

LEGISLATIVE ASSEMBLY OF ALBERTA

Title: **Tuesday, May 12, 1981 2:30 p.m.**

[The House met at 2:30 p.m.]

PRAYERS

[Mr. Speaker in the Chair]

head: INTRODUCTION OF VISITORS

MR. ADAIR: Mr. Speaker, it's my pleasure to introduce to you, and through you to members of this Legislative Assembly, some 15 grades 6 to 8 students from the Dr. Mary Jackson school in Keg River. Keg River is located north of Manning along the scenic Mackenzie Highway in that great constituency of Peace River.

Accompanying the students are Mr. Gay Rundle, the principal; Mrs. Helen Holtz, the parent supervisor; and Mr. Ted Petersen, the bus driver. They are seated in the members gallery, and I would now ask them to rise and receive the warm welcome of this Assembly.

head: INTRODUCTION OF BILLS**Bill 43****The Business Corporations Act**

MR. KOZIAK: Mr. Speaker, it's my pleasure this afternoon to introduce Bill 43, The Business Corporations Act.

Hon. members will recall that last fall I introduced Bill 85, The Business Corporations Act. Bill 85 was left to die on the Order Paper to permit wide distribution of that Bill and discussion over the course of the winter months. Mr. Speaker, Bill 43 that I introduced today is a result of the discussions we've had over that period of time. It basically represents the legislation I introduced last fall, with some minor amendments.

To remind hon. members of the comments I made during first reading in the fall of 1980, I should probably highlight the fact that I think one of the more significant aspects of the Bill is the increased protection afforded to minority shareholders and creditors under this legislation. I should also add that it represents an updating of the corporate law in the province of Alberta to the realities of the 1980s. We have not had significant changes in our corporate law since 1929. Mr. Speaker, if passed by the Legislature, the Bill would make it easier for business and professional people to do business all across . . .

MR. SPEAKER: With great respect, [not recorded] every other member would have to be given the same latitude. [Additional remarks of Mr. Speaker not recorded]

[Leave granted; Bill 43 read a first time]

Bill 44**The Securities Act, 1981**

MR. KOZIAK: Mr. Speaker, thank you for expressing

the comment that I would be afforded the same latitude on the introduction of Bill 44 as I was on Bill 43.

MR. SPEAKER: I referred to other members. [as submitted]

MR. KOZIAK: Well, you know how these precedents are, Mr. Speaker.

It's also my pleasure to introduce Bill 44, The Securities Act, 1981. In commenting on introduction of Bill 44, I should indicate that this Bill and the previous Bill are substantial in terms of the law incorporated in them and in terms of the contents.

In terms of The Securities Act, 1981, hon. members will again recall that Bill 76, The Securities Act, 1978, was introduced in 1978 and left to die on the Order Paper for the express purpose of obtaining input. That input has been obtained, and we've brought forward Bill 44. I would say again that the major purpose of this statute is to bring the securities legislation into line with the requirements of the 1980s. With the passage of this statute, Alberta investors and businesses will be well served, and we will enhance the climate for investment by Albertans in Alberta-based enterprises.

MR. SPEAKER: The hon. minister is entering on second reading debate. [as submitted]

MR. KOZIAK: I did want to add one last thing, Mr. Speaker. Knowing the length my introduction would have to be, having regard to the important contents of these two Bills, I have prepared press releases with summaries of the Bills attached, which will assist hon. members.

[Leave granted; Bill 44 read a first time]

Bill 46**The Employment Standards
Amendment Act, 1981**

MR. YOUNG: Mr. Speaker, I beg leave to introduce Bill 46, The Employment Standards Amendment Act, 1981.

The purpose of the amendment is to enable certain deductions from the wages and salaries of employees when these deductions are authorized by a collective agreement. In particular, it will enable deductions for charitable purposes.

[Leave granted; Bill 46 read a first time]

Bill 45**The Societies Amendment Act, 1981**

MR. L. CLARK: Mr. Speaker, I beg leave to introduce Bill No. 45, The Societies Amendment Act, 1981.

The purpose of this Bill is to allow societies to register their names to assure that the proposed name does not conflict with an existing society's name. The Bill will allow societies to register names in the same way companies do at the present time.

[Leave granted; Bill 45 read a first time]

MR. CRAWFORD: Mr. Speaker, I move that Bill No. 45 be placed on the Order Paper under Government Bills and Orders.

[Motion carried]

head: **TABLING RETURNS AND REPORTS**

MR. HYNDMAN: Mr. Speaker, I wish to table four copies of the response to Question 110 with regard to the Hudson Institute report on the impact of phased increases in Canadian oil and gas prices.

MR. RUSSELL: Mr. Speaker, I'd like to table the 1980 annual report of the Alberta Health Facilities Review Committee. Copies are available for distribution to all members of the House.

MR. STEVENS: Mr. Speaker, I'm pleased to table the annual report of the personnel administration office for the year ended December 31, 1980. Copies will be made available to all members.

head: **INTRODUCTION OF SPECIAL GUESTS**

MR. NOTLEY: Mr. Speaker, it's my pleasure today to introduce some 40 grade 6 students from Spirit River elementary school. Accompanied by their principal, Mr. Jim Brandon, teacher Lynn Esposito, and four parents, they are seated in the members gallery. I would ask them to stand and be recognized and welcomed by members of the House.

MR. HYLAND: Mr. Speaker, on your behalf, I'd like to introduce to the Assembly a grade 6 class from Elmwood school. They're accompanied by their teacher, Mr. D. Lucas. I'd ask them to rise and receive the welcome of the Assembly.

MR. WEISS: Good afternoon, Mr. Speaker. It is a pleasure to introduce to you, and through you to the members of the Legislature, a group of 14 grades 8 and 9 students from the community of Wandering River. They're accompanied by their teacher, Mr. Kevin Dodds.

Mr. Speaker, Wandering River is located in the constituency of Lac La Biche-McMurray, but a lot of people refer to it as the halfway point between the city of Edmonton and Fort McMurray. The citizens of Wandering River more commonly refer to it as the gateway to the tar sands. So I'd welcome the students and ask that they rise and be recognized by the House.

head: **ORAL QUESTION PERIOD**

Mortgage Rates

MR. R. SPEAKER: Mr. Speaker, my question to the Minister of Housing and Public Works is with regard to the concern and accountability of this government to some 2,000 persons per month who have to renew mortgages in the province of Alberta. A number are renegotiating them at the present time. I'd like to ask the minister whether consideration is being given to broadening or extending the mandate or the regulations under the Alberta Home Mortgage Corporation to take in a larger number of Alberta citizens facing significant increases in mortgage rates.

MR. CHAMBERS: Mr. Speaker, I answered very similar questions on a couple of different occasions during the past week and talked about the supply side and how we addressed that. I think members are aware of our efforts in that area. For example, in the budget we'll be looking at this year, we're talking of 20,000 housing units and about \$1.25 billion. That's a massive approach to the supply side in housing.

Insofar as renewals, I don't want to bore members, Mr. Speaker, but I guess I'd have to say again that our assessment shows that people who have five-year terms have acquired appreciable assets in their houses. Furthermore, the assessment shows that they are better able to meet mortgage payments now than they were when they first took them out five years ago. That doesn't mean to say there aren't difficulties, however, and certainly there are with people who have one-year terms or something in that order. That's a difficult question that every citizen faces when the mortgage comes up for renewal. How do you predict the interest rate? Do you gamble on a one-year mortgage, or do you go for three or five years?

The question really gets down to the responsibility for the high inflation and the interest rates we have in this country. That's a federal responsibility. A year ago the federal minister indicated they would address that question. To this point in time they have not, but I hope the federal minister of housing and the federal government take the responsibility seriously and address that question.

MR. R. SPEAKER: Mr. Speaker, a supplementary question to the hon. minister. The minister can blame it on the federal government. There is a program in place that has the capability of expanding.

Is the minister using any kind of formal technique to assess what is really going on and the kinds of increases being faced by various people across this province relative to mortgage rates?

I can give you an example, a person's mortgage rate is \$500 now. The increase of 6 per cent interest brings it up \$180 per month, a significant increase.

MR. NOTLEY: What are they doing about it?

MR. R. SPEAKER: It's a terrific load on his income.

What formal assessment procedure has the minister in place? Is anyone doing it, or are we just getting his opinion right now?

MR. CHAMBERS: Mr. Speaker, I don't know if the Leader of the Opposition is suggesting that we should be changing national monetary policy. [interjections]

MR. NOTLEY: Come on, Tom, you can do better than that.

MR. CHAMBERS: We're talking about a national problem of high inflation and high interest rates. It's up to the federal government to address that problem. It's as simple as that.

MR. R. SPEAKER: Mr. Speaker, a very straightforward supplementary question to the minister. Has the minister a formal person, procedure, or technique to monitor what is really happening with some of the home-owners in the province of Alberta who are facing these extraordinary mortgage rates? Yes or no? [interjections]

MR. CHAMBERS: Mr. Speaker, of course it's very difficult to assess exactly who's renewing at what time. Obviously, whether you renew a mortgage for six months or a year is an individual, private choice. That's a difficult situation to monitor. I get letters, and the member across the floor gets letters. It is difficult, and I certainly feel considerable sympathy with people who have to renew mortgages at an appreciably higher rate.

Again, we're addressing the question of supply in this province in a massive way. We're trying to get the young people and people into their homes for the first time. Twenty thousand housing units and \$1.25 billion: that's a massive approach to the problem of supply.

MR. R. SPEAKER: Mr. Speaker, a supplementary question to the minister. For someone who has had a mortgage with a private financial institution such as a bank, where today the interest rate is 18 per cent on a renewed mortgage, or a mortgage company, is it possible to utilize the Alberta Home Mortgage Corporation in renegotiating their mortgage, so they would pick up the mortgage, then enjoy the 13.5 per cent rate that others enjoy?

MR. CHAMBERS: No, Mr. Speaker.

MR. R. SPEAKER: A supplementary to the minister. Would the minister be willing to look at that area of policy, review it, and report back to the Legislature to show that this government really has concern and will try?

MR. CHAMBERS: Mr. Speaker, we're certainly aware of the difficulties faced by people, and we continually reassess and address programs. Over the last few days, I think I've clearly answered the questions. I believe it's a federal problem. The policy of high inflation, high interest rates, is a national decision, and it's up to the federal minister involved to address that problem.

MR. R. SPEAKER: Mr. Speaker, a supplementary to the minister. Then the minister is indicating that at this point in time the government has gone as far as it will go and is not looking at broadening any programs with regard to mortgage interest.

MR. CHAMBERS: Mr. Speaker, we have a broad range of programs, and we assess them continually. As to that specific one, though, no we are not looking at changing that specific aspect at this time.

MR. NOTLEY: A supplementary question to the hon. minister, for clarification with respect to the impact of higher renegotiated mortgage rates. Has any study been commissioned in view of the fact we've had high interest rates now for some time, but particularly pressing high interest rates for the last year? Has the Alberta Housing Corporation or the minister's department commissioned any study to assess the impact of renegotiated mortgage rates and whether or not the Alberta government, through its agencies, might play a role in that?

MR. SPEAKER: With great respect, the question has already been asked. [as submitted]

MR. PAHL: Mr. Speaker, my question is to the Minister for Housing and Public Works. In view of his recognition and statement of the fact that this is a federal matter and that the interest rates tend to bear more heavily on

provinces with a high level of activity, has the minister made, or will the minister consider making, a specific representation to the federal minister responsible for housing to take a look at the adjustment on renegotiated mortgages and perhaps provide some relief across the country, and particularly in Alberta?

MR. CHAMBERS: Mr. Speaker, that's a very good question from the Member for Edmonton Mill Woods. I attended a meeting of the Urban Development Institute a week ago in Toronto, and representations were made by me and others to the federal minister responsible for housing and public works. For some time — in fact, for some years — the provinces have been attempting to obtain a meeting between the provincial ministers and the federal minister. The federal minister has now agreed that that should happen. We have a tentative date scheduled for June. Hopefully that will occur and give the provinces a chance to express their views and have the right interchange with the federal minister.

MR. GOGO: Mr. Speaker, a supplementary question to the Minister of Housing and Public Works. I recognize the minister's estimates are coming up shortly, but in view of the question raised, I think it important to put the question to the minister: in the coming year is it the intention of the government to continue with the subsidy program of up to \$300 per month to provide affordable housing for Albertans?

MR. CHAMBERS: Also a good question, Mr. Speaker. It shows there are very good questions that come from that side. [interjections]

I mentioned the 20,000 housing units, which of course incorporates some 4,000 units directly built by the Alberta Housing Corporation for the disadvantaged, then the 14,000 houses financed through the Home Mortgage Corporation, and those specifically through the family home purchase program. The subsidy is very high in two ways: from the standpoint of interest being written at 13.5 per cent; and in terms of direct subsidy, which is done on a straight line basis so persons at the lowest end of the income scale would qualify to obtain subsidies of up to \$300 a month for a starting home. Those subsidies are massive.

On the rental side, you have the core housing incentive program, which is 8.75 per cent and in which half the units are controlled rentals. There are also very high subsidies there. It's our plan and our budget for next year to continue those subsidies.

MR. GOGO: A final supplementary question, Mr. Speaker. The operative part of the question was: is it the intention of the government to continue that in the coming year? Would the minister answer that specifically?

MR. CHAMBERS: Sorry, Mr. Speaker, I thought I had. The answer is yes.

MR. R. CLARK: Mr. Speaker, a supplementary question to the minister. I don't expect to receive the same passing marks as the two previous questions.

Having regard for the fact that most lending institutions in the mortgage business now are going not for five-year but one-year mortgages, and the tremendous impact that's having on young people in this province whose incomes are just above the maximum of the Home Mortgage Corporation, is the minister's corporation now

doing an assessment of the impact short-term mortgages, namely one-year mortgages, are going to have on those people's ability to repay their mortgages?

MR. CHAMBERS: Mr. Speaker, I know everyone in this House is conscious of that problem. But again, it has to be an individual decision. It's a gamble. We know interest rates are cyclic. We went through that a year ago; we're seeing it again now. So one has to make a personal assessment in terms of what term you renew for: a five-year renewal, a three-year, a one-year, or even something less. That really has to be a personal assessment.

As a matter of advice — and one hesitates to give advice in this area — I would point out, however, that there are differences in rates between financial institutions, and I would encourage people who are shopping for a mortgage to literally shop around. Also, some financial institutions have been innovative in terms of approaches. There are graduated payment mortgages, various schemes the financial institutions are doing. For example, if one has a large equity built up in a house, that might be incorporated into a remortgaging situation. It's well worth while for the individual faced with a renewal today to look at the programs available through the financial institutions and to shop around.

MR. R. CLARK: Mr. Speaker, one last supplementary question to the minister. Why has the minister not directed the Alberta Home Mortgage Corporation to do an in-depth analysis of the impact short-term mortgages are going to have on Albertans' ability to repay those mortgages? Why hasn't such an impact direction been given to the corporation?

MR. CHAMBERS: Mr. Speaker, I don't know that I totally follow that question. If you want a chart in terms of income required to relate in a straight line way to qualification for mortgages, we have that, and we do significant internal assessments. I don't know if I can answer any further. We obviously monitor the situation closely, and we do significant assessments.

DR. PAPROSKI: Mr. Speaker, a further supplementary to the minister on the Alberta family home mortgage, where first-time owners buy their homes. Just to confirm that the policy is not changed, by way of the subsidy of up to \$300 a month and interest rates of 13 per cent, I wonder if the minister would confirm that the down payment is still very low, too, at 5 per cent, and that it applies to town houses, trailers, and old and new houses. I want to be sure that policy is not changed.

MR. CHAMBERS: And stack condominiums. I will confirm that, Mr. Speaker.

MR. R. SPEAKER: Mr. Speaker, a supplementary question to the minister. Certainly if all members haven't got their pamphlet yet, they should read it. For the Conservative backbenchers: all the information about the present programs is in there.

But we're asking about Albertans who cannot qualify for this program, and we're talking about the difficulty they're in at the present time. Will the minister be monitoring the number of homes lost by present homeowners because of this significant increase in mortgage rates at the present time? I'd like to indicate that the one example I gave of \$180 increase per month is significant

to a low-income family in terms of cost to their food budget.

MR. CHAMBERS: Mr. Speaker, of course we do. The board of the Home Mortgage Corporation meets on the average of about once a month, and we get a monthly report on foreclosures. In the last report I saw, the number of foreclosures was actually down. So the foreclosure rate is very, very low in Alberta at this time.

MR. R. SPEAKER: Mr. Speaker, to the hon. minister. Would the hon. minister take on the responsibility to table that type of information for us in this Legislature, possibly on a week-by-week basis from now till the end of the current session?

MR. CHAMBERS: Mr. Speaker, my estimates are coming up soon. I would be happy to discuss that sort of information, foreclosure and others, during the course of my estimates.

MRS. FYFE: A supplementary question, Mr. Speaker. I wonder if the minister could answer whether they have considered, or whether he has made representation to the federal government, related to a policy of renewal of mortgages based on the same system of qualification for a first mortgage — where the gross debt service ratio is taken into consideration — and that this also be applied in second mortgages so families are not left with a payment beyond their income.

MR. CHAMBERS: Again, Mr. Speaker, about all I can say on that subject is that a tentative meeting of the federal and provincial housing ministers is scheduled for June. I hope we would have fruitful discussions at that meeting and be able to make adequate representations. Hopefully, at that time the federal minister will acquire quite a bit of knowledge about the concerns of the provincial ministers.

MR. SPEAKER: A final supplementary by the Member for Edmonton Kingsway.

DR. PAPROSKI: I wonder if the minister would further clarify and confirm that the qualifying amount of dollars earned by a first-time owner has not changed, and that it has been raised from \$20,000 to \$30,000, I think.

MR. CHAMBERS: That's right, Mr. Speaker. The minimum qualifier amount is \$13,000.

DR. PAPROSKI: I'm sorry, I didn't hear about the maximum.

MR. NOTLEY: That's public information.

MR. CHAMBERS: \$31,000.

Hazardous Chemical Spills

MR. NOTLEY: Mr. Speaker, I'd like to direct this question to the hon. Minister of Environment. It concerns the 1978 PCB spill of Procter & Gamble, where some 500 gallons were spilled, affecting the quality of the water in the Wapiti and Smoky rivers. Can the minister advise the Assembly why no specific steps were taken to advise people downstream — particularly the communities of Watino and Peace River — who drink the water?

MR. COOKSON: Mr. Speaker, I think that question has been raised in the House before. My knowledge is that when our people were called to review the situation, the PCB problem was primarily contained. We didn't detect any problem of overflow into the river system. We just weren't able to detect any problem in that respect.

MR. NOTLEY: Mr. Speaker, a supplementary question to the hon. minister. Is the minister in a position to confirm to the Assembly that there have been at least two other occasions where there have been PCB spills at Proctor & Gamble and that in 1974 at least 100 gallons were spilled? And is the minister able to advise the Assembly what, if any, steps the department took on that occasion?

