going to cost them more money, yet I understand the department will be paying a lower subsidy on that, so the members of the co-op will have to pay money out of their own pockets. Is this the case?

MR. SHABEN: Dr. Anderson, that's a useful question. I think that the comments are not entirely accurate in that the government does not tell the co-ops what kind of pipe to use or what kind of pipe not to use. We ask the co-ops to obtain three bids -- and they're tendered. On really small jobs, the co-ops can use whatever pipe they choose, but on significant, large-size construction projects, we follow the process of asking the co-ops to call for tenders and obtain bids. The policy of the government is, if the pipe is acceptable in terms of the standards in place, we will support under our grant program the lowest tender. The co-ops are free to choose other than the lowest tender. We don't tell them which tender to take, but the grants are based on the lowest tender of acceptable pipe. It would be very difficult for the government to support policy of accepting other than lowest tenders. There are co-ops that have accepted other than the lowest tender, and picked up the difference themselves. The boards of directors have that option. That is the situation at the present time. As long as we have the competitive bidding process, it would be very difficult for the government to accept other than the lowest tender on an acceptable product.

And the matter of preference within the co-op does vary. Some co-ops prefer Phillips, some Domex, some other pipes. If they choose other than the lowest tender, the difference would be the responsibility of the co-op.

DR. C. ANDERSON: A supplementary question, then. The thing is, though, because 3306 was put in, and the co-ops have had the difficulty with the leakage and with the reflow -- 90 per cent of a reflow doesn't come up as a small figure for some of these small gas co-ops; and \$50,000 to them is a big burden on the few people in that gas co-op.

I don't necessarily agree that we have to take the lowest bidder. They've had good performance; they've had good use out of the Phillips (pipe), and now they're being told, okay Phillips isn't the lowest bidder, so now you've got to go to the lowest bidder, which isn't (inaudible). I don't exactly agree with the minister.

MR. SHABEN: There's a bit of difference, Dr. Anderson. The department isn't telling them they have to take the lower bidder. We're simply saying that the grants . . .

MR. CHAIRMAN: Mr. Weiss.

MR. WEISS: Thank you, Mr. Chairman. An observation to the minister: then I would hope that the government would use its expertise in buying and knowledge as far as quality, and insist that they upgrade to the standards, and that it be acceptable throughout the industry. But I would also hope it would further insist that when they reach these standards, that these people buy only with such things as warranties. I certainly wouldn't go out and spend that kind of money without insisting on a warranty. Perhaps all tenders being like, the lowest tender is not necessarily the best, as Dr. Anderson pointed out, because it's not like tender, if the warranty is applicable only to the one and not to the others. So I would hope they would certainly review that pattern and procedure.

MR. SHABEN: Well, of course that's related to the question Alan Hyland raised as to quality control. And it's related to the whole industry and the whole process of tendering and accepting bids. I would have some difficulty in the policy of the department changing to supporting a grant system based on other than the lowest tender, provided all the pipes meet an acceptable standard. It would be a very difficult policy change to make.

MR. PAHL: Mr. Chairman, isn't the policy change suggested not that the standard change but that the specification include warranty. I think that was the question.

MR. WEISS: Mr. Chairman, that's the supplementary point I'm trying to raise: change the tender status, so that the warranty would read in that if all manufacturers are not prepared to sell it on like quality with the warranty, they automatically are ruled out, that they would then get into the higher price that Dr. Anderson is referring to, and Phillips would be the acceptable bidder in that particular case.

MR. SHABEN: That's a reasonable suggestion. I'll consider it.

MR. CHAIRMAN: Alan Hyland; no, pardon me, Charlie Stewart.

MR. STEWART: No, I had a supplementary, but it has been answered.

MR. HYLAND: Mr. Minister, just a supplementary. What you said, is that the way the grants always were?

MR. SHABEN: Yes.

MR. HYLAND: Okay, thank you.

MR. CHAIRMAN: Are we all agreed on Vote 2.2?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Vote 2.3, Gas Alberta, 1,042,514.

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Vote 2.4, Electric Development, 2,045,318. Tom Sindlinger.

MR. SINDLINGER: Mr. Chairman, I note here the comparable '78-79 forecast. There's quite an anomaly between that and '77-78 and '78-79. Going through these other things, I see the anomaly is due to a reconstruction grant. I wonder if we could be advised what that reconstructin was.

MR. SHABEN: Mr. Chairman, it's related to a number -- first of all, I referred in my opening remarks to the amalgamation of five co-ops in the Athabasca area into the Landing Rural Electric Association. That was a portion of it -- reconstruction in the Lac La Biche area. A special warrant, which you will find on page 407 in your estimates -- which we'll deal with afterwards -- under Utilities Development, to restore Deposit Reserve Account balances for REAs impacted by May 1973 over \$2500 Part II loan decision, is included in the forecast of the last year. That's the reason for the significant drop.