MR. COOKSON: No I couldn't confirm that, Mr. Speaker. I hear these rumors all the time; I don't know where they start. The responsibility of the company is to report to Environment and/or Disaster Services in the event of spills. Really, that's the only way we can measure if these events happen or not.

MR. NOTLEY: Mr. Speaker, a supplementary question to the hon. Minister responsible for Workers' Health, Safety and Compensation, with respect to the 1974 spill, which the company has acknowledged occurred. For some incredible reason, they've lost the report.

In view of the danger to the people who had to clean up the spill, who I understand did not have the proper garments, what steps, if any, has the department taken to determine the level of danger to the workers involved, as a consequence of that particular spill?

MR. DIACHUK: Mr. Speaker, I don't have the answer here. I'm advised that at all times my officials are involved, they are involved in making sure all precautions are taken in regard to workers working when hazardous chemicals are spilled. But in the particular instance, I would take that on notice and respond fully later.

MR. NOTLEY: Mr. Speaker, a supplementary question to the hon. Minister of Environment concerning the 1978 spill. The minister has indicated that the officials of the department concluded there was no danger, although that's a rather speculative assessment. But my question very directly to the minister is: in view of the fact that the government did not notify people living downstream, particularly the larger communities that use the water from the Wapiti and Smoky for their drinking water, will the minister table in the Assembly the report on that particular investigation?

MR. COOKSON: Mr. Speaker, I don't know whether the response or the question by the Member for Spirit River-Fairview is speculative.

I have no problem tabling any report; it's a public document. I will check to see if a report has been made on that particular instance. As I remember the event, the polychlorinated biphenyl was contained in a holding area. The company took proper steps to contain it as such, and resolved it in that respect. If I can locate a report of any nature, I'd be happy to make it public.

MR. NOTLEY: Mr. Speaker, a supplementary question to the minister. Has the government given any consideration to following the move in Saskatchewan, where there is now a spill report centre where there must be manda-

tory reporting of all spills not only by the company to the department but equally important, by the department to people who could possibly be affected by them? Has any consideration been given to that kind of initiative in Alberta?

MR. COOKSON: Mr. Speaker, under our legislation and the licensing procedure, it's the responsibility of the licensed companies to report to Environment and/or, in some instances, Disaster Services, with regard to spills along roadways. We and Disaster Services both have a telephone number to which the public can generally report spills of a nature that might be a problem. So we deal with them as they come.

I'd hesitate to follow some of the practices of Saskatchewan. I think it's important that we deal with these problems forthrightly and quickly. I don't see any great value in simply frightening people about these events, if we're satisfied they're being handled properly. For example, if we saw a situation where it would be of danger to the public in general, the first thing we would do is alert those downstream or wherever it may be. But other than that, I really don't see much value in continually exciting people about some of these problems.

With regard to polychlorinated biphenyl, I might mention that until recently this very common material has been used in transformers all across the province. Everybody has had PCB in their yards. The material is found in brake fluids. I presume that until recently, anyway, people in the work force were handling various degrees of this material. Recent information has indicated that it could be carcinogenic. Therefore, we've tightened down on it — subsequent replacement in transformers and so on. So as further information is gathered, we tend to tighten down in terms of people safety.

MR. NOTLEY: Mr. Speaker, my final supplementary question to the minister. It's true that we did have PCB in transformers, but now we as a nation have moved to take action on the matter, and properly so.

My question very directly to the minister, however, is with respect to the 1978 spill. Investigations do not take place in a matter of minutes. There would have been a time factor. Why was there no consultation with the engineers in the community, especially of Peace River, in view of the possible danger — and you can argue over how serious that danger was — and why was there no notification of people who could have their health jeopardized, pending an investigation?

MR. COOKSON: Again, I'd have to look at the situation as it occurred at that time. It was probably a judgment on the parts of both the company and the department that this wasn't necessary. Surely people who are qualified to make these judgments should be able to make them. I'd be very disappointed if the public wasn't generally alerted in a situation where there was a danger to health in general. So you have to deal with each situation on its own merit.

MR. NOTLEY: The question very directly to the minister is: without concerning the public as a whole with perhaps a false alarm, why weren't at least local municipal officials who had some responsibility for the water intake system notified that there could be a possible danger?

MR. COOKSON: Again, the member is asking the question with regard to alerting individuals, which in this

situation happened several years ago. We have these spills happen in various degrees almost every day of the year, and we treat each differently. One has to again speculate on the kind of danger insofar as the amount of spill that occurred, the containment, and the quantity of material, if any, that found its way into the water system. When you make that kind of judgment — perhaps the judgment was made that it wasn't necessary to alert anyone.

MR. PAHL: A supplementary question.

MR. SPEAKER: Might this be the last supplementary.

MR. PAHL: Could the minister advise the Assembly whether there has been any documented case in Alberta of any injury to animals or humans from a spill of PCB-related chemicals?

MR. COOKSON: I don't know of any situation where that has occurred. The Minister responsible for Workers' Health, Safety and Compensation may have some knowledge of that. I guess one of the difficulties — and we're always concerned about that — is not the immediate effect of some material that may be carcinogenic in nature but the accumulative effect over a long time. That is the real danger that faces the Minister responsible for Workers' Health, Safety and Compensation, with regard to those working in factories and so on, who are exposed to it for long periods of time.

Rental Accommodations

MR. MANDEVILLE: Thank you, Mr. Speaker. My question is to the hon. Minister of Consumer and Corporate Affairs. Does the minister's department monitor the number of rental units taken off the market as a result of conversion from apartment buildings to condominiums?

MR. KOZIAK: A similar question was posed to me earlier by the hon. Member for Calgary Millican, in connection with the conversion of apartments to condominiums in Calgary. As I recall, at that time we had received no complaints in that respect. I indicated there was a provision in The Landlord and Tenant Act which required that six month's notice be given under those circumstances. Since the report I made to the Legislature in response to the earlier question, we haven't received any additional information I could share with the hon. member today.

MR. MANDEVILLE: A supplementary question, Mr. Speaker. Has the minister looked at controls other provinces have put on? In some provinces, if the vacancy rate is under 3 per cent, they put on controls as far as converting apartment buildings to condominiums.

MR. KOZIAK: Mr. Speaker, I'm of two minds with respect to that concept. Of course the initial reaction would be that the conversion of apartment units to condominiums would remove those particular units from the rental market, thereby exacerbating the vacancy rate. That's a sort of short-term conclusion. The other conclusion is that it shifts from rental to ownership people who would otherwise rent apartment space. By owning the facilities, they can then cushion themselves against future rent increases caused by inflation. So on one hand there may be a short-term objective that may not be compatible with the long-term objective.

My feeling with respect to home ownership is that that

is the route we should go, whether that home ownership is a detached or condominium property. Rental should be there for people who haven't made up their minds as to where they want to live and are seeking accommodation on a temporary basis, but we should encourage home ownership wherever possible. We're doing that with the Alberta family home purchase program in all the fashions my colleague described during the course of questions put to him earlier.

Senior Citizen Accommodations

MR. R. CLARK: Mr. Speaker, I have a question for the Minister of Housing and Public Works, possibly with some ramifications to the Minister of Hospitals and Medical Care. Is the government giving any consideration to changing the manner in which rates are determined for senior citizens in senior citizens' units?

MR. CHAMBERS: Mr. Speaker, I'm having a little difficulty. I don't think the sound system is perfect, and I didn't hear that question. I wonder if the hon. member would mind repeating it.

MR. R. CLARK: Mr. Speaker, my question to the Minister of Housing and Public Works deals with the way the government establishes the rentals senior citizens pay in senior citizens' accommodations in Alberta; namely, tied to a portion of their income. Is the government giving any consideration to changing that means of determining what rentals senior citizens will be paying?

MR. CHAMBERS: Mr. Speaker, if I understand that question, the rental paid by senior citizens in self-contained apartments is 25 per cent of income. That's been held at that rate for some time now.

With regard to accommodation in lodges — which of course is a different sort of accommodation; it's very like hotel-type accommodation. As members know, it involves full linen service and meals, very like hotel accommodation. Some time ago, at the request of the Senior Citizens' Homes Association, we revised those rental rates and put them on a formula basis so over the next few years they will rise to a certain percentage of income. They are also calculated on the prior year's income. A couple of years ago, we commissioned a study that the Senior Citizens' Homes Association and a number of other groups were involved in. They concluded that seniors could, and probably should, pay something like 55 per cent of income. So the formula will achieve that over the years. Because it's based on the previous year's calculation, it actually works out to something like 50 per cent of income. From discussions I've had with seniors, that formula has been deemed to be very fair.

MR. R. CLARK: Mr. Speaker, a supplementary question. When does the minister expect that the 55 per cent of senior citizens' income which will be designated for rental in the lodges will become effective? I realize there is this phasing-in period.

MR. CHAMBERS: Mr. Speaker, as I recollect, it's phased-in over a four-year period.

MR. R. CLARK: Mr. Speaker, a supplementary question to the Minister of Hospitals and Medical Care. Is the government giving any consideration to changing the method by which senior citizens pay for their stay in

nursing homes from a flat per-day amount to an amount which would be tied to senior citizens' income. I pose the question because of the concern senior citizens have in moving from one system to the other. I've had representation from a large number of senior citizens about a possibility of some kind of consistency through the various types of accommodations available to them.

MR. RUSSELL: Mr. Speaker, it's true that some arguments are in favor of adopting a system like that and, to be quite frank, we have reviewed it.

The fact of the matter is that nursing homes are regarded as part of the hospital system, whereas lodges and self-contained units are regarded as part of the housing program. The hospital system across Canada traditionally has no user charge. I suppose nursing homes might be regarded in a category somewhere between hospitalization and housing. But in any event, over the past few years we've tended to try to maintain a *per diem* rate with respect to residents in nursing homes, regarding it as a user fee for part of the hospital system. In making the co-insurance adjustments in rates, as we do from time to time, we have tried to stay within that approximate 45 to 50 per cent range of the minimum income for those on the senior citizen allowance.

DR. PAPROSKI: Mr. Speaker, a supplementary to the Minister of Housing and Public Works, further to the questioning on the rental of self-contained suites and the subsidy or payment of 25 per cent of income. Recognizing that senior citizens receive a \$1,000 rental rebate on private quarters, is there now any consideration by the Minister of Housing and Public Works to transfer that \$1,000 rental rebate to those in self-contained suites?

MR. CHAMBERS: I don't know that I fully understand that question, Mr. Speaker.

DR. PAPROSKI: Mr. Speaker, I'll try to make it simpler. There is a \$1,000 rental rebate for senior citizens renting private suites. The question is whether those senior citizens in self-contained suites will also receive that rental rebate. Is that a consideration for future policy?

MR. CHAMBERS: Mr. Speaker, I think I should most appropriately refer that question to my colleague the Minister of Municipal Affairs, who is responsible for the renter rebate.

MR. NOTLEY: You're on, Marvin.

MR. MOORE: Mr. Speaker, I'm not sure what the hon. member's question was. If it related to the renter rebate for senior citizens, it's in place, well known, and hasn't been changed. If it related to increases in the senior citizens' rebate of what was \$400 last year and is now becoming \$600, the member might be pleased to be in his place sometime this evening when my estimates are up, and I'd be pleased to answer any detailed questions on that.

MR. MANDEVILLE: A supplementary question to the hon. Minister of Municipal Affairs. Has the minister given any consideration to giving any type of renters' assistance to residents of nursing homes? As I understand it now, they get \$500 renters' assistance for self-contained suites.

MR. MOORE: Again, Mr. Speaker, I'd be pleased to elaborate on that part of our program of assistance to senior citizens and others in terms of property tax. When we get into auxiliary hospitals and nursing homes, our view is simply that we provide subsidies, if you like, for those accommodations to our citizens, in a variety of different ways that really don't relate to the normal rental charges by landlords or to property taxes.

One has to stretch the Municipal Affairs program of assistance to property owners or renters pretty far to get into nursing homes or auxiliary hospitals. My belief is that there we're really dealing more with social programs which, incidentally, this government has developed to a degree over the last few years under both my colleague the hon. Minister of Social Services and Community Health and the Minister of Hospitals and Medical Care. I believe that's where those subsidies with respect to nursing home patients belong.

ORDERS OF THE DAY

MR. SPEAKER: May the hon. Member for Three Hills revert to Introduction of Special Guests?

HON. MEMBERS: Agreed.

head: INTRODUCTION OF SPECIAL GUESTS (reversion)

MRS. OSTERMAN: Thank you, Mr. Speaker. Today it's my privilege to introduce a group of 20 grade 9 students from Beiseker school: beautiful Beiseker, I understand soon to be the home of a new tourist information centre that will assist travellers using Highway No. 9 between Calgary and Drumheller. Accompanying them are their teacher Ray Courtman and their principal Terry Miller, who is also acting as bus driver today. Would they please rise and receive the welcome of the House.

MR. HORSMAN: Mr. Speaker, with regard to the questions and motions for returns, I move that Question 111 and motions for returns 113, 125A, 126, 127, 129, and 130 stand and retain their places on the Order Paper.

[Motion carried]

head: WRITTEN QUESTIONS

122. Mr. Notley asked the government the following question:

- (1) With respect to the four criteria outlined by the Minister of Advanced Education and Manpower as having a bearing upon the successful establishment and operation of a technology and trades institute during the course of the minister's statement to the Legislative Assembly on April 23, 1981, on the basis of what specific considerations arising from the four criteria was St. Paul deemed to constitute a less desirable potential location than Stony Plain?
- (2) With specific regard to the second criterion listed by the minister (accessibility by students to the institute), to what extent is it expected that the students of the new institute will be resident during the course of their studies at the institute
 - (1) within the municipal boundaries of the city of

- Edmonton,
- (2) within the area generally adjacent to Highway 16 west of the city of Edmonton,
 - (3) within the area east of the city of Edmonton to the Saskatchewan border and north of Highway 16,
 - (4) elsewhere within the province of Alberta?
- (3) With specific regard to the third criterion listed by the minister (nearness to industrial activity), to what extent is it expected that the generation of work experience opportunities for the students enrolled at the institute will involve industrial enterprises located within or immediately adjacent to the municipal boundaries of the city of Edmonton?

MR. HORSMAN: Mr. Speaker, that question is acceptable.

head: **MOTIONS FOR RETURNS**

120. Mr. Notley moved that an order of the Assembly do issue for a return showing any and all contracts entered into by the government of Alberta or any of its departments or agencies with Econ Consulting Limited, a company registered in the province of Manitoba, the head office of which is at 268, 167 Lombard Avenue, Winnipeg, Manitoba, between January 1, 1980, and March 31, 1981, including, but not so as to limit the generality of the foregoing, and for each separate contract,
- (1) the date the contract was signed,
 - (2) the nature of the services to be provided by Econ Consulting Limited,
 - (3) the term of the contract and projected termination date, if any,
 - (4) the amount to be paid to Econ Consulting Limited by the government of Alberta, its department, or agency (as the case may be) pursuant to the contract, and the basis on which such payment is to be determined if other than a fixed sum.

MR. NOTLEY: I welcome the enthusiasm of the hon. Deputy Government House Leader.

[Motion carried]

121. Mr. Notley moved that an order of the Assembly do issue for a return showing any and all transfers of money from the government of Alberta, its departments, or agencies to:
- (1) Western Barley Growers Association,
 - (2) Flax Growers Western Canada,
 - (3) Palliser Wheat Growers Association,
 - (4) Alberta Canola Growers Association,
 - (5) Alberta Wheat Pool,
 - (6) Unifarm,
 - (7) Christian Farmers Federation,
 - (8) National Farmers Union;
- and including in all cases:
- (1) the nature of the transfer of money (e.g., grant, fee for service, et cetera),
 - (2) the dollar amount of the transfer,
 - (3) the date at which the transfer was effected,
 - (4) the program or agency under which the transfer was authorized, for the period January 1, 1980, to March 31, 1981.

[Motion carried]

128. Mr. R. Speaker moved that an order of the Assembly do issue for a return showing:

- (1) a copy of the application form provided to the Little Buffalo Cree for the land tenure program, and
- (2) copies of the completed applications received from the Little Buffalo residents.

MR. MOORE: Mr. Speaker, before proposing an amendment to the motion, I'd like to make a couple of comments with respect to the matter of land tenure in the Little Buffalo community. First, the controversy surrounding this program over the last few weeks has resulted in renewed efforts by my staff to determine exactly what the views of the residents of Little Buffalo are with respect to this program.

After further review, it's my belief that those who signed applications for land under the land tenure program in the Little Buffalo community were well aware of what they signed. The staff of the land tenure secretariat of my department had previously obtained and again obtained interpretive services, individuals who could speak both Cree and English, and have made every effort to ensure that people understand what they're signing, even if they can't read or write.

As well, my information is that 11 of the 24 persons who have been indicated as having revoked their applications in a telegram to me, have informed us during the last few days that they still wish the Department of Municipal Affairs to act upon their application for land tenure. These 11 people offered various reasons for signing documents purporting to cancel their request for land tenure. For example, several understood when signing the petition that was forwarded to me that they would still get their two acres of land under the land tenure program. Another understood that applying for land tenure would somehow affect hunting, trapping, and fishing rights. Some apparently understood that they could not have neighbors visit them if they obtained land under the land tenure program: Mr. Speaker, a clear indication of the misinformation that was provided to people in the Little Buffalo area and to residents of the province.

MR. SPEAKER: With great respect to the hon. minister, I have difficulty connecting these remarks with the purport of the motion. The motion is a motion to produce documents. The hon. minister is debating the adequacy or otherwise of some steps that were taken by his department.

MR. NOTLEY: We'll do that in the estimates tonight.

MR. SPEAKER: I have great difficulty in connecting that with a decision as to whether or not an order for a return should issue from the Assembly.

MR. MOORE: Mr. Speaker, you or other members of the Assembly won't have any difficulty whatsoever when I complete my remarks — which I am about to complete — and move the amendment. I say that because I was accused in this Assembly of having misrepresented certain matters with respect to the land tenure program. I'm being asked to provide certain information, some of which I cannot provide, and I have to give this background information in order to be sure that members understand the reasons for the amendment which I propose to make. It is typewritten, and I can provide you

with copies of it now, if you so wish, Mr. Speaker.

If I could just conclude, there are a variety of reasons why people in the area have written to me suggesting that their names should be deleted from the list. I could also suggest to the House and to the hon. Leader of the Opposition that it is not my intention to try to withhold information. Mr. Speaker, I was concerned, first, about what was meant by the motion when I was in the midst of a problem involving some people who had withdrawn their applications by way of a purported signature on a telex I received, and the communications my department staff had with those same people since that time. If you read the motion carefully, it says:

copies of the completed applications received from the Little Buffalo residents.

I don't know whether that includes all 47 applications that were originally received, or whether it should be minus those that were withdrawn.

I conclude my remarks by saying I would like to move an amendment to the motion: after the words "Little Buffalo" in the first matter, to replace the word "Cree" with the word "residents". I do that because I want to make it abundantly clear that we're dealing not just with Cree. There may be Metis people in the area not classified as Cree, or there may indeed be people of other nationalities. So that is very simple.

The second part of the motion I would like to delete entirely and just provide the names of those who completed application forms. If the Assembly would so desire at another time, I can provide names of those whose application forms were subsequently withdrawn by way of a telex received by me, and those that were added by way of work my staff has done. The reasons for not including the application forms: the forms contain information which may be construed by some as confidential and, in some cases, would perhaps indicate those individuals who might be living common law as opposed to living with married spouses; they indicate places of residence over the years of people who have made application. It was my view that it was of such a nature that it would require me to have someone go to the community and find out if those people would agree to having the application form tabled in the Legislature. I felt that the Leader of the Opposition wasn't really anxious to get the application forms so much as the names of the people involved.

In that regard my earlier remarks related to this fact, Mr. Speaker. Normally one would rise in his place and say the amendment should require the consent of the individuals to table publicly their application forms. But because of the nature of the circumstances surrounding this whole program and the fact that the people in that area have been stirred on more than one occasion by people purporting to give facts in different ways, I wasn't anxious to go back to the community and say, now will you agree that somebody's request in the Legislature to receive the application forms should be met? Frankly that throws another different kind of problem at these people that I don't think they need in this day and age.

Mr. Speaker, those are the reasons for the amendments I propose. I hope those amendments still meet the request of the Leader of the Opposition.

MR. R. CLARK: Mr. Speaker, my colleague the Leader of the Opposition has to be outside the Assembly. The minister did indicate to him previously what the amendments were, and he finds them acceptable.

[Motion as amended carried]

MR. SPEAKER: With respect to all hon. members, referring to this difficulty of a few moments ago in assessing the relevance of remarks to a proposed motion, may I say that it would be a great convenience to the staff and the Chair if we could get these amendments sooner. The custom seems to be to give them to us at the last moment. It's then difficult to reach any considered conclusion about them or detect any problems that should perhaps be dealt with in order to prevent wasting the time of the House. I'd like to urge all hon. members that when they are aware of the need to amend something — and I assume this amendment was typed perhaps sometime this morning, or sooner — it would be a help to the staff and me if we could get the amendments as soon as they are ready. If necessary, I suppose we could keep them confidential; I doubt whether that will be necessary.

head: **TABLING RETURNS AND REPORTS** (reversion)

MR. MOORE: Mr. Speaker, I'd like to table copies of the answer to Motion for a Return No. 128 as amended.

MR. HORSMAN: Mr. Speaker, in my haste to get the motion made, I neglected to indicate to the House that we are indeed prepared to deal with Question 111 today, as well as Question 122.

MR. SPEAKER: I think there is a grey area in regard to the House reversing itself with regard to a decision already made, but I'm sure there's no problem at all if the Assembly wishes to agree unanimously that we now revert to dealing with Question No. 111, notwithstanding the earlier resolution that it be deferred.

HON. MEMBERS: Agreed.

MR. SPEAKER: I take it there is unanimous agreement. The minister may now wish to deal again with the question.

head: **WRITTEN QUESTIONS** (reversion)

111. Mr. Notley asked the government the following question:

- (1) What meetings took place between the government and people in the communities of Wabasca and Desmarais concerning the Gulf Oil oil sands pilot project at Desmarais, both prior to project approval and subsequently?
- (2) Who attended any such meetings?
- (3) Where were they held?
- (4) When were they held?
- (5) How many native people are involved in the Gulf Oil Desmarais pilot project?
- (6) Which communities do they come from?

DR. McCRIMMON: Mr. Speaker, I'm prepared to accept Question 111, with an amendment, being the deletion of (5) and (6). The reason for that deletion is that these were not government meetings. The government as such has no record of what transpired at the meetings or who attended the meetings. So I move that (5) and (6) be deleted from the original Question 111.

[Motion carried]

MR. SPEAKER: I take it the minister has agreed to the question as amended. That of course gives it the status of an order for a return.

head: MOTIONS OTHER THAN GOVERNMENT MOTIONS

206. Moved by Mrs. Cripps:

Be it resolved that this Legislative Assembly recommend to the government of Alberta that representation be made to urge the federal government to change its harmful economic, energy, and interest rate policies so that small businesses in Alberta and across Canada can continue to exist and can grow more easily.

MRS. CRIPPS: Mr. Speaker, this motion was of paramount importance to my constituency when I placed it on the Order Paper a month and a half ago. In view of recent developments and the escalating interest rates, the economic slowdown in Alberta, it is even more timely today.

Mr. Speaker, Canada has the agricultural, mineral, forestry, and energy resources and the diversity to develop a vibrant, stable, progressive economy. She could be energy self-sufficient, and there are unlimited possibilities for investment in small business, given reasonable interest rates and economic stability.

Canada has those possibilities, Mr. Speaker, but we have a federal government which ignores the economic needs of Canadian business. It develops a non-energy program and lets interest rates skyrocket. I'd like to discuss each point — economy, energy, and interest rates — separately, although they are so interrelated that it is almost impossible to separate the three.

In 1980 the Canadian economy was in recession and in fact real Canadian output declined for the first time in 25 years. Yet the inflationary pressures continue. What will happen in 1981? The economic situation in North America is expected to be one of slow growth and continuing high inflation.

There are some factors affecting the economy over which the federal government is directly responsible. One of the most expensive costs to the Canadian economy is the federal deficit, which now stands at \$12 billion. The interest on this costs each Canadian 17 cents out of every tax dollar. The expected federal deficit for 1981 is over \$14 billion.

In the discussion on the consumer purchasing power index, you may remember that the cost of government, taxation of all kinds, cost the average Canadian \$4,571 in 1980, or over 25 per cent of the average earning power. These costs of government cut down tremendously the purchasing power of each and every Canadian and, in turn, force them to borrow to make their own purchases. The federal government has ignored the escalation of unemployment caused by its failure to control interest and its disastrous national energy program.

I can give an example from *Hansard* of April 15 in my debate on the budget. In Drayton Valley 106 companies representing 1,089 employees were surveyed. One hundred and fourteen, or 10.5 per cent, had already been laid off at the time of this survey.

A further 170 layoffs, 26 per cent of the total, are expected in 1981 if there is no change in the national energy program. . . . Seventeen thousand man-

hours were lost in the oil service industry for that period.

That's the period from January 1 to February 20, 1981. For the same 100 companies:

Nine and a half million dollars of expansion plans have [already] been delayed, with \$6.6 million worth of orders and materials cancelled. The gross income lost is 15 to 50 per cent, representing \$2.1 million less than the same period for 1980.

Mr. Speaker, the same situation exists in Nisku, Valleyview, Grande Prairie, Fox Creek, Brooks, Cold Lake, Bonnyville, and Whitecourt.

What has happened to the economic advantages our industries should have in the export market because of the 84-cent Canadian dollar?

AN HON. MEMBER: Eighty-three.

MRS. CRIPPS: Eighty-three now? What has happened to the advantage they enjoy because of their cheap energy supply when comparing it to world costs? Are the federal policies causing the general economic slump?

The second item on the motion is energy. The effects of the lack of an energy policy have become painfully apparent. The lack of knowledge of the conventional oil industry has placed Canadian entrepreneurs in a bankrupt situation, where it is either go south or fold. The lack of thought given to the real results of the implementation has led and will lead to lost jobs for Canadians. The overall effect will be a lack of energy supply by 1990, with Canadians importing more, not less, oil. That program involves a massive redirection of the production, consumption, and ownership of Canada's oil and natural gas. None of us would quarrel with the central goal of the national energy program, which is to achieve self-sufficiency in oil by 1990. So far, however, most assessments of the program have indicated that such a goal will not be reached by the end of the decade. The national energy program itself will be a major hindrance to reaching oil self-sufficiency.

The program is deficient on at least four counts. First, the price of oil is not increased sufficiently to promote conservation and provide returns to producers sufficient to promote exploration and development. Exploration capital is already leaving to seek higher returns elsewhere. Secondly, the program is unrealistic and unsympathetic in its treatment of western Canada, and it fails to look upon the development of the west as a great opportunity for all Canadians. Third, the high political tone of the program makes it a focal point for forces attempting to divide the country. And finally, the move to vastly increase government involvement in the petroleum industry is a backward step, for this industry needs entrepreneurial talent and profit-oriented goals to produce continuing successful exploration and development.

An assessment of the implementation of the national energy program, together with the negative reactions of the oil-producing provinces in the industry to the new incentives, will leave Canada with substantially higher shortfalls in oil production in the mid 1980s. This will mean increased dependence on imported oil by 1985. Furthermore, oil and natural gas development would make only a modest contribution to economic growth. If these predictions prove accurate, the national energy program could be instrumental in producing a national economic disaster. The federal government fails to recognize a Canadian ownership component already in the oil industry, and that security of supply is more important

than nationalization. At the core of the criticism of the national energy program is the issue of oil pricing, an attempt to isolate Canada from the international energy markets, particularly international oil markets, a position for which we are being severely criticized by our European and eastern trade partners.

There's another point to consider, Mr. Speaker. I think it clearly demonstrates the nonsense contained in the so-called national energy program. On one hand, we have the Ottawa line of Canadianization; on the other, from Windsor to Vancouver we have lines of our southern neighbors at the gas pumps buying gasoline in Canada. Yesterday a Petro-Canada station in Medicine Hat was charging 29.9 cents per litre. An Exxon station in Great Falls, Montana, was charging \$1.33 per gallon. When you calculate the comparative prices, including exchange, and compare the American gallon to the imperial measure, the gas in Medicine Hat was 29 per cent cheaper. The savings would be about \$9 on a 20-gallon gas fill-up, or 46 cents per gallon.

Mr. Speaker, if anyone wants to see the effects of this so-called national energy program first-hand, I suggest they spend some time at a border crossing. You can see the drilling rigs — our drilling rigs — crossing the border and going south where there is a tremendous incentive to explore, an incentive called price. At the same time, Mr. Speaker, you can see cars coming north for the same incentive: price. This is Ottawa's definition of Canadianization.

AN HON. MEMBER: Shame.

MRS. CRIPPS: Yes, shame. Higher oil prices now may ultimately be less expensive to Canada by speeding up energy resource development and reinforcing incentives toward conservation. Conservation can be achieved by higher prices or by rationing, and rationing is unacceptable, besides being prone to abuse and unfairness. The end result would be reduced needs for imports. Under the energy program the total burden of oil imports will eventually be borne through an additional tax on consumers of petroleum products. In fact today the cost to Canadian taxpayers for petroleum tax is \$3,396 every minute of every day of the year. Reduced imports there would decrease government expenditures on subsidies. This would restore the federal government some of the freedom of action on fiscal policy that a succession of high federal deficits has taken from it. A lower deficit, with its reduced borrowing requirements, would tend to reduce the pressure on interest rates. The government would also have the option of cutting some taxes. Such taxes could be individual income tax or manufacturers' sales tax, thus selectively assisting low-income earners.

I'd like to give an example of selective taxes, Mr. Speaker. I just got this information. Ottawa's October manifesto included plans for a marine and aviation fuel compensation recovery charge which the National Energy Board put into effect on April 23. The purpose of the tax is similar to the compensation charge on gasoline. The marine and aviation charge varies from \$5.85 to \$7.15 per barrel, and all of it goes to Ottawa. It is applied to ships and carriers fueling in Canada with foreign destinations.

Mr. Speaker, what this means can be represented by analyzing a typical flight from Edmonton to London, England. The air line will pay \$7,500 to Ottawa for this charge for each flight. Allowing for cargo and a 60 per cent load factor, that's \$42 for every passenger to pay for imported oil; \$42 without a penny of it going to Alber-

tans, and not a penny going to find new oil either.

A fair energy agreement would result in the development of the tar sands and a significant expansion of the economy, not only in western Canada but of eastern manufacturing. Central Canada must look upon the development of the energy resources of the west and east coasts as an opportunity for further development of Canadian manufacturing, further integration of the Canadian economy, and the development of a secure petroleum supply. The stimulative effect of energy development would result in economic strength, creating jobs in central Canada, rapid economic growth, and increased productivity.

The third component of this motion is interest rates. Interest rates may be the last economic straw that broke the camel's back. It seems incredible to me that we have a made-in-Canada price for oil while we must follow international influences when it comes to interest rates.

On October 25, 1979, we had an emergency debate in this Assembly because interest rates had risen to 14 per cent. Last week we received notice that they were 19.3 per cent. This week the prime interest rate is over 19 per cent. If Canada follows the U.S. trend, next week we'll be looking at 20 per cent plus interest. This means that \$50,000 borrowed today will cost \$100,000 in five years. That's simplistic, Mr. Speaker; it may take seven years. Hopefully you'll be able to pay back some of the principal. I'm not sure you can pay back the interest, let alone the principal, at today's rate.

The effect of this on housing — I have some figures here from a realtor. At 10 per cent interest on \$50,000, the principal and interest payment would have been \$477. At 16.25 per cent interest last month, the principal and interest would have been \$668. The interest rate on housing now is 17 per cent, and that is \$696 principal and interest payment.

Interest rates are the cost of the commodity of money, Mr. Speaker, and the cost is too high. Never before in the last couple of years has the interest rate been more than 2 per cent above the inflation rate. Yet here it is fully 7 to 8 per cent above — itself one of the chief causes of inflation. These rates are making it impossible for farmers, small business, industry, consumers, and entrepreneurs to improve and expand their present position.

At today's land prices, the agricultural return will not pay for the interest, let alone the principal. Interest costs are one of the major components of farm operating costs. Traditionally the cattle industry has operated on borrowed capital. With increased costs of interest and feed grains that are relatively high priced, there is no possible way a positive return can be achieved on a fed cattle investment.

At 20 per cent the interest on a \$500 calf is \$100 over the first year. Mr. Speaker, think of the magnitude on 500 feeders. There is only one result: lower cattle prices, lower feed grain sales, and lower feed grain prices. The backlash is less purchasing by the farmer as a consumer, so the small towns all over Alberta suffer. Small businesses cannot afford to expand or even keep up their inventory at 20 per cent interest rates. The problem was excruciating in 1979 at 14 to 16 per cent. It is now compounded and unbearable.

The businesses in Drayton Valley are not only suffering an economic recession. Those who made business decisions two and a half years ago could not possibly have foreseen 20 per cent interest rates. All business decisions are made calculating the risks. Interest has always been a calculable expense; today it's a risk.

The additional costs will undoubtedly lead to increased numbers of bankruptcies and business failures, as well as increased costs which must be passed on to the consumer. An increased number of business failures or bankruptcies makes businesses poor credit risks. If they're poor credit risks, they have a far harder time to finance. Businesses which have a high inventory, a long delay between receipt payments, and an unreliable cash flow such as farm or retail outlets, dealerships, implement dealers, as well as wholesalers and retailers who extend their own line of credit arrangements, will be especially susceptible to the pressure of high interest rates. Alberta businesses are feeling the effect. Mr. Speaker, that effect is certainly being felt in the oil service industry in this province today.

Alberta is particularly susceptible to the effect of high interest rates, because we are in a growth situation which depends upon sustaining a high level of investment. A high interest rate discourages new entrants into small business, since a greater profit or a percent of their return on equity must now be achieved in order for it to be economically viable to open a small business. With an interest rate of 19 per cent, a firm must make at least that as profit, or it would be more profitable for the owner of the firm to invest his money in loans which are secure. Why would an entrepreneur undertake a risk venture when he could return the same profit off a guaranteed or a secured loan? Indeed forecasts of high interest rates will mean that businesses with profit rates on equity of less than 20 per cent will not be undertaken.

In 1979 the provincial government froze treasury branch loans at 14 per cent. While Alberta can no more be isolated from the market place than Canada can, surely we can exert pressure to have the federal government reassess the purpose of high interest rates. If high interest rates are not curtailing inflation, if they are not restricting deficit financing, if they are stifling the economy, what is their purpose? They really are inflationary and harmful. It is time to take a critical look at the fiscal policies of the federal government and insist that they become accountable. I hope you'll support this motion.

MR. PAYNE: Mr. Speaker, I'm happy to respond to that hope expressed by the hon. Member for Drayton Valley. I first became aware of her concern for small business last November. Some weeks after the federal budget and the national energy program were brought forward, I was invited to participate with her at a meeting in her constituency of Drayton Valley, attended by perhaps 100 or 200 representatives of the small business community in that area, most of whom were connected in some way with the oil industry. That was some meeting. My own prior examination of the national energy program had convinced me that many of the program proposals held potentially disastrous consequences for the industry and indeed for the west. However, it wasn't until that experience that night in Drayton Valley that I became fully aware of the implications of the national energy program on small business in Alberta.

At the risk of stating the obvious to my colleagues here today, the small business man in Alberta is of course a key element in the strength of our growing manufacturing and services sector. It's now been six months since the national energy program was dropped on Canada, and it should be obvious to even the most isolated and aloof federal official that many of our small business men are now being seriously hurt by the national energy program. That hurt, as the hon. Member for Drayton Valley has indicated, is now being compounded by what would have

to be described as unmercifully high interest rates. Consequently I feel that the hon. member's motion is timely and well conceived, and I'm certainly prepared to express my support of the motion in the House today.

Just a comment or two on the national energy program. I feel somewhat constrained, Mr. Speaker, because on two or three prior occasions I have spoken to the national energy program, but my views haven't changed. Many of the members here today will be aware that a group of some 120 small business men from Alberta, representing Canadian controlled oil servicing firms, will be in Toronto, I believe, later today and in Ottawa tomorrow, explaining to Ontario and federal government officials, including the federal Minister of Energy, Mines and Resources, the troubles that have been created for them by Canada's new energy policies. My understanding is that they will be attempting to explain to Ottawa what is happening in the supply and service sector of the oil industry. What a contrast they can draw between circumstances and conditions here and those facing their counterparts in the United States. Of course the drilling industry in the United States is now in a most buoyant condition. One manifestation of that buoyancy and that contrast, Mr. Speaker, is the fact that a number of American companies are now purchasing equipment, and sometimes even entire companies, for their use in the United States.

As I have stated, and others in the House have earlier, the Canadian oil industry is being severely weakened by a virtual exodus, and we'll have trouble regrouping when an energy agreement is reached. Many Canadian servicing firms are in serious trouble, and it now appears some firms will go bankrupt. A number of these companies are not likely to be able to turn to the banking community either, Mr. Speaker. I realize some hold that out as a temporary safety valve, but it's not a very realistic suggestion. Who else other than the bankers have made a realistic assessment of the national energy program? In fact it's going to take years for this country, this province, and certainly the oil industry to recover from the national energy program.