MR. SINDLINGER: Thanks, Larry.

MR. CHAIRMAN: Alan Hyland.

MR. HYLAND: Thank you, Mr. Chairman. Mr. Minister, an idea asked about in my area because of the rapid irrigation coming in and the age of the line approaching 30 years is if there any thought of experiments or of putting some of that line underground through that heavy irrigation area. Supposedly your posts don't last as long because there is extra water around all the time.

MR. SHABEN: That's an important question, not only in the irrigation areas but in a lot of areas in the province where the type of equipment now being used, where you've got 45- or 50-foot discs, cultivators, and the difficulty with powerpoles. It's something we will be examining in the whole look at the REA situation. As the systems age, the potential for underground is one we have to address ourselves to. That is something the caucus committee has been asked to examine.

MR. HYLAND: Thank you.

MR. CHAIRMAN: Any further questions? Agreed?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Vote 2.5, Rural Utilities Loans and Guarantees, \$947,383.

HON. MEMBERS: Agreed.

MR. CHAIRMAN: The total, \$31,143,286.

MR. PAHL: Mr. Chairman, I'd like to compliment the minister and his department, because I think they have achieved the impossible: their manpower has increased, yet their total budget has gone down. That has to be a substantial achievement in any organization.

But I would ask why the manpower loading that went into the department support services for training of these rural gas officers wouldn't be put into the utilities development as an ongoing thing. Or is this a one-shot deal, Mr. Minister?

MR. SHABEN: I don't know. Maybe Mr. Steele could answer that.

MR. STEELE: Mr. Chairman, we have one training position now, and we're adding a second. So we have a two-man section in the department that's responsible for training. That senior person is also responsible for training and development of our staff. So his overall job is more than just training utilities officers and rural gas co-op managers. He comes under the administrative services division, the most reasonable place for him to be located in the department.

MR. PAHL: So you're doing even better. You have one man do two jobs. Thank you.

MR. CHAIRMAN: Okay, are we agreed?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Vote 3.

HON. MEMBERS: Agreed.

MR. SHABEN: I think that page 407 should be dealt with as well.

MR. CHAIRMAN: If you'd mind turning to page 407, we have a department vote, supplementary estimates of expenditure, description of special warrant, Utilities and Telephones, 2, utilities development for Alberta's portion of the estimated cost of the Western Provinces Electric Power Generation and Distribution Study, \$100,000.

HON. MEMBERS: Agreed.

MR. CHAIRMAN: An agreeable bunch of people. To restore Deposit Reserve Account balances for REA's impacted by May 1973 over \$2,500 Part II loan decision, \$2,800,000.

HON. MEMBERS: Agreed.

MR. CHAIRMAN: For a grand total of amount to be voted under Section 1 of The Appropriation Act, 1979, \$141,805,359.04. Agreed?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Order please.

MR. PENGELLY: Mr. Chairman, to the minister. I understand that all of that pipe made with 3306 resin is not faulty. Is that correct?

MR. SHABEN: That's correct.

MR. PENGELLY: Now, does that mean that the extruding process perhaps, or the machines in the formation of it, were they?

MR. SHABEN: It's really difficult to comment, since the matter is now before the courts. It gives me an opportunity, though, to respond to the question raised by Tom Sindlinger, about the liability and the results of any decision. As I say, I really don't want to speculate, but normally the manufacturer of

either the resin or the extruder may only be responsible for the pipe as opposed to putting it in the ground. There's quite a difference in cost between the actual purchase of the product, as opposed to plowing it in. I hesitate to comment on it because it is before the courts. That's a factor that enters into the question raised by Tom Sindlinger.

MR. CHAIRMAN: Does that answer your question?

MR. PENGELLY: It does.

MR. CHAIRMAN: I have one thing, the total on Vote 2 on page 407, the total to restore Deposit Reserve Account for REAs and Alberta's portion of western power, is \$2,900,000. Agreed?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: I'd like to have a motion of report to the Committee of Supply, and maybe we could have some closing remarks from the minister.

MR. SHABEN: I move that the estimates be reported.

HON. MEMBERS: Agreed.

MR. SHABEN: I appreciated the gentleness with which the members of the committee treated both Dr. Webber and me. I'm sure it's as a result of us both being rookies. I also understand that the members of the committee are aware that the estimates were to a great extent prepared in advance of our appointment. So I would attribute some of that careful treatment of the ministers to that. I would look forward to lively discussion in our estimates in future years.

MR. CLARK: I would just remind the minister that he still has to get his estimates through the committee in the House. And *Hansard* is there, Mr. Minister.

The subcommittee adjourned at 9:40 p.m.