As I indicated in an earlier speech, one of the most tragic consequences of the national energy program is the loss of top of the line oil industry equipment and people. All members will be aware of the reports periodically issued by the Canadian Association of Oilwell Drilling Contractors with their injury counts. But I think there's been an overfocusing on the exodus of drilling rigs. That is to say, business pages of our daily newspapers in Alberta and indeed our national press have featured photographs of drilling rigs at border crossing points in southern Alberta. I'd like to clarify, should such clarification be useful, that a great deal of other kinds of equipment are now moving south. This includes seismic equipment, computer equipment, specialized oil field trucks which are being moved from Edmonton and central Alberta to Denver, bulldozers and logging equipment, and so on.

Perhaps even more tragic than the exodus of this kind of equipment is the people associated with the equipment. Let there be no misunderstanding on that point. We are losing many of our top technical people because of the industry downturn. In my earlier comments on that manifestation or that result of the national energy program, I focused my remarks on the geophysical and the geological community. Since making those remarks, a mere four weeks ago, the list now needs to be enlarged to incorporate a great number of professionals who work with

seismic equipment, computer equipment, and the other types of equipment I referred to earlier. Also, as I've indicated before, Mr. Speaker, it's tough to bring those people back. I've explained earlier that there are domestic considerations. The professional geologist who relocates to Denver, Tulsa, or Houston relocates his family. His children are enrolled in new schools. They take up new community relationships. These make relocation very difficult. Well now there's a compounding factor or problem that makes it even more difficult for these professionals to relocate. I'm now advised that many of them, in undertaking new employment in the United States, in fact have given one-, two-, three-, and even four-year contractual commitments. So even if the federal/provincial energy negotiations were to be consummated tomorrow, as joyful and as unexpected as that might be, it's highly unlikely that many of these professionals would be able to return for these domestic and contractual reasons.

Now a word or two on high interest rates. Again at the risk of stating the obvious to my colleagues here today, the availability of money and rates of interest charged for it have been key concerns of a growing western Canada since pioneer days. This is not a new concern by any means. Alberta, as Canada's fastest growing province, has perhaps Canada's greatest need for a continuous flow of capital and investment. Mr. Speaker, high interest rates particularly affect economic growth areas such as Alberta, areas that depend on a sustained high level of investment. Gerald Bouey, Governor of the Bank of Canada, last week in Edmonton called for a continuation of hard-line, tight money policies, I understand, and indicated to his Edmonton audience that interest rates will remain high until inflation is reduced. Of course most members today will be aware that the Bank of Canada rate now approaches 19 per cent, and that the major Canadian banks are charging their highest ever prime lending rates, approaching 19.5 and 20 per cent. And the good Bank of Canada governor argues that high interest rates are essential to control inflation. He argues that Canadian interest rates have to be slightly higher than in the United States so that capital continues to flow into Canada to prop up the Canadian dollar and prevent a rise in import costs, and avoid importing inflation. There is an element, admittedly small, of logic in that position.

Today I would like to present the other side of that equation: high interest rates hurt consumers, high interest rates hurt small business men, the subject of our motion today. Now I'm prepared to admit the dollar could drop marginally if interest rates were reduced, but in context I feel that amount would not be significant.

Other positive elements of that side of the equation: Canadians would remain employed, and our manufacturers and other small businesses would become perhaps even more competitive. Simply put, Mr. Speaker, the traditional high interest remedy advocated by the Bank of Canada simply isn't working. One reason it's not working was recently advanced by a financial columnist, who held the view — a view I share — that the deterrent effect of a 1 percentage point increase in interest rates diminishes as higher and higher interest rate levels are reached, but the inflation effect of the increase remains just as strong. Well, whatever reasons can be mounted to explain why high interest rates are ineffectual don't really matter. What does matter is that high interest rates, in and of themselves, simply do not work.

While it's one thing to point a finger at high interest rates and indicate they don't work, I realize it's yet another to indicate some meaningful options. But I would

like to hold out one meaningful option, Mr. Speaker. That's with respect to natural gas exports. A federal policy which involved the export of natural gas, obviously surplus to Albertan and Canadian needs, would in my view be one dramatic and useful policy to examine when we're looking at options to the steadily increasing interest rate. Selling more Alberta natural gas to the United States would obviously ease pressure on the Canadian dollar and help reduce interest rates.

Surely it's time for a reassessment of the question of gas exports, Mr. Speaker. Taken in context with the development of a supply and demand pricing policy, I suspect such action could change the balance of payments difficulty currently faced by the federal government. Increased natural gas sales would improve Canada's balance of payments to the United States and make it easier for Canada to deal with the fiscal problems that now beset the country.

Of course all members will be aware of expressions by U.S. government officials of their interest in the assurance of long-term natural gas contracts with Canada, something the U.S. government has not been able to receive from Ottawa.

Mr. Speaker, high interest rates and the national energy program have hurt Alberta's small business men to the point that an alarmingly large number of them now face bankruptcy. One illustration of the level of bankruptcy is a recent news report of a major auctioneering firm in Alberta that's now acquiring an additional 50 acres of land near Edmonton. Their present 20-acre site is simply not large enough to hold the inventory, which grows daily as businesses scramble to sell equipment rather than pay increasing interest rates.

In conclusion, Mr. Speaker, I feel that a reduction in interest rates, plus a new gas export policy, would reduce our trade deficit, provide a strong incentive for business investment, and produce a sufficient inflow of capital to offset the remaining trade deficit. For these reasons, I feel that the motion introduced today by the hon. Member for Drayton Valley is well conceived, appropriate, and most timely. Consequently I am most prepared to speak today in support of that motion.

MR. R. CLARK: Mr. Speaker, in rising to make a few rather brief comments with regard to the resolution before us today, I say at the outset that I plan to support the resolution, although I place a somewhat different emphasis on the resolution. I commend the Member for Drayton Valley for taking the initiative to put the matter on the Order Paper. As usual, I enjoyed the comments from the hon. member from Calgary, Mr. Payne.

Mr. Speaker, I look at Motion 206 before us and, if I could be very direct and take only a few minutes to speak this afternoon, I would say that if we eliminate the adjectives and the rhetoric, we arrive at the principle of this motion. As I understand it, the principle is that this Legislative Assembly recommend to the government of Alberta that representation be made to the federal government to change its policies. It seems to me that the real guts of the thing is that the Assembly is urging this government to make representation to the government at Ottawa that changes be made in the three areas outlined.

I'd like to briefly address my remarks this afternoon to two aspects. One is to make some very brief comments on two of the items in the resolution: the energy plan and the question of interest rates. Then I'd like to deal with what I consider to be a bit broader issue that nevertheless is as important. That is the question of what is becoming a

trend of all of us as politicians, whether we're federal, provincial, or municipal: it's becoming rather fashionable, more fashionable than I can recall in the past, to in fact blame all our problems on some other level of government.

Within the last little while we hear — well, in question period today we had the housing situation. Members may not agree with my assessment there. Let's take the last two to three weeks in question period. We've had questions on whether Alberta is giving enough money to Edmonton and Calgary for rapid transit. At this time of the year, when the municipalities are setting the interest rates, it's very fashionable to blame the province for not providing enough money. I would submit, and I wouldn't expect to have overwhelming support on this point, that very often in the Assembly we find it very, very convenient to blame the federal government for things we aren't doing ourselves.

This was brought home to me rather forcibly about two and a half weeks ago when I spoke to a group of students at one of the high schools here in Edmonton, the kind of opportunity that likely all of us as MLAs should take more. Towards the end of what I thought had been quite a good explanation of the legislative process — but perhaps that opinion was only shared by myself — we had a rather lively question period for about 45 minutes. The second last question was posed by a student who sat at the back and didn't really say anything in the course of the hour, other than to say, why is it that when we have a municipal, provincial, or federal politician, it's always the fault of one other level of government for all the problems we have? None of you, whether you're federal, provincial, or municipal, are very anxious to take on any of the responsibilities.

That's why I think this resolution today is important, because it calls for us to get involved in this question of making representation. Members of the Assembly on the government side of the House and my colleagues and I who sit as the official opposition have a very basic difference of opinion that I think is best shown in the question of the Alberta government not making representation to the House of Commons/Senate committee on the constitution. This resolution this afternoon calls for the Assembly to urge the government to make representation; then it deals with the matters the Member for Drayton Valley has placed importance on. But I would hope that sometime in the course of the afternoon, or on another occasion when this debate comes to the top of the Order Paper again, all of us, wherever we sit in the House, would address ourselves for a few moments to how in fact we make more effective representation. Not just always to beat the dickens out of the federal or municipal government or vice versa — but how do we make more effective representation?

Members may say, well so what? The constitution thing is virtually over. I don't think that's the case, because I believe we're going to be in at least two years of representation there on the amending formula, regardless of what the Supreme Court may decide. On the question of interest rates, members may say that issue is going to be behind us shortly. I hope they're right, but I fear not. On the question of the energy agreement between Alberta and Ottawa, there are hopeful signs that that will be resolved. I hope that's the case. But certainly a very vital area coming to the front is the question of negotiations between Alberta or the provinces and the federal government on the whole fiscal arrangements act. While these discussions will not have as high a profile as the

energy and constitutional discussions, in the long run they will be equally or more important to what's going to happen to Canada in the future.

If I could have one bit of influence as a result of this debate this afternoon, it would be that we take the literal interpretation of the speech this afternoon and be very, very sure we make representation. I know the western finance ministers or treasurers have already put a joint position before the federal government. I know that a House of Commons committee is travelling around the country right now. One member from Alberta — the hon. Member for Lethbridge-Foothills, Mr. Thacker — is on the committee. I think that would be an excellent place for Alberta to start making some direct representation. In addition to making representation to the federal minister through the western economic group and the premiers' meeting coming up, I hope the Alberta government wouldn't miss the opportunity to make direct representation to the committee from the House of Commons when it's here. I hope a large number of Albertans would do that.

Mr. Speaker, it isn't really fair to stand in my place and not make some additional suggestions as to how I think negotiations could be vastly improved, not only between Alberta and Ottawa but between our municipalities and the province, and the municipalities and the federal government. When you get down to the short strokes and the question of taking each other very seriously, it seems to me that municipalities in Alberta don't take us very seriously. We're condemning the federal government about the kinds of negotiations we have with them, when in fact we don't have meaningful negotiations with the municipalities.

An example — and this may annoy some members — would be the question of changing the rates 2 per cent in the Alberta Municipal Financing Corporation not long ago. It's great for us on both sides of the Assembly to say how there should be meaningful discussions and negotiations. But action on something that affects very, very much the budgets for the future as far as municipalities are concerned was just as unilateral as some of the things the feds do. So the point I'm trying to make to members this afternoon is it's important that we make representation. I don't think Alberta can afford from now on to miss any opportunity, regardless of what it is, to make representation to the federal government.

On the other hand, I think we have to practise what we preach. When we complain bitterly about not being consulted about things the federal government is doing, we can do two things. We can take the initiative ourselves to be more active in mobilizing our companion provinces in Canada to collectively put pressure on the federal government.

Yesterday in question period the Premier indicated that the Prime Minister agreed in '78 that there should be an annual conference on the economy in the fall. An excellent idea. I think the timing is very appropriate, to do that kind of thing in the fall before all provinces and the federal government have to finalize their budgets. That's just good common sense. I think it surprised many members in the Assembly that that promise had been made in '78 and hadn't been followed through. That's an example of how most members have got caught up on the constitution and energy wrangle. But it seems to me that is an area where if the Prime Minister doesn't move very quickly Alberta, through the meeting of the western premiers coming up in August, is a very logical area where the provinces should in fact do all they can to force

the federal government to take representation from them. This is the kind of area where I think Alberta can truly give some leadership.

When we talk about representation — and I'm as pleased as any member in the Assembly that the two parties have got back to the bargaining table on the energy issue. But after an agreement is worked out, I wonder if we'll sit down and give some pretty serious thought to: could we have got back to the bargaining table more rapidly? It takes two to get to the table. There's no question about that. Some two and a half weeks ago, when I attempted to explain to students at this junior high school in Edmonton how two people couldn't get to the bargaining table, even though pretty basic differences of opinion, I don't think I was very convincing trying to explain how the Alberta Minister of Energy and Natural Resources and the federal Minister of Energy, Mines and Resources, despite different political points of view and different philosophies as far as some basic parts of the program are concerned — how was it that for four or five months no meetings were held at all?

One of my colleagues goes like pointing a gun to his head. I'm not suggesting that the member do that. Neither am I suggesting we are always the best example to municipalities or citizens in this province of getting back to the bargaining table. The hon. member who was considering that exercise with the gun could perhaps tell many of us in the Assembly how best to negotiate. I'm sure that doesn't mean to not get back to the table for five months either.

MRS. OSTERMAN: We have to get their attention.

MR. R. CLARK: The hon. Member for Three Hills says one has to get one's attention. Might I simply say — a totally spontaneous comment — that we didn't get the attention of very many people in Ontario with our cutback in oil. That was one of the rather surprising things I learned last week. In the five days I was there, I had it mentioned to me once. If it was meant to get people's attention, it wasn't very successful.

To get back to the discussion at hand, I'd like to conclude with two comments, Mr. Chairman. On the question of interest rates, I feel very keenly the problems many Albertans have in that area. I say in as non-partisan a way as I can that one of the great strengths we have in this province is the treasury branch system, which in comparison to other provinces enables us to a very great extent to shield people and business — primarily small business — in this province from the effects of the Bank of Canada and the interest rates they're charging.

I raised the question in the House yesterday, and there's a delicate balance between how far you can hold interest rates down for loans to small business and to individuals. Realizing that unless you're going to pay competitive interest rates on deposits, you're simply not going to get the money too low now. That's a very, very delicate balancing act. I think we have to ask ourselves in the course of representation to both the federal government and the treasury branch system itself: have we in fact gone as far as we might within Alberta on a short-term basis to make use of the treasury branches in that area?

One comment I'd make — and I make this solely as the Member for Olds-Didsbury. I'm sure my colleagues in the party I belong to wouldn't want to be associated with it. Frankly as an individual who professes to be no expert

on the economy at all, I think if we really want to try to do something about the rate of inflation, one thing we have to look at is saying you don't purchase things until you put 15, 20, or 25 per cent down. That is going to be difficult, and will have serious effects on people. But at the same time, if we were doing that rather than having interest rates where they are today, we wouldn't be having people like I had in my constituency office in Olds this morning, telling me how their payments have gone up from \$480 and they expect close to \$600 a month. They have little more equity in that house in the last five years and have two more children. Certainly the opportunities of that family being able to keep body and soul together and keep a home — it's going to be very, very difficult.

I was talking about making representation to the federal government, which I see as the most important part of this resolution before us today. Whether it was intended in this manner by the Member for Drayton Valley or not, I see this resolution saying that we have some mighty serious problems when it comes to energy and interest rates, with the federal government and their overall economic plan, and we're going to have to continue to make representation. I think we've missed opportunities in the past to make representation like we should have. On the fiscal arrangement Act which comes up, let's not miss one opportunity to make representation there, and in a myriad of other areas. At the same time, let us practise what we preach with the federal government. Let us make ourselves far more available, far more receptive to Alberta's municipalities as a government and as a Legislature.

MRS. FYFE: Mr. Speaker, I also would like to enter the debate this afternoon. I appreciate the initiative by the Member for Drayton Valley in bringing this motion forward. In response to a couple of comments by the Member for Olds-Didsbury, who suggests that he would ask for a different type of representation: as with any communication, at least two parties have to be willing to participate; otherwise there is no communication, only talk on one side. Many individuals and organizations have talked to the federal government. They've talked to the government in Ottawa, but is Ottawa listening? So how do you have communication if only one side is speaking?

As the member suggested, people in Ontario are not bothered by the cutbacks. I just suggest that it was the people in Ontario who supported the Trudeau government in the last election. As they are still sheltered from the real cost of fuel and heating oil in this country, obviously they're not going to be directly affected. As the condition of the cutbacks promised by Mr. Leitch, the Minister of Energy and Natural Resources, the cutbacks would not adversely affect the supply to any people in Canada.

With those two comments, I would like to move on to some other comments I had prepared. I listened today to a news item where the Progressive Conservative House Leader in Ottawa was quoted as saying that with the commencement of the House of Commons today, there will be three priorities: the economy, the economy, and the economy. I guess we would all wish that were so. As I and many economists in our country see it, the basic enemy of our economy today is inflation. The causes of that inflation are numerous, but the most important are imported causes and that created through enormous government deficits. These deficits are made by governments that are overspending, that have not been able to set their priorities and have not created sufficient income to meet

their needs.

As we know, governments do not create income, but they have an enormous impact on industry which produces the goods and services which are the basis of our economy. Canadian industry is producing to the level of its capacity, and if it is to produce more jobs and find new markets, it must increase and improve that capacity. In order to do that, there must be rapid growth in the stock of physical capital, which includes plant machinery and equipment. This requires a climate of private initiative and an economic climate to encourage investment. This investment, in turn, is affected by tax policy and by the requirements of governments' borrowing. The fiscal deficits of governments absorb the savings that otherwise could be channelled into this same expansion of plant equipment and machinery.

Mr. Speaker, I believe that the present Ottawa fiscal policies are designed primarily to win votes and not to face the realities of our economic problems. The federal deficit is fanned by continuing to shelter Canadians from the real cost of crude oil, while at the same time proposing an energy program that has severely wounded the vibrant petroleum industry in this country. One of the greatest tragedies of the Ottawa policies results in an atmosphere that is not conducive to the development of technology.

Lower energy prices have not forced industry to become creative, to use their initiative to develop technology that is going to be very expensive for Canadians to buy in years to come. An example of this is the automobile industry that has continued to manufacture large vehicles that perhaps the public has looked for, but in the long term, as Canadians face the higher costs of fuel, that technology will not have been developed in this country. And we will continue to have to rely on imports or to have to make very rapid adjustments that seem to be very difficult to make in a short period of time.

Yesterday the *Toronto Globe and Mail* quoted Mr. Edward Neufeld, the senior vice-president of the Royal Bank of Canada, as saying that

the Bank of Canada had done a good job of fighting inflation with monetary methods and had probably held inflation levels much lower than they would otherwise be.

"But there are problems ... The first ... is the size of the federal Government deficit." A further problem "is that inflation expectations are exceedingly strong." People expect the value of the dollar to keep on falling and [as a consequence] are raising their wage and price demands.

One aspect of inflation that is hurting Canadians, and that a number of other speakers have mentioned, is high interest rates. We're now paying interest rates that a few years ago were considered blackjack lending rates. Mr. Bouey, the Governor of the Bank of Canada, says interest rates are high because inflation is high, and they will get higher if the American rates are high. Canadian interest rates must track the U.S. rates, otherwise we'll have a flood of money out of the Canadian economy into the American market, causing our dollar to fall further and to trigger another round of inflation. Interest rates must be higher than inflation, otherwise there would be no loans and the economy would shrivel and die. It's important to remember that interest rates reflect international trends and pressures and federal monetary and fiscal policies, especially a \$14 billion federal deficit and a large balance of payments deficit.

But as we debate in this Legislature this afternoon,

high interest rates are not a problem common only to Albertans, but certainly have an impact on other Canadians. The problems Albertans face is that many people are coming to our province, and in an area where there's a high growth rate and still a vibrant economy, there is a greater impact. There will be an ongoing constraint on the purchase of a home, the refinancing of a home, and the financing of inventory for small business. My concern with comments by persons who suggest we should apply provincial funds to remedy a federal problem is that we may help a few families initially — that's true — but this could dramatically worsen the situation for other new home buyers. In addition to this move, this injection of funds could heap more fuel on the inflation problem, which is already one of the most rampant problems in our country. Nevertheless the Alberta government has assisted and will continue to assist those in most need, by helping to shield those who are very directly affected by inflation or who are caught in the squeeze; will continue to assist senior citizens, low income earners, those on fixed incomes. Our policies are selective and are directed to assist specific groups that also include a broad range such as property tax payers. Regardless of the comments of the Member for Olds-Didsbury about municipalities, people in Alberta still continue to enjoy the lowest property taxes anywhere in Canada. Our programs will continue to be directed to new farmers, to small businesses, particularly in areas outside urban areas — to mention just a few.

In response to the motion itself, I would like to request that the Member for Drayton Valley make a minor change in the wording. The motion says that the government of Alberta make representation. I would suggest that has been an ongoing process. There has been representation from many individuals and groups in Alberta, and representation has been made by this government and its many components, also in co-operation with the other western provinces.

In concluding, Mr. Speaker, I would like to refer to the communique of March 11, 1980, transmitted from Premier Sterling Lyon of Manitoba. This communique states:

The western Premiers express their concern over the unacceptably high level of interest rates now prevailing in Canada. They noted that these interest rates are having a negative impact on citizens, particularly small businesses, small farmers and on persons now seeking to buy homes.

I use that quote to demonstrate that this is an ongoing concern, but probably never more important than it is today with the interest rates we face.

Thank you.

MR. KNAACK: Mr. Speaker, it's a pleasure today for me to speak in support of the motion put forward by the Member for Drayton Valley. I compliment her for this timely topic.

The interest rate issue, in addition to the national energy program — I think the national energy program is probably a misnomer. It's really not a national program at all. It's an Ottawa program aimed at undermining the resource ownership of western Canada, in particular Alberta. In fact the national energy program isn't a program at all. It's an outright confiscation of the ownership rights of the western provinces. But this particular topic of the Ottawa energy program has been discussed. All I can say is that it's unfortunate we have the kind of government in Ottawa that sacrifices western Canada for its own politi-

cal gain. My colleagues in the House have made those points before.

Today I'd like to address myself to the underlying causes that lead to high interest rates, in particular the high interest rate policy of the Trudeau government and the Bank of Canada. I think it's not unfair to say that even if the particular policy of the Governor of the Bank of Canada were not to track American interest rates, they would be in the neighborhood of 15 to 16 per cent, since the historical relationship, as has been pointed out by my colleagues, has been the rate of inflation plus 2 or 3 per cent, which would put in the rate of 15 per cent. Even a 15 per cent interest rate would have serious consequences on small business men, consumers, and businessmen generally — even large businesses. So I want to spend some time talking about the possible underlying causes of inflation and how we, as a government and as a country, could consider remedies that would fight the inflation that seems to be increasing indefinitely and perpetually.

I think the most common reason for inflation is what we call excess demand inflation. In certain sectors of the economy there is greater demand for goods at a given price than are available, and in fact the prices are a bit up to eliminate any excess in demand at the old price. The only way that kind of demand can be eliminated or reduced — in other words, the inflationary pressure reduced — is by increasing output and production in those particular sectors of the economy, by capital investment in those areas or by somehow reducing the demand. You reduce demand by reducing the incomes of individuals, if that's the intent.

The second main cause for inflation is what one calls cost inflation, which may result from strong unions being able to make higher demands for wages, notwithstanding that at a given price a firm couldn't afford those wages, and in fact strong monopoly groups in business who can pass along any costs, or in fact increase prices to increase profits whether or not costs increase.

The third one, and one we do have some direct control over, is the increased government expenditure of all provinces and the federal government. One aspect that's particularly inflationary is the huge federal deficit. The annual federal deficit is \$13 billion. Every year \$13 billion is being borrowed by the federal government to finance its programs. The accumulated deficit is over \$50 billion. All that accumulation of deficit has created unbelievable inflationary pressure within Canada.

The other frustrating aspect — and I think the Governor of the Bank of Canada hinted at it — is that you have two counter-productive policies. The federal government policy is an inflationary policy. On the other hand, the Bank of Canada policy is a deflationary policy. They offset one another, leading to the kind of economy we experience in Canada today: sluggish, a drop in real productivity — as a matter of fact, the reduction is 2.6 per cent in output per worker — a rate of inflation almost unprecedented in the last 25 years, and an almost unprecedented unemployment rate. A country divided on an issue, although important, is not as important as the economy, I respectfully submit. And we're still not talking very much about the economy; I agree with my colleague from St. Albert. Certainly words such as the economy, the economy, and the economy is our priority, but it is a little late to turn that into a priority now. We've seen the writing on the wall for years in the past.

The most important aspect of reducing the interest rate is to reduce the rate of inflation. The rate of inflation can be reduced if governments — this includes this Alberta

government — put limits on their growth and expenditures. All provincial governments limit growth; so does the federal government. In particular the federal government removes its deficit. Companies have to be encouraged to invest to increase productive capacity. I might say that all of us as Canadians have to reassess our expectations in terms of real income growth. In fact what has happened over the last 10 years — and personally I am no exception — is that we've competed for income shares. When you compete for income shares, you create inflationary pressure. What all of us have to reassess is what people in Europe had to reassess when they faced world oil prices; that is, whether they're prepared to put in an extra bit of effort in order to put the economy back on the track.

I might say, Mr. Speaker, that it's unreasonable to ask Canadians or the business community to sacrifice anything when the federal government is basically irresponsible in its economic policy and would undo, through its economic policies, any benefit that could be derived by the citizens or the business sector taking the steps I mentioned. So the three groups would have to work together. The federal government doesn't seem to be striving toward federal/provincial co-operation very much at all. For that matter, the federal government doesn't seem to be striving toward business/government relations either.

Mr. Speaker, unless the issue of inflation is dealt with, we're going to face a problem in Canada which we have not faced for a long time. There's a possibility of an extremely serious depression, in fact a collapse, unless some really positive leadership is taken by governments throughout Canada. I don't mean just the federal government, because they seem to be relegating it to the provinces. I know that we in Alberta, for one, are prepared to accept that leadership, have done so, and will continue to do so.

I might mention in this regard on a collateral matter — and I notice the Member for Spirit River-Fairview isn't here. I see the official Leader of the Opposition isn't here either, notwithstanding that for the last week he's discussed the matter of interest rates. But you can't have it both ways. You cannot ask the government to continually increase its expenditure and at the same time argue, keep the interest rates down. Increases in expenditure lead to inflation; inflation leads to higher interest rates. So we have to be fiscally responsible. We have to communicate that to the public in Alberta, and I think we have been. But what has happened: we do have pressure for increased government expenditure and I, for one, am really prepared to consider those demands and make an assessment about whether responsible fiscal management allows us as a province to increase our expenditure the way we have in the past. The budget we brought down this year is in response to extremely rapid growth in the past and adjustments in salary. But, Mr. Speaker, I know we cannot continue on that growth rate.

My last comments relate to the impact of high interest rates. If it weren't for the specific policies of the Governor of the Bank of Canada and the Bank of Canada, interest rates would be in the neighborhood of 15 per cent rather than 20 to 21 per cent as they are now. In my view the high interest rate policy — and by that I mean 21 rather than 15 — is probably the result of archaic economic theory being applied to a set of economic circumstances that have changed since some of the traditional economic theory was applied and perhaps relevant.

The kind of capital we're attracting by the high interest

rates is not being invested in companies. For instance, we're not attracting capital that's being invested in the two plants or in the pipeline. That capital would be invested regardless of the interest rates. The kind of capital we're attracting is deposits in banks on which we as Canadians are paying interest rates. The banks are paying high interest rates to depositors, whether Canadians or foreigners. If you pay to foreigners, the profits go out of the country. So that's the kind of capital we're attracting. In turn, for that capital to be in any way stimulating to the economy, someone has to borrow it. As my colleague from Calgary pointed out, businesses aren't borrowing any more at 21 per cent; they're going bankrupt at unprecedented rates.

The policy is true. It keeps the Canadian dollar higher than it otherwise would be. But why is the Canadian dollar under pressure, Mr. Speaker? It's under pressure because capital is flowing out of Canada in the oil and gas industry, rigs are leaving, exploration and development dollars are leaving, and straight investment dollars are leaving. Canadian companies who traditionally invested in Alberta and western Canada have moved some of their investments to the United States because of the uncertainty created by the federal government, partly because of their socialist policies. They say one thing and do another.

The other aspect — and this is well known — is that aside from Canadian investment dollars going south, in terms of the export industry we are in full capacity. In other words, it's very difficult to increase our exports in the manufacturing sector in Ontario. What does that suggest? It suggests that those industries should be encouraged to invest in capital items and increase their plant and productive capacity to meet the increased export demand. But at these interest rates, that isn't happening either. It's a self-defeating policy. It's a short-term policy which in fact has long-term consequences. It's going to take us a very long time to offset the damage that's being done now by this particular policy.

The impact can be seen in western Canada. Before talking about the direct impact, I want to discuss very briefly the unequal burden that's felt in Canada as a result of the high interest rates. Who would have to borrow? Who would borrow at the new rates? There are two groups: those who have already borrowed, which are the small business men who have a floating loan — and that's primarily small business men — and new businesses that now borrow at 20 per cent. Well, only one region in Canada is growing rapidly at this point in time. That's western Canada and perhaps the Atlantic provinces. It's not central Canada. That part of Canada must rely on debt capital to grow. In terms of history there's also an opening when growth takes place. This is our opening and our time to grow in western Canada. This is the time we have a high interest rate policy. It's artificial to the extent of the interest rates between 20 and 15 per cent. This additional burden is preventing the growth we should be having now in western Canada. Because of the lack of increase in productive capacity, in the future we're going to experience inflationary pressures in housing and other areas that we don't have to have. And it will happen. We don't diversify the Alberta economy or the western economy to the extent they should be. As has been pointed out by the Premier and others, it's not possible to offset with provincial policies the very devastating effect the national energy program and the high interest rate policy has on western Canada and Alberta. We can do a little bit, but that's all.

In terms of small business, I think it's a bit of an anomaly. I've been thinking about this for some time and can't really find an answer. One of the problems that occurs — and it only occurs with small business men borrowing — is that even though they borrow for the long run, say for a 15-year period, and the bank agrees to lend for 15 years, they have a short-term interest rate following their loan. They're borrowing long but paying a short-term interest rate. Most large companies issue a debenture, they have a ... The trust fund bought a security in Hydro-Quebec, somewhere around 11.5 per cent. It's fixed for 25 years. Large businesses have the ability to issue debentures which are purchased by pension funds, trust companies — banks really aren't in the business of long-term investments — that have a fixed rate from the day they borrow for the continuation of the loan.

On the other hand, for some reason small business — and it's an historical development of some kind — has always been asked to borrow at prime plus. As the interest rates go up at this time, the disadvantages they already have because of a lack of economies of scale are further [exacerbated] by the extremely high interest rate which puts them in a worse competitive position than they otherwise would be.

Mr. Speaker, I think dealing with this problem requires the best minds in Canada. I don't mean necessarily out of universities, but those who have had experience in business, as well as those who have taken a lot of economic theory and so on. It certainly requires co-operation among all sectors of the economy and all governments. I want to compliment the Member for Drayton Valley for bringing this motion forward. I certainly support it.

Thank you.

MR. PAHL: Thank you, Mr. Speaker. I want to support this motion in the midst of a House that sounds like it's falling down around my ears, and compliment and remark on the precision of the hon. Member for Edmonton Whitemud and his command of the dismal science of economics. In addressing this motion, I had some hesitancy in ploughing into it myself. My grounding in economics is such that I know I don't have a very good one, although having heard the definition of an economist as a man who would marry Farrah Fawcett-Majors for her money alone, I don't mind being excluded from that company.

The present situation is complex and intimidating, and certainly the attempt by the hon. Member for Drayton Valley to encompass the serious problems we have in our economy through the three areas of economic policies, interest rate policies, and energy policies of the federal government is certainly on track. But to put it in a little simpler situation, it brings to mind a limerick from my childhood days, entitled Owen Moore. It went as follows:

Owen Moore went out one day,
Owin' more than he could pay;
Owen Moore came back that day,
Owin' more.

I think that's the way people must feel, faced with a 19 per cent plus interest rate. Certainly this motion addresses the very serious problems we have in our economy.

You know, the interesting thing is that the Bank of Canada, and by implication the federal government, says, well, we'll raise interest rates and that'll help people exercise some restraints. That creates some pretty serious hardships on individuals and businesses. Quite frankly, not everyone is in a position to exercise restraint. The

small business man cannot exercise restraint by not meeting his payroll, or by not paying his accounts payable.

Certainly the issue before this House periodically in the last few days in the case of the individual who has a little trouble exercising restraint by not meeting his mortgage payments should the renewal create a hardship — and I'm pleased to see the hon. Minister for Housing and Public Works is in his place. I think notwithstanding the very effective responses this government has made over the years with respect to filling the need of shelter accommodation for all Albertans, it falls in part with what the hon. Member for Olds-Didsbury said: we're not blaming the other guy here.

We responded to a need for shelter for Albertans a long time ago, and now I would simply point out to both the minister and the hon. Member for St. Albert that notwithstanding our very adequate and forward-looking policies with respect to providing shelter and first-home ownership for individuals under the Alberta home ownership program and other initiatives, it makes little sense if we wind up in a situation where because people are not able to respond to the high cost of mortgage payments after a mortgage renewal, we're putting people into new homes at one end of the street and seeing people moved out of their homes at the other end of the street. If that situation occurs — and there is some indication that that is a prospect in certain segments of the economy — I'm sure this government will respond to that need if it becomes apparent.

I appreciated the remarks of the hon. Member for Calgary Fish Creek, and I would also comment that we have a strange situation with the increase in mortgage rates. It's a bit like the irony of the slogan some American military individuals use: fighting for peace. Raising interest rates to beat inflation seems to share that same ironic touch. I guess if we carry that analogy through, the interest rate and economic policies might be the federal government's Vietnam. But it's tragic when you note that the casualties are in those areas of the country that have taken their risks, tried to grow, build, and strengthen all Canada; and certainly the tragedies also involve small business people who in fact are the largest employers in our country.

It disturbs me — and I want to respond somewhat to the comment of the hon. Member for Olds-Didsbury that sometimes we blame the other guy. Certainly in this House there has been a certain amount of finger pointing at the federal government. Mr. Speaker, it concerns me that while our Prime Minister has a fascination with north-south dialogues, we haven't been able to develop too much east-west talking.

Similarly we have a situation where I find it fairly easy to blame the other guy. We are trying to hash out an energy, taxation, and administration agreement with respect to oil and natural gas, and the federal Minister of Energy, Mines and Resources is out of the country. Now, Mr. Speaker, I ask you and this Assembly: what could be more important to the federal minister's job than striking an agreement with his provincial counterpart, when the lack of that agreement is costing in the order of millions of dollars a day and probably an additional one-sixth to the annual deficit of the federal government, referred to by the hon. Member for Edmonton Whitemud?

As the hon. Member for Calgary Fish Creek pointed out, the seriousness of the matter in terms of the Alberta economy has recently been brought into focus, with respect to the approximately 125 owner-managers of the service and supply industry related to the oil field and

their trip to Toronto and Ontario. This industry is certainly almost a hundred per cent Canadian owned. It's very specialized. If they can't hold on and find work here in the oil industry, they're in a position where they'll be forced either to leave the country or to go out of business.

A theme I'd like to take up is that we are blaming the other guy. Just to bring that into focus, in this instance the other guy obviously is the federal government. I think it's worth while in discussing this motion to talk a little about the very generous energy package proposal and proposal for self-sufficiency this administration presented to the Prime Minister of Canada, which was rejected by him on July 25 last year.

Just briefly reviewing what the Prime Minister of Canada rejected in Alberta's energy package proposal and commitments for energy self-sufficiency: first, with respect to the price of crude oil, bearing in mind that at the time the proposal was faced Alberta's crude oil was priced on the average at \$14.75 per barrel. At that time that price was only about 45 per cent of the average North American price. That relationship of about 45 per cent of world or North American price is valid today.

The proposal this government presented was to increase the price of oil by about \$5 per barrel each year, to a point where on January 1, 1983, the price of Alberta crude oil landed in Toronto would be 65 per cent of the average North American price, and the increases proposed to January 1, 1984, would bring the price of Alberta crude delivered in Toronto to 75 per cent of the North American price. Mr. Speaker, this proposal would have involved a contribution of every man, woman, and child living in Alberta of \$24,000 in foregone revenues over the following three years. That's in addition to the \$30 million in foregone revenues provided by Albertans to all Canadians in the last seven years. However, this proposal would have encouraged the oil and gas industry to remain in Canada and maintain the high level of effort required to achieve energy self-sufficiency for Canada. It would also encourage the development and application of new technology required to recover additional oil from known reserves. Right now, with conventional production techniques, we extract about one-third of the oil in an underground pool. The pricing proposal would have been fair compensation to the people of the producing provinces and would have discouraged wasteful consumption of a depleting, non-renewable resource. The proposal would have also provided Canadian manufacturers with a major, permanent, competitive advantage in price for their energy in the world markets, particularly with reference to the United States.

Secondly, Mr. Speaker, the offer rejected by the Prime Minister of Canada regarding natural gas was one where Alberta offered an incentive price for natural gas sold into new markets east of the Alberta border, such that the gas would have been sold at 65 per cent of the cost of Alberta oil on a BTU-equivalent basis. That pricing would have extended to Quebec City for a period of five years, and would have resulted in Alberta paying the cost of transporting natural gas to markets beyond Toronto.

Third, Mr. Speaker, the proposal rejected by the Prime Minister with respect to new oil sands plants involved Alberta committing an investment of up to \$7 billion in equity and debt in the proposed Alsands plant at Fort McMurray, the ESSO *in situ* plant at Cold Lake, and a third new oil sands plant. I think it is important to note that this would have ensured that Canadian ownership in the next three oil sands plants would have exceeded 50 per cent.

Fourth, with respect to conventional oil and gas explorations, our government committed not to increase its royalty levels on conventional oil and gas regardless of future price increases. This would have provided the opportunity for the federal government to tax profits the industry would have earned from higher prices. We also committed to continue exploration, development, and enhanced recovery programs, providing incentives to explore, increase the production of heavy oil reserves, and provide lower royalties on low production wells to ensure they would remain productive as long as possible.

Fifth, in addition to the commitments in both investment in oil and gas and the cost of building roads, schools, hospitals, and the infrastructure necessary for oil sands development, our province committed in that July 25, 1980, offer to equity and debt financing necessary for the construction of the Quebec and Maritime portions of the Q & M gas pipeline system designed to carry Alberta natural gas to eastern Quebec and the maritime provinces. This would have helped that part of the country avoid the continuing high cost of imported oil for heating purposes.

Also on the basis of an agreement, the Alberta government, on behalf of all Albertans, was prepared to commit a \$2 billion unconditional funding source over five years from our oil and gas revenues to substantially improve the capacity and efficiency of rail transportation systems in western Canada. This commitment for \$2 billion of funding would have been such that no funding of any project would be approved without the approval of the federal government or its appropriate agencies. The initial priorities for the funding under this program would have been established by the premiers of the four western provinces.

In exchange for Alberta's commitments and undertakings on that very generous offer of July 25, Mr. Speaker, Alberta required that the federal government respect the ownership rights of the province by not imposing, first, a tax on natural gas exports and, secondly, a wellhead tax on either oil or natural gas. The government of Alberta also required that the federal government not impose upon the oil and gas industry such punitive taxation measures that the industry could not maintain the high level of exploration and development activity currently undertaken in the province of Alberta.

After rejecting this very generous offer of July 25, 1980 — and that's the way the proposal was described by the *Globe and Mail* — the Ottawa government, on October 28, 1980, introduced both a budget and a national energy program that could only be termed disastrous for Alberta and its important oil and gas industry. As the hon. Member for Drayton Valley and, I think, the Bank of Montreal have said, none of us would quarrel with the central goal of the national energy program, which is to achieve energy self-sufficiency by 1990. However, most assessments of the program so far have indicated that the goal will not be reached by the end of the decade. Indeed, Mr. Speaker, the national energy program itself will be a major hindrance to reaching oil self-sufficiency. The best way I can describe the effects of that so-called national energy program is to say that if implemented in its full measure, it would put Alberta back 50 years, to before the mineral resources transfer Act of 1930 was passed. By way of example, this is about where the Yukon and Northwest Territories are today. In other words, the national energy program primarily moves the decision-making and management of resources to Ottawa. In order to appreciate that, for a moment I'd like to pick up

on the Yukon Territory example.

In the Yukon Territory, the federal government is responsible for the stewardship and management of mineral resources on behalf of the people of the Yukon Territory and, presumably, on behalf of all Canadians. In the case of the Yukon, the federal government extracts a royalty or tax on each ounce of gold produced. The amount of that tax, as I have mentioned in this Assembly before, is 22 cents per ounce. That's right: 22 cents per ounce, while gold is trading on world markets at about \$580. By the way, that price is world price, which is the same as Canadian price. A fair estimate of gold production in the Yukon Territory last year was probably 1 million ounces. In the meantime, the Yukon government has about a \$25 million annual deficit, which by the way is being paid by all Canadians, that could easily be cleared off with a 5 per cent royalty tax on gold.

Ladies and gentlemen — sorry, Mr. Speaker. That's not to say hon. members are not ladies and gentlemen; it's just not parliamentary, sir. Mr. Speaker, that's the kind of resource management performance the Ottawa government brings to the table when it wants more control over Alberta's resources. I submit that we need to get back to the table. We need to get back to the table in the form of a first ministers' conference on the economy, referred to earlier today by our Premier, and seriously address the items put forward in the motion by the hon. Member for Drayton Valley, which I heartily support.

Thank you.

DR. CARTER: Mr. Speaker, as I rise to speak to Motion 206, some words in the motion are interesting:

... that representation be made to urge the federal government to change its harmful economic, energy and interest rate policies ...

As I quickly look at that motion, with respect to an economic policy by the federal government, I find that at best the policy is either non-existent or negativistic. With respect to energy, one could describe it as plunder, rape, and pillage. With respect to interest rate policies, it could only be described as chaotic.

The matter of the economy: it seems to me to be a violation of the whole Canadian ethos, where we have a federal government which has been given the responsibility of political power in this country for the past 13 to 14 months, and still has been unwilling to meet with the provincial premiers with respect to dealing with the most important issue in the country, the economy. That is such a violation of the co-operative spirit that built this nation that it is incomprehensible to me.

I was interested that in the press releases issued by the recent conference of the western premiers, the following two brief paragraphs were made with respect to the economy:

The Premiers agreed that a significant number of the economic problems facing Canada could be attributed not only to international factors but also to the absence of adequate, consistent and regionally-sensitive federal economic policies and leadership.

Again, they describe the difficult year 1980 as one which had:

- the the slowest rate of growth in close to two decades
- high unemployment, coupled with declining productivity
- continued high inflation, and
- federal policies that contributed to:
 - record high interest rates, and

- a dramatic move away from energy self-sufficiency.

In essence, a tremendous number of people in this nation believe the country is broke. In addition, a tremendous number of people within this nation believe the federal government is unwilling to trim the civil service, examine a number of programs to try to trim some of the fat. Even at a very basic level, they seem to be unwilling to screen a number of recipients of some of the welfare programs to make certain the applicants are indeed legitimate recipients.

Earlier today I was interested in reading the most recent issue of the *Alberta Report*, where our federal Minister of Finance — a juggler, or whatever he is — is quoted as saying, or this is attributed to his position:

Furthermore, the finance minister is calling on provinces such as Alberta to limit the development of businesses within the province, so that competition (to the existing industries in Ontario) is held down.

AN HON. MEMBER: No way.

DR. CARTER: This is incredible. It's incredible because we thought we were trying to build a nation which had some integrated parts which were able to stand on their feet, that they could increase their own productivity. But now we're going to have this kind of position imposed upon us by a federal Minister of Finance after collusion with the province of Ontario. The only design of all this is to further emasculate the economy of western Canada and Alberta in particular.

With respect to the so-called energy policy, I'm afraid that I see images of the Vandal hordes coming into western Canada — especially Saskatchewan, British Columbia, and Alberta — with respect to our oil and gas. I'm sorry if this sounds like federal government bashing, but as a private citizen I'm afraid I have reached the point that I'd like to get a 2 by 4 and go bash a few federal people on the snout.

AN HON. MEMBER: A 4 by 4.

DR. CARTER: A 4 by 4 — I'm feeling really tough.

AN HON. MEMBER: That's un-Christian.

DR. CARTER: That's what happens to you when you're trying to represent your constituents. I'm sure I could try to do it in a Christian manner. I'll be as gentle as possible and still bash them on the snout.

Nevertheless, some examples to cite the effect of the so-called federal energy policy in western Canada. The Blood Indian Band in southern Alberta report that their sale of reserve oil and gas leases in the spring of 1980 amounted to \$14 million. By the fall of 1980, after the imposition of the federal energy policy, that shrunk to \$1.4 million. This past weekend, with other members of this Assembly, I met with businessmen from Western Australia. In a conversation with three of those persons from Western Australia, they mentioned that they are paying world price with respect to their energy. In their examination of our policy and pricing arrangement, they just laughed at the unreality of the situation.

Earlier this year I had occasion to speak very briefly with the hon. Marc Lalonde. In that brief conversation, two things in particular struck me. Number one, as an off-the-cuff remark, was that in the course of that whole

10 minutes Mr. Lalonde was seemingly unable to look me in the eye. Whatever that was all about, I don't know.

AN HON. MEMBER: You're too short.

DR. CARTER: No, I wasn't too short. I was just about an inch shorter than him.

I think it had something to do with the fact that I said a tremendous part of my constituency of Calgary Millikan embraces a fair amount of the oil patch in downtown Calgary. But the thing that really concerned me was that I tried to raise with him the matter that if you're going to talk about a national energy policy, why the heck do we not talk about Ontario Hydro, Hydro-Quebec, the matter of uranium development, and all the other forms of energy, instead of just picking on oil and gas? There was not only a direct look in the eye, but also not a direct answer from this great, weird, and wonderful architect of the national energy policy.

One of the things that really concerns me with respect to the so-called energy policy and its spinoff is not only the matter of the number of oil rigs moving south to the United States, but the fact that within the industry there have been other spinoff effects where they have been able to involve persons in sheltered workshops supplying some of the minor material to the industry, such as core sample bags. I'm quite concerned that that form of employment, which has been very helpful to a number of our fellow residents in the province, is in grave danger of being severely reduced, if not cut off entirely.

Again to quote from the press release given by the western premiers' conference, the whole matter of the so-called national energy policy is one where:

The Western Premiers are gravely concerned with the complete disregard for provincial ownership rights of natural resources that is reflected in [that program], a disregard which seriously undermines a fundamental principle of Confederation.

It also obviously undermines the whole matter of the ownership of a particular resource.

The matter of interest rates obviously causes grave concern to us all. I must confess that I am not without a bias on this point, since yesterday I had to go to the trust company and do a rearrangement with respect to my loan. Today I am feeling less than happy with an over \$100 increase per month. The whole impact of course is going to be there on all sorts of businesses, whether large or small.

The wording of the motion is with respect to small businesses in particular. Within the constituency of Calgary Millican we have a tremendous number of small businesses in a great variety of areas. Within the constituency this would reflect the geographic areas of Manchester, Ogden, and Millican in the downtown core — the corner grocer, the corner pharmacist — as well as the whole light and heavy industrial areas of the Foothills Estates.

But there is another aspect of the interest rates of course, if one can regard the family unit as being not only a social unit but also a pseudo business unit. The people on fixed incomes, such as a tremendous number of senior citizens and others, are really finding the impact of these high interest rates quite devastating, not just in their pocketbooks but I believe in terms of their mentality. A difficult situation has arisen within this country. Because of the escalation in interest rates and inflation, all too many of us now are caught up in the syndrome: well, I might as well spend it all now; I might as well buy it now

because it's only going to cost me much more tomorrow. We really have ended up with a 'buy now' mentality.

In summation, Mr. Speaker, with respect to this particular motion, I'm afraid that when I look at the matter of economic, energy, and interest policies of the federal government, I am indeed taken back in history, in this case thinking not only of the Emperor Diocletian — whom a friend of mine was going to quote, but now doesn't stand a chance — but going back to the fourth and fifth centuries when the Vandals poured across Europe, ravaging the countryside and the population. It was a time of plunder, pillage, and absolute chaos. I'm afraid that our federal government is attempting to do exactly the same kind of program. And I'm afraid that in this international year of the disabled, our federal government seems absolutely intent to make western Canadians, in particular Albertans, economically disabled.

DR. PAPROSKI: Mr. Speaker, in view of the time, I beg leave to adjourn debate.

MR. SPEAKER: Does the Assembly agree?

HON. MEMBERS: Agreed.

MR. SPEAKER: It is so ordered.

MR. HORSMAN: Mr. Speaker, this evening it is proposed to go into Committee of Supply to deal with the Department of Economic Development, followed by the Department of Municipal Affairs and, if there is time, the Solicitor General.

I move that the House reassembles this evening in Committee of Supply until the committee rises and reports.

MR. SPEAKER: Does the Assembly agree?

HON. MEMBERS: Agreed.

MR. SPEAKER: It is so ordered.

[The House recessed at 5:30 p.m.]

[The Committee of Supply met at 8 p.m.]

head: GOVERNMENT MOTIONS (Committee of Supply)

[Mr. Purdy in the Chair]

MR. DEPUTY CHAIRMAN: The Committee of Supply will please come to order for the continuation of estimates.

Department of Economic Development

Agreed to:

Vote 1 — Economic Development and International Trade
1.1 — Program Support [\$2,091,840]

MR. R. CLARK: Mr. Chairman, just one or two brief questions. Members will recall we spent almost all the

Friday before last on Economic Development. We explored some general areas at that time. Very specifically, Mr. Minister, there are four rather sizable increases under Vote 1. If we could get an explanation, it would perhaps move the estimates along more quickly.

In Vote 1.1, I notice there's an increase of over 40 per cent over last year's estimates; under Vote 1.1.2, minister's office, an increase of \$48,000, some 25 per cent over last year's estimates; in 1.1.3, deputy minister — planning and services, an increase of 37 per cent; deputy minister — development and trade, an increase of 70 per cent; and in 1.1.5, an increase of 49 per cent. I think if we could have some explanation and specific details in those five areas, we could then move on.

MR. PLANCHE: The only way I would know how to respond to that is that the department itself has only been in place since 1979. The basic difficulty has always been one of locating staff so that requests for developing trends and the planning and the conceptual stage of the department's work can be put in place. We've really only just completed our first full year, and while the percentages of most of the increases are high, the dollars are not. It's represented by an increase in staff. The department was never designed to carry programs and, as a matter of fact, we have divested ourselves of any ongoing programs, including things like the budgetary requirements for supporting the rapeseed shipping program by funding a very large percentage of the leasing costs of the cars, by the energy bus, those kinds of programs. As soon as they're in place, they go out. I don't know how to respond to the question any better than that, other than to go through the detail of the kind of people we have hired, which I'm happy to do.

MR. SCHMID: Mr. Chairman, maybe I could supplement that because some of the increases are for materials and data processing expenditures, for instance, to keep abreast of the companies we have in Alberta, to provide support and/or machinery, equipment, or any other services for our export programs.

I would also say that the major part of the increase, because of the relatively small amount of the budget in Vote 1 — \$196,000 alone is for the general salary increases that are being included under the provisions for salary increases in negotiations to come up. So the major part is for the provision of the pension plan, dental plan, and salary increases that would make a total of about \$270,000 alone.

I should also say that another \$70,000 additional funding is required for stationery and supplies, and another \$50,000 for data processing expenditures, which will be the major portion of the increase in Vote 1 the hon. Member for Olds-Didsbury is referring to.

MR. R. CLARK: Mr. Chairman, with due respect, I don't question the comments about international trade, growth, and so on, but can we look very specifically at Vote 1.1.3, deputy minister — planning and services, in the elements book. It's gone from \$115,000 in the estimates we approved last year, to \$157,000. I look at all of Vote 1. I see there's an increase of about 15 people, from 184 to 199 ... Where am I? I'm in the elements, page 43.

I'm really saying to the hon. gentlemen that I think we need a bit more of an explanation than simply that the department's growing. That's not quite good enough.

MR. DEPUTY CHAIRMAN: I also recognized the Member for Calgary Forest Lawn. If that member has some comments, maybe he can make those now while the ministers are looking for the answers.

MR. ZAOZIRNY: I'd be very pleased to, Mr. Chairman. Thank you.

My question to the ministers is of a different type than looking at specific numbers and arises by virtue of the nature of the Department of Economic Development and because of the concern on the part of members of this Assembly, and certainly Albertans, with respect to the diversification and further development of the Alberta economy. Once the respective ministers, who appear to be engrossed in coming to grips with some specific numbers, have been able to do that, I'd appreciate hearing from them with respect to whether or not they have been able to put in place a specific game plan for economic development in the province of Alberta. They may have done it on a chronological basis, if you will, in terms of a five-year overall strategy with specific elements that they would like to see accomplished in individual years, say in 1981-82, '82-83, and thereafter. But given the nature of this department, I would be pleased to hear from the ministers with respect to their overall strategy for economic development, the timing, the kind of specific diversification and encouragement of industry that they see being attainable and that they are working towards in the province.

In summation, Mr. Chairman, what are the overall strategy and the specific plans for implementation of it in terms of economic development in Alberta?

MR. DEPUTY CHAIRMAN: Are the ministers prepared to respond to the questions asked by the Member for Olds-Didsbury and the Member for Calgary Forest Lawn?

MR. PLANCHE: I'm having a problem responding to the specific question. I'm trying to isolate in my book where you're getting these numbers from. I'm sorry to do that to you, but I can't seem to locate them.

MR. R. CLARK: It isn't my book; it's the government's book: page 43, Estimates of Expenditure 1981-82, Mr. Minister, under Vote 1. Vote 1.1.3, deputy minister — planning and services: if you take the amount the Assembly approved last year, and the amount we're being asked to approve this year, it's a 37 per cent increase. Then if we go down just one line, Mr. Minister — so we only have to do this once — on 1.1.4, deputy minister — development and trade, there's a 70 per cent increase, and under 1.1.5, a 49 per cent increase.

MR. PLANCHE: Okay, I'm on board now with the numbers you're giving. When you're looking at a 35 per cent increase, you're looking at one job. You're looking at a \$32,000 increase for a deputy in the development and trade office; you're looking at one \$14,000 position in my office; you're looking at four positions in finance and administration, totalling \$51,000.

I admit that when you take \$115,000 and add one job to it, you have a sizable percentage. I was trying to say to you before that the department itself is only a little over a year and a half old. The question always is: can you do better by hiring consultants or putting staff in place? We have a fairly substantial consulting budget figure and try to use them when we can, but it's also imperative that we

have an ongoing inventory of talent in place.

Whether or not we hire or consult depends on the issue and the departmental responsibilities. The strategic planning department is doing jobs that run all the way from electrifying trains from Calgary to Edmonton, to port facilities, to petrochemicals, to just a whole wide range of things, with not many people, other than clerical, involved in the total manpower complement. We're hiring them when we can find them, and we're consulting when we feel it's more appropriate.

What threw me off when you first asked were the percentage numbers, but if you come off these kinds of numbers with one job, it's a very remarkable percentage. If you have three people in place and add one, it's a 33.33 per cent increase.

MR. R. CLARK: Mr. Minister, dealing with 1.1.3, we're being told basically that we're adding someone to the deputy minister's office. I take it that that person, rather than being involved in specific studies, is the kind of person who will work with the consultants in the field, then report directly to the deputy minister, and the same thing for 1.1.4. Are we looking at a person who wouldn't have real, specific talents in a particular area, other than the broad area of economic development, but who would work with consultants, other government departments, and the people in the trade? Is that on base?

MR. PLANCHE: That's true. We're not expected to hire a complement of expertise in every sector of the economy. It simply doesn't make any sense. But we would like to have people who are able properly to prescribe terms of reference for studies and assess the results of the study and whether or not the study has accomplished what he had hoped would happen. Those are the kinds of people with whom we generally staff the department, so it's always a function of whether or not you're going to hire people or consult.

MR. SINDLINGER: May I please ask the minister to supplement his response to that question. From page 115, I note that if you take the manpower cost and divide it by the permanent full-time positions, the comparable 1980-81 estimate is \$26,000 per full-time position. On the other hand, if you look at the 1981-82 estimates, the manpower cost for 184 permanent full-time positions, the per permanent full-time position amounts to \$32,000, which is an increase of 21 per cent and which cannot be accounted for solely by an additional position or so.

MR. SCHMID: Mr. Chairman, as I mentioned before . . .

MR. DEPUTY CHAIRMAN: Order please. I would ask the Minister of State for Economic Development — International Trade to resume his seat in the House, because he may be recorded by *Hansard* as the Member for Lethbridge East.

MR. SCHMID: Mr. Chairman, as was mentioned before in the reply to an hon. member, the increase also includes general salary increases as well as the provisions for the employees' pension plan and dental plan contributions, which in the case of Vote 1.1 amounts to \$272,000. That of course can be explained by the division not being able to account for the difference in salaries from one year to the next, because salary increases as well as the pension

plan and other contributions of employees, paid for by the government, are included in the increase.

MR. SINDLINGER: Mr. Chairman, then perhaps the minister could indicate to us each of those components that comprise the 21 per cent. The minister has indicated that the 21 per cent is comprised of the general salary increase, dental contributions, and pension contributions. So I guess the major component of the 21 per cent increase per permanent full-time position would be salary. Perhaps the minister could indicate what portion of the 21 per cent is due to salary increases.

MR. SCHMID: Mr. Chairman, I'm quite sure that the actual portion of salary increase really will be determined by negotiations between the public employees' union and the provincial government. So the actual portion ascribed to the percentage of salary increase versus the pension plan increase or any additional benefits, are in a total package of the budget here, in order to allow for the increases when they are being negotiated. But it is not possible to break it down to the actual salary increase, because it has to be negotiated. I'm quite sure that this is a known part of the budget.

MR. SINDLINGER: Mr. Chairman, I'm certain those numbers are negotiated, but I'm also certain they don't start with a final number; they start with the components and add them up to get the final number. Perhaps on another occasion the minister can come back and indicate what the components of the 21 per cent are.

MR. SCHMID: Mr. Chairman, the hon. member is now taking the total number of employees in the department and the total amount of manpower costs. He's not referring to Vote 1.1, which we happen to be on due to the Member for Olds-Didsbury using that vote to question the increases. I think the hon. member is on the general vote, which comes at the end of the discussions of the budget.

MR. SINDLINGER: Mr. Chairman, I thought it was an ancillary matter. If that is the case, perhaps we can come back to it at the end, if the minister would please bear it in mind.

MR. DEPUTY CHAIRMAN: The Member for Calgary Forest Lawn had asked some questions, and I don't believe the minister answered them.

MR. ZAOZIRNY: Perhaps in fairness to the minister, I might readdress the question, because I think at that point in time they were dealing more with the questions raised by the hon. Member for Olds-Didsbury and the Member for Calgary Buffalo.

Basically, in order to address the question succinctly to the minister, I take note of the description of the objective of the program in Economic Development — International Trade, which has some laudable goals. It talks about maximizing the province's natural economic advantages, identifying new employment opportunities . . . I won't recite the rest of the objective of the program, because all members can read it for themselves. Certainly it's laudable and, as I stated earlier, I think of real concern to all members of this Assembly and Albertans generally, given the nature of this province and the critical nature of that portfolio to this province in the long run;

I'd be interested in hearing from the Minister of Economic Development given that objective, what is the game plan, the strategy? In his tenure in the office, has the minister been able to come up with a three-year or five-year plan? I just use that by way of example, not suggesting that it should of necessity be tied to a particular time frame. For example, do we have some specific goals in 1981-82, specific areas of industry or development that we think are within our reach and that we're going to work towards? Then, what's the plan for '82-83? I think Albertans generally would be very pleased to hear the minister elaborate with respect to a specific game plan, to feel even further comforted that the long-term prosperity, the future of this province, is well in hand. Certainly I think the minister's portfolio is critical in terms of that objective. I'd appreciate his comments.

MR. PLANCHE: I appreciate the question, Mr. Chairman. As I tried to outline in my initial remarks to the House, some things in the framework of what we're doing are inviolate — that includes industries other than oil and gas that will develop; indeed, upgrading hydrocarbons — will have a natural advantage for being here. They will only be based on an encouraging tax atmosphere, and the government will have a consistency of policy, so that those who are here are confident that those who are coming subsequently won't be coming on a different financial base.

Having said that, we also have the problem of events overtaking us in terms of oil pricing, which is causing our coal to become a very valuable asset. As you examine coal, and determine that people who already are in possession of coal leases are now tempted by economics to begin developing, you find that in fact that will plug the railroad system. So the issue of freeing the railway system from commodities that may be used in an alternative mode becomes paramount. In terms of priorities, I guess some of them are dictated by the events of time. For instance petrochemicals must be sited in such a way that they try to conserve agricultural soil and are still allowed the benefits of economic synergism. We have to be very careful that the plants built here are built in an orderly fashion, so we don't have an abnormal taxing of facilities in the environs of the plants being built.

I was asked what my priorities were, and I think that's in *Hansard*. We are determined to have an ongoing, thriving, secondary agricultural industry. We are determined to have a petrochemical industry here in a window in time. It's our view that as oil prices rise, resources around the world become reserves, and as they become reserves and become developed, oil may be used as a bargaining tool to include petrochemicals from emerging nations and crowd those into a market. Our best judgment is that in the early '80s, gas probably will be used as fertilizer in emerging nations; subsequently it will be petrochemicals. So we have a window in time to get our petrochemical industry in place. It should cover the basic building blocks of ethylene and benzene and all the things those two blend together to make.

In the coal industry, as I said, we have the difficulty of determining environmentally whether we should be converting coal to electricity, methanol, liquids, or gases; whether we should convert it to electric power and export it to get economies of scale for local consumption in the future; whether we should use pipelines to get it off the transportation rail mode, so that we have room for agricultural products, as the gloom and doom scenario of supply/demand of railroad capacity emerges in the '80s,

which it will.

We've found we have the largest uncommitted merchantable stand of prime timber in North America, perhaps in the free world. We're going into a decade of very real shortage in pulp. I think the pulp shortage for the 1980s will approach 8 million tons a year. We have excellent color and fibre strength in our softwoods. Our hardwoods haven't been well managed, and we have to address that issue. That will mean a combination of newsprint, pulp, dimensional lumber, or maybe commercial alcohol. That has to be done.

We have the very difficult problem of water. Some 85 per cent of our water flows north and services 15 per cent of our population. Half of the 15 per cent that services the rest of the population is deeded to Saskatchewan. It floods in the spring, and there isn't any in the summer, so the water-coursing has to be looked at.

We have to look consistently at things that have a high value-added, low freight content. We go through the whole gamut of attractive possibilities. Some, like pharmaceuticals, are ruled out by federal law. The royalty and patent structures in Canadian law for pharmaceuticals are such that it's not an attractive place to make them. Then we have to look at veterinary pharmaceuticals. The question is, do we buy them and bring them in here, or do we try to develop the people who can develop them here?

I guess the priorities are partly dictated and partly the base of the three framework criteria I enunciated earlier: always recognizing that we're a long way from market, that we're a long way from having a population concentration, and that we have a very real and solid future in agriculture that needs to be developed. Even the packing plant industry is in serious difficulty, and that issue needs to be addressed. These things are all ancillary to what is happening anyway. The oil and gas thing is developing and with it the gas plant employment and the oil field equipment manufacturing employment and so on that happen with or without this department.

I don't know whether that's the kind of answer you were looking for. On any given day events overtake planning, and the planning has to be deferred while you settle critical issues happening at the time. That's the function of a young department. For instance, we're involved in rail relocation in our smaller cities, and that's a function of economic development.

MR. GOGO: They're not that small.

MR. PLANCHE: Smaller, not small.

The programs developed for railway relocation have to be applicable in a universal way to cities other than Calgary or Edmonton. That took a great deal of time, but it needed doing right now. A third level of difficulty is that we have to make up our minds whether we are going to become involved in subsidies, so that our megaproject towns and far-flung communities, based on either agri-servicing or the oil business, have an opportunity to participate in the mainstream caused by air traffic. In a lot of cases there isn't an economic justification for investing in an aircraft unless there's some help. That balance needs to be made. As you know, we have become involved in guaranteeing loans in the third-level air business, because there isn't enough cash flow in the kind of ticket sales they have to justify the escalating prices of aircraft.

A lot of those events drop on you while you're trying to do your planning. Our longer term plan is to balance opportunities, to try to develop in an orderly, proper way

all the sectors in which we have a natural advantage, so that the resources and reserves available to us are exploited properly and efficiently, in keeping with quality of life and environment, so that in the longer term we have a water of resource.

You may have had the experience of listening to the Electric Utility Planning Council talk about electricity. We are now troubled with the fact that there is, I think, the equivalent of 14 350-megawatt plants in place. To hit peak loads we're going to need twice that many by the year 2005, plus replace six of those to be replaced. That's an unparalleled building of electrical capacity and with that goes the issue of coal reserves that need to be committed to that capacity. That all has to be done in the framework of the free-enterprise system, which already has coal leases. Those things have to be unravelled.

I guess the Calgary-Edmonton corridor is an essential part of commerce in this province. If you look at the energy cost of seats in an airplane in 1975 and what they're projected to be in 1985, plus the staging time in those, it becomes fairly clear that we're going to have to look at another mode to move people between the two cities. My predecessor established that the cost for bi-level intersections over that track was something in the order of a billion dollars. In order to alleviate that cost we have commenced a study on running it down the median of the highway to see the potential of an electric train that would go from city to city in under two hours and use that median where the two-level intersections are in place.

That takes the kind of studying I was referring to the Member for Olds-Didsbury before. We have people who understand the transportation system, but we have to hire people who can do those studies for us. Generally because the study is public funds, it revolves around a very inexpensive preliminary yes/no, meaning no, it simply isn't feasible. If you get a yes at that point, then it's time to frame terms of reference for a study and spend some serious money to develop it.

To give you an idea of how we would approach that problem, we don't want to be the people who pick the players in coal research, so we have to have a vehicle that the private sector can respond to and co-fund research, so that they have an ongoing proprietary interest in what develops from that research, and we have to include the Alberta Research Council in it. So structuring those kinds of things takes a great deal of time. That's part of what we do.

We dwell on issues like international air travel from here. If we're right and we have time to develop, then in our view the best way to develop an R and D position in Alberta is to cause people of PhD-level education to gather. The gathering of those is both academic and commercial. The academic part functions through the universities. From the universities, your next level of support would come from things like the medical research trust and the Alberta Research Council. But finally you have to have some way of commercializing it, and that would probably take the form of two things. One would be a facility like the ion accelerator, which we're looking at. The other would perhaps be some kind of venture funding that could be used to commercialize it. Those have to be structured. If a thing like the ion accelerator were put in place, it naturally follows that you're on the lecture circuit for the kind of people who would become involved internationally, and that revolves around air fare and an air capability to the major cities. So we're interested in all those things.

Some of it is 'blue-skying'. My view is that we're fortunate to have the time. We do have the time here to sit back and see really what the potential is and what kind of development we may be fortunate enough to generate.

I guess that's sort of a thumbnail sketch of what we do.

MR. ZAOZIRNY: Mr. Chairman, I'd like to thank the minister for an extremely extensive response to what admittedly was a very broad question, and apologize to other members and to the minister to the extent that it required him to repeat some of his opening remarks. I think the minister very clearly displayed a very good understanding of the potentialities of this province and some of the problems we encounter in trying to diversify our economy.

I wonder if it would be possible, Mr. Minister, to try to reduce some of that wealth of knowledge to simpler terms for the benefit of this particular member. I think this government has indicated some real concern about the increasing dependency upon non-renewable resources as a source of revenue within this province, and has made it a long-term goal to reduce that dependency. Based upon the wealth of knowledge the minister has accumulated and his sense of the potentialities of this province, I wonder if he could advise the committee what he feels is a realistic percentage reduction in dependency upon non-renewable resources that we might achieve, say, within the next five years. Based upon your understanding of the problems we face in this province in terms of economic development and diversification, what does the future hold? Where are we going to be five years from now? Are we going to be even more dependent upon non-renewable resources? What are the prospects? I think that's an important question that all Albertans would like to have a better sense of, to remove or reduce any anxiety about where we're going to be five and 10 years from now in terms of the reduction of our available non-renewable resources and the resource revenues that presently flow from them.

MR. PLANCHE: In attempting to define the three most likely areas for Alberta's non-dependency on oil and gas — and I think it's important to segregate those because I'd like to come back to oil and gas in a minute — we would tend to be, firstly, into agriculture; secondly, into forestry; and, thirdly, into an R and D component, and ancillary to that would be financing, banking, and computers. I think those are the three levels we would address.

Agriculture is an old, well-entrenched economic sector in this province that's fraught with difficulties and anomalies that need to be unravelled. They're historical, they're legislated and, in many cases, come from another time. We're working diligently toward that end. The forestry thing is new for us. The horizons that are clearly open to us in forestry were unimagined, certainly by me before I became involved in this thing.

The third one, the R and D, finance, computer servicing sector, really is the conundrum, because there is always the temptation to buy that, to speed it up and buy it. To this point in time and, I would guess, for the rest of my opportunities in this job, we have elected to build the basics and let that develop from the basics. That way you don't have to worry about an ongoing government support position of any kind. You also have an opportunity to avoid the 'me too' technology that logically follows the purchase of things.

To take you into the oil and gas sector, there's a very

real difference between the future for Alberta in conventional oil and synthetic oil, in terms of its time frame and all the things that go with it. The same thing could be said of gas. Gas has a long-term potential for this province. I don't think it's really well understood what the potential is in the long term. I'm not so sensitive about building on the dependency of some of our hydrocarbons. Conventional oil: no question that that's fragile, but synthetic crude is not, to the best of my knowledge. With that go some very interesting things.

It's well to remember, too, that as we progress down the road of exhausting our conventional oil and gas reserves, the last barrel and the last MCF require more and more technical skills. More and more very attractive job horizons arrive with those incremental barrels. That will be particularly true as oil approaches a reasonable commodity price.

MR. R. SPEAKER: Mr. Chairman, I appreciate what the minister has said to this point in time. He's outlined the area of agriculture. I think the second one was forestry, and the third was R and D. I wonder if the minister has established any definite targets in those three areas in terms of their percentage of the gross provincial product, say, in terms of the next five years or five-year intervals.

MR. PLANCHE: The game of statistics in that area is really interesting. We continually get questioned in the House about how agriculture is lagging in the economy compared to oil and gas. What you have to remember is that oil and gas have just come off a \$2 level to a \$17.75 level. So it would have eight times the volume in terms of those statistics, regardless of whether or not any more barrels were produced. Had it been left at the \$2 level for statistical purposes, I think you would have seen really a very major advance in the manufacturing sector, for instance. It's clearly dwarfed by the pricing anomalies that are caused.

I guess I get troubled trying to answer that question because it would be clear that no matter what happens in the next 10 years, oil and gas are going to approach something well in excess of what they are now. That's going to tend to be still a very large and substantial growing component of the gross provincial product. But we see a steady growth for the agricultural sector, for a variety of reasons. If we can get rid of some of the anomalies in agriculture and the profit and loss market place would dictate the best use of soil, I think things would break very nicely in agriculture. Right now it's not interesting to grow some of the non-Board grains, for instance, because you can't sell them, they clutter the transportation system, they come in small quantities, and the Wheat Board is not interested in marketing them. I think that could be changed.

So we would look to some great things there, and some great things in ag. processing. When we started this thing, I read you the list. It's quite substantial. *Alberta Report* this week embellishes that some more. It's really very active. So lots of things are going on in agriculture, and I think there's a very bright future.

In forestry, I can't judge. It looks to us like the pulp industry is probably going to be one of the brightest spots in the '80s in the free world, except for the southeast U.S. — an incredibly prolific forest potential. I'm still a little hesitant to give you glowing reports on it because we're still working with people who understand forest management and who have a great deal to say about the most advantageous way of exploiting a forest. But all indica-

tions are that that's a very attractive possibility. And of course it's renewable. Forest engineering has got now to where it's not unlike asparagus: you start at one end, and when you finish the other end is ready again. We hope that these permits would be let in such a way that there would be an Alberta participation, that the total forest would be exploited, and a wide variety of products would spin off from that.

The R and D thing is going to be a great employer I think, if done right, if we consider what we're doing and try to build it on a base that makes good sense for this area. With the technology in place now, there isn't any reason that you can't have in perpetuity a presence in a variety of things, because it's done electronically over long distances. So your market can be a long way away, and you can still locate here.

The seismic industry gave us a running start on computer technology. I hoped that this hiatus in logic on the oil business wouldn't rob us of our computer technology, because that's a good solid base. Thirteen banks, I think, arrived last year from overseas, a variety of concepts in banking: merchant banking, and so on. My information is some 30 more are interested. So a very real banking community could develop here.

But I remain solidly optimistic with or without the oil and gas. We are now gaining momentum, and we have an interesting market in terms of the sophistication and education of the people and their earning history. I think it's going to attract a lot of very interesting things.

MR. ZAOZIRNY: If I could just summarize, I'll take my place and not trouble the committee or the minister again. As I understand his remarks, he's saying that agriculture will continue to be a principal focus, which we will continue to encourage. Of course agriculture has been the number one industry in this province for many, many years.

He mentioned forestry. I understand that to be, if I might say so, the principal new area of focus that the minister has outlined to us, perhaps for the '80s. Thirdly he mentioned finance, research and development, the servicing sector, but I recall he said that essentially our strategy will be to let it grow on its own. So I presume from that that the government will not be taking too many new initiatives in that area. I believe he also stated that perhaps he is not as anxious as some about the oil and gas sector, and our continued involvement and participation in the long run in the direct, indirect, or by-product way in that sector. As I recall, he didn't mention anything in terms of new manufacturing.

Putting all those remarks together, it seems to this member that the minister is saying: the oil and gas involvement and dependency — if we want to use the phrase — will continue, as will the dependence upon agriculture; we're going to let research and development, finance, and servicing basically grow on their own; forestry will be an area of new involvement for us. Mr. Minister, would it be fair to conclude from that that you are perhaps less concerned than some about the need for government involvement in terms of diversifying the economy in the future?

MR. PLANCHE: We seem to have gone all the way around the barn. I'd like to make just a couple of comments. You asked me about things that were involved in oil and gas. As you very well know, unless something is going to be consumed here, it's difficult to manufacture it here. You don't manufacture here for export, because you

manufacture here for consumption largely in the oil and gas business. I didn't include that because you asked what was other than oil and gas, and that's what I was trying to cover.

I take some exception to your remarks about no new initiatives in research. Offhand I can think of some \$600 million or \$700 million in the last 18 months and, as I tried to indicate to you, we're very actively pursuing . . .

MR. DEPUTY CHAIRMAN: Would the minister kindly place his remarks through the Chair.

MR. PLANCHE: Mr. Chairman, we're actively pursuing an ion accelerator as a possibility, which is very extensive in terms of its cost and opportunity. The Alberta Research Council commitment is enormous. The AOSTRA commitment is enormous. We are about to launch into some kind of heavy R and D, coal-oriented business. So I just thought it was appropriate to correct a misimpression I may have left.

MR. WEISS: Thank you very much, Mr. Chairman. To the minister. I would like to address some similar problems I foresee in the north. In the priorities outlined by the minister, I hope he would not overlook the development of secondary industry from by-products in the tar sands region. I refer to titanium, sulphur, glass plants with the use of silica sand, granite deposits in the far northern region.

Mr. Chairman, I realize that some of these products are certainly going to be in the long, distant future because there are problems with transportation, whether it be rail or the distance involved, but I certainly hope they would keep this in mind. Perhaps this is what the minister is referring to in the research and development sector. We believe that with the tar sands being developed in the near future, some of these products are certainly going to have to be utilized. We can see both the employment sector and further development in our communities. So we'd certainly ask their consideration to keep these in mind.

MR. DEPUTY CHAIRMAN: Before we continue, the final score of the hockey game was 6 to 3 for the Islanders.

MR. R. CLARK: Mr. Chairman, getting back to the nitty-gritty, I'd ask the minister to explain three figures. On page 43 in the elements, in Vote 1.2.3, strategic planning branch, I see a 42 per cent increase, an increase of about \$440,000. Is it possible to give us some kind of breakdown as to what portion of that \$1.4 million is consumed in house, if I might put it that way, as opposed to what portion is really research done outside the department, and then a rather general explanation for a 42 per cent increase?

MR. PLANCHE: You're going to have to bear with me a minute. I can't seem to understand this bookkeeping system. I can't balance my bank account either. I'm trying to find the same number you're looking at. Perhaps you could give me one more . . .

MR. DEPUTY CHAIRMAN: The Member for Edmonton Belmont then.

MR. MACK: Thank you, Mr. Chairman. I'd like to reflect briefly on the department's transportation plan-

ning and services branch, particularly Vote 1.2.2. I wonder if the minister could elaborate or perhaps highlight the department's plans for the area of transportation. That department took some very bold and positive initiatives a few years ago, in ordering the LRT equipment with the proviso that at least 40 to 50 per cent of the labor content was to have been carried out and discharged in the local area which benefited in many respects: providing jobs, technical skills, technicians directly from the factory, and the expertise gained by the consumers and the operators of that particular equipment. The same was applied more recently in Calgary.

I wonder if the minister can highlight, elaborate, or perhaps provide the Assembly with some detailed information, or at least some information with respect to future planning in this area, particularly in transportation, and whether there are plans to expand that to public conveyance vehicles rather than just the rail, or whether they have abandoned the concept which, in my judgment, was an extremely good program. From practical experience I know that it has certainly served extremely well. It could be a beginning of great things for these parts, whereby instead of spending Alberta dollars somewhere else, we can actually put them to good use within the province.

I think that is, and was, a very positive move. I hope there has not been an abandonment of those initiatives which, in my judgment, were among the best applied in that area for a long, long time, in that we were able to provide the jobs for the labor component of very sophisticated equipment locally with certainly very solid technical support from the parent manufacturer. So if the minister could elaborate on that or cast some light as to what the future plans are, it would certainly be much appreciated.

MR. PLANCHE: I guess the best way to respond to that question, Mr. Chairman, is that we watch for opportunities that are developing in departments other than ours that may be job creative and that may cause a facility to be formed that can grow into other areas. The attractive part about the LRT plant was that it afforded us a technology, in terms of the electronics, that we don't have here now. We also saw it as perhaps the focal point of some kind of later expansion into tar sands mining equipment. The difficulties were that the volumes available in this market that would cause someone to come here were largely politically motivated. It isn't unlike other companies around the world that, when they sell to civic, provincial, or state administrations, are required to put in plants. They do so to get favoritism in their bidding system.

In this particular one, the forecast consumption of cars over 10 years gave it an economic possibility, if they could be delivered on a regular sequence at an agreed upon price; remembering — and I think it's still true — that these are the only light rail transit vehicles in fare-box service anywhere in the world. To make it a success story there had to be an export, and the export had to be into the U.S. The federal administration in the U.S. requires that if federal funding is involved, there is also a mandatory U.S. content. That made it very much less attractive than it would have been had we been able to develop a market here.

Subsequently, Ontario became involved in an LRT system. They've had it on a test track somewhere out of Toronto. But it wasn't, and has never been, in fare-box service. That prototype has been accepted by the city of

Vancouver with substantial guarantees and funding support from the east. So those things caused rethinking of the principles involved in the LRT facility.

I agree that it had an interesting nucleus of potential for other things. But the LRT manufacturing facility is not necessarily the same kind of facility you would use to build high speed inter-urban rail cars, hopper cars, or other rail vehicles. It's specifically designed for that product. As a matter of fact, the plant in Germany for this particular product didn't even have an overhead crane, which is very remarkable.

MR. R. CLARK: Mr. Chairman, I hate to return to the minister to his bankbook. Mr. Minister, do we have an explanation for the breakdown for the strategic planning section? So we only have to go through this once more, I'd ask the same question with regard to votes 1.3.2 and 1.3.3.

While I'm on my feet, Mr. Minister, I'd ask one other question. What's the state of the negotiations between the province and the federal government over the land that was turned over when rail lines were abandoned? It's a rather specific question with regard to the village of Cremona in my constituency, where the town is attempting to acquire the land. The last information I was able to acquire was that Ottawa still hadn't determined how they were going to hand the land over to Alberta. Why is this going on? The village of Cremona would very much like to use that for industrial development, and the whole thing is held up in the situation. I don't expect the minister to know the exact situation there, but on the general front, what progress are we making there?

MR. PLANCHE: You have to appreciate that we're covering kind of a wide range of things. I'll do the best I can.

In principle we have worked out an agreement with the federal government that reads like this: if the railroads abandoning the rights of way had the land deeded to them, it will come to the province of Alberta, and the province will then lease it to appropriate users who are close to the rail line on either side or preserve it in perpetuity for corridors for pipelines or whatever. On the other hand, if the railroads bought the abandoned rail lines and were now abandoning them, there is a condition where we will negotiate and buy them.

The agreement is not signed because one particular abandonment in Alberta involves some tricky negotiation because the railroads, as I remember, want a trade of land. We haven't been able to come to rest with that specific. Because we didn't want to sign an all-encompassing agreement until that specific issue was settled — and I think it's at Gleichen — it hasn't been signed. But it's all understood, and we're proceeding, because we've all agreed except for that one specific on the program, as I've outlined.

MR. R. CLARK: Mr. Minister, I take it that what the particular community should do then is follow it with Mr. Roth in your department. If they're not in the Gleichen area, can the wheels in fact be put in motion for movement in that direction? Or perhaps the minister may want to respond to it by means of a memo on the matter.

MR. PLANCHE: I would rather respond precisely with a memo. A great many applications have been coming through for use of abandoned lines. We've been handling them as if the agreement was in place, taking them only

so far, and then they've stopped, waiting for this thing to happen. We've written letters saying, we're expecting it within six months or something. That's where it is presently. We are processing them on that basis. Excepting that one specific, as I recall, there is no difficulty on the agreement contract between the federal government, the railways, and us.

MR. R. CLARK: Will they be able to use the land in six months?

MR. PLANCHE: I'd better respond in a memo. The actual leasing of the abandoned rights of way will not be available to a potential user until the agreement is signed formally, but all things other than that are being done. As I remember it, the Gleichen difficulty is getting unravelled.

On the issue of — I hope I'm on the right page, Mr. Chairman. The biggest single item in supplies and services was the meat processing and packing house study. That was \$125,000. There was a provision of \$113,000 for pension and dental plans. There were merit and general salary increases of \$193,000, an inflationary allowance on everything of \$115,000, and the rest of the items were all in the \$10,000 or \$15,000 range, except for a contribution of some \$36,000 to the international cargo handling conference, which is happening here in June.

Am I on the right page?

MR. R. CLARK: Yes, I hope. I take it that the \$125,000 is basically the work Dr. Horner is doing on the study in looking at the whole meat processing business. When will that be finished?

MR. PLANCHE: I think we're anticipating his final documents in July.

MR. PAHL: Mr. Chairman, my comments and questions are with reference to Vote 1.3, development of industrial programs.

MR. DEPUTY CHAIRMAN: Well, let's finish 12 first.

MR. PAHL: It's a general question, so I thought it might ...

MR. DEPUTY CHAIRMAN: We're on 12 right now, hon. member. So I would call that vote first, and if there's no further questions on it, move to 1.3.

Agreed to:

12 — Planning and Services

\$3,661,525

13 — Development of Industrial Programs

MR. PAHL: Thank you, Mr. Chairman. I didn't mean to disturb your rhythm there.

The question and observation I have is that I'm pleased to see the rather substantial increment in percentage terms, but perhaps not that large in absolute terms, on the development of industrial programs. I compare that funding with a document I have reviewed, what might be called the development strategy of the province of Ontario, entitled Building Ontario in the 1980s. There are two items here that I wanted to raise in the context of my concern. One is that it indicates that Ontario will be contributing \$40 million to a \$100 million creation of a

new biotechnological company in the Toronto area. Similarly in the same document they indicate that the Ontario Development Corporation, which will be providing bridge and equity funding for Canadian-owned firms starting up in Ontario, will have a fund of \$50 million earmarked for it.

Mr. Chairman, my question to the minister is that it appears as though in certain industries they are quite sensitive to attractions other than the natural strengths that we might call for Alberta, that being a secure energy supply, a stable work force, and access to the Rockies. I wonder whether we should be including in our strengths the opportunity to place a certain amount of capital to attract these high-technology pharmaceutical firms as part of a developing strategy. I wonder whether the rather modest increase in the development of industrial programs might be a sign of further commitment in that area.

MR. PLANCHE: We have always been sensitive about getting into a bidding war with dollars generated by oil and gas in this country. But we recognize also that some industries are initially capital-intensive and are attracted by venture funding and a variety of other incentives. So we have begun to identify in some detail what our competitive position is interprovincially. Of course the option is always open to us to simply buy stuff, if that's the appropriate thing to do. So far our judgment is that it is not. It may change, however, when we get into some of the areas of health care and biotechnical kinds of products.

One interesting thing that continually comes to mind is that, as Alberta develops and opportunities become available, there doesn't seem to be any shortage of talented people; there seems to be a shortage of talented people and money. So to answer your question, we are going to use some of the funds from this particular vote to develop a concept of venture funding. I hope it would be at a yes/no sometime toward the end of this year. Understanding the philosophical difficulties of the government involved in equities and always the judgment in venture funding that can't be done through regulation but has to be done on an assessment of both the history of the man and the marketability and future of the concept, that's very difficult to frame in any kind of regulatory guidelines. So we will be working diligently in that area, and perhaps a source of venture funding will come out of that.

I'd like to close by saying that we recognize our non-competitive advantage. We also recognize that if we open the doors to that venture funding, there won't be any shortage of opportunities here to attract people. So we're aware.

MR. PAHL: Mr. Chairman, I might just supplement that by adding the observation or the question to the minister as to whether in the development of that strategy there will be an assessment, I suppose in co-operation with the Minister of Advanced Education and Manpower, as to the developing brain industry, if you will, in the province and the spinoffs coming out of the medical research fund and other commitments to education that would tend to build on the strength of high technology where the mix of capital to the skilled manpower tends to make the strategy more acceptable, if you will, as a developed strategy.

MR. PLANCHE: There's no question. If you start down the road of trying to develop an R and D presence here

from the grass roots, you better be prepared for two eventualities. One is that they're going to develop some very exciting things and we have to have a vehicle to commercialize them. Two, when they get all this education gathered together, they're going to have to be employed someplace. It better be meaningful and be here for the right reason. So we're addressing all of those things as part of the critical mass problem. That's why we get to things like the ion accelerator and the venture funding. Those are crucial as a secondary part of the effort to develop your own green-field R and D presence.

MR. R. CLARK: Mr. Minister, perhaps we can have a brief explanation on 1.3.2, the 45 per cent increase for the industrial development branch, and 1.3.3 the process industry development branch. Might I just say if the industrial development branch is responsible for the work which was done on getting Banner Gelatin — it may come from a strange quarter, but I commend them for the work that was done. Nevertheless I'd like to know why the budget has gone up 45 per cent.

MR. PLANCHE: Mr. Chairman, I'll try to pick out the really salient parts of this thing. In the process industry development branch, there were three new positions at \$105,000. Again, there was the provision of \$123,000 for the pension and dental plan, and merit and general salary increases of \$167,000. The largest one was the provision for private consultants to undertake the development corporation feasibility study, which is the venture capital thing I was referring to, to the Member for Edmonton Mill Woods; that was \$452,000.

Some of our cataloguing — for instance, we've developed an agricultural equipment catalogue and product development brochures — is also in that vote at \$75,000. The product development program, which has been popularly received, is going to be boosted to \$150,000. The rest of it is really not of a great deal of consequence. But again, the percentages fool you because they come from such a small base. You can't really put much of a program in place — the \$452,000, one consulting program, really throws your percentages very high.

13 — Development of Industrial Programs	\$3,865,800
14 — International Trade	\$3,184,500
Total Vote 1 — Economic Development and International Trade	\$12,803,665
Total Vote 2 — Financing — Economic Development Projects	
Department Total	\$12,803,665

MR. PLANCHE: Mr. Chairman, I move that the vote be reported.

[Motion carried]

Department of Municipal Affairs

MR. DEPUTY CHAIRMAN: Has the Minister of Municipal Affairs any opening comments?

MR. MOORE: Yes, Mr. Chairman, thank you. Just a few. First, I'd like to touch on two matters of interest to members of the Legislature that have resulted in fairly extensive increases in the budget of Municipal Affairs.

They are under Vote 2, the municipal debenture interest rebate program. Members will note that that vote has increased from a comparable forecast in 1980-81 of \$19,570,000 to an estimate this year of \$43 million, a 119.7 per cent increase forecast for the fiscal year we're in.

I want to draw that to members' attention, first of all, to elaborate on some comments I made on other occasions during question period and to say that that level of expenditure this fiscal year is based on our subsidizing the interest rate down to a level of 9 per cent on debentures taken out prior to March 27, 1981, when we announced that the subsidy was going to be down to 11 per cent. Because of interest rate increases, today we are probably very close to where we were three months ago in terms of the amount of subsidy provided. But members can see that on a commitment for a 25-year debenture, that \$43 million is not going to decrease over the length of the loans that are involved. In fact, because of additional loans that will be taken out this year, the amount will grow rapidly. It should be noted that that amount is now one-half the unconditional municipal assistance grants listed above, which have increased this year by 9 per cent overall, albeit there are differences in the unconditional municipal assistance grants based on a formula we have.

I move from there briefly to the senior citizens' property tax rebate program under Vote 3 where we have increased from \$24,056,000 to \$32,112,000, an increase of 33.5 per cent. The largest portion of that increase is made up of the amount required to meet our commitment announced when my colleague the Provincial Treasurer gave the Budget Address, increasing the benefits to senior citizens from \$400 per year to \$600 on their property taxes. I think it could be generally stated, Mr. Chairman, that the \$600 a year on an average family dwelling will cover not only the school foundation levy levied by the province, but also the supplementary requisitions levied by school authorities and, in most cases, have some funds left over to pay the municipal portion of the taxes senior citizens are obligated to pay.

I think those two highlights in the main cover the major increases in budgetary expenditures in the Department of Municipal Affairs, with perhaps the exception of Vote 5 and, in the administration of improvement districts, an 18.6 per cent increase this year over the comparable forecast of 1980-81. That results from a number of new initiatives we're taking to provide better services in the improvement districts, increase in authorizations for manpower, and our general municipal responsibilities in the improvement districts of Alberta.

Mr. Chairman, if I could just close my opening comments by saying that since a year ago, when these estimates were tabled in the Legislature and approved by this Assembly, the department has been favored with a number of very talented people in various positions at senior levels. I want to mention one: the deputy minister's position has now been assumed by Mr. Archie Grover, who was assistant deputy minister; and, in my first opportunity in speaking about the department, to pay respects to Mr. Bill Isbister who quite adequately guided the department in a variety of areas for many, many years — I think it could be said by all members of the Legislature who knew him — and left in his wake a hard set of shoes to fill. Those are being filled pretty capably by Mr. Grover, and that has cleared the way for new people in assistant deputy ministers' positions and other senior positions in the department that I believe will favor us well

in the years to come.

Mr. Chairman, I've only touched on a few highlights of the department. I would be pleased to try to answer any questions or concerns members have.

MR. R. SPEAKER: Mr. Chairman, to the minister, for a general discussion to begin with. I appreciate the remarks with regard to the interest rates of 9 per cent that are being calculated in this budget, and that the next fiscal year will be potentially money budgeted for the new 11 per cent interest rate.

We have one area of concern with regard to the unconditional grants at a level of 9 per cent. I wonder if the minister could indicate why the 9 per cent at this time. As we all recognize, the inflation rate is higher than that. For example, the increase in cost in the budget for the city of Lethbridge is around 12 per cent. I understand some other cities are higher than that at present. None that have reported to me indicate they have just an increase of 9 per cent. We have been critical in this Legislature with that vote just being increased 9 per cent. I wonder if the minister could comment on the reasoning behind that, and why it doesn't keep up with the inflation rate at this point in time.

MR. MOORE: Mr. Chairman, as briefly as I can, the only way to answer that question is to put it to the hon. member exactly like it is. When I brought my budget before my colleague the hon. Provincial Treasurer, it was with a locked-in increase of almost 120 per cent in the support for municipal programs under the municipal debenture interest rebate program, a \$23 million-plus increase there. It was a judgment decision as to whether we tried to find a way to decrease that obligation, which was extremely difficult, and at the same time increase the unconditional assistance grants from 9 per cent to something higher — 12 per cent. I would have liked to see a higher increase, but the answer simply is that we thought that with the generous amount included to subsidize the municipal interest rate, with due respect for some of the restraint we wanted to show in this budget — if there is some restraint, and I believe there is — we had better hold the municipal unconditional assistance grants to 9 per cent.

So no judgment went into that, Mr. Chairman, to try to indicate that that in fact is the increased inflation cost the municipalities are faced with. I for one know that in many cases it would be more than that, but that is what the property tax dollar is there for. We hope that municipalities can pare the budget down and increase property taxes sufficiently to do the kind of job their citizens expect them to do.

MR. R. SPEAKER: Mr. Chairman, to the minister. With regard to property tax, I'd like to explore the other area. One of the commitments of the Conservative government back in 1971 was to take the education tax off the property and to relieve the burden on the property owner. As we well recognize, at the present time the education tax across the province is somewhere between 23 and 30 per cent on average, depending on whether you're talking to school trustees or teachers.

Has the minister, in his responsibilities, established any kind of target for that burden on the property tax, or will it just continue to rise as indicated: as the unconditional grants are cut back by the province, the municipality in turn will have to increase property tax to take up the

slack? Is that the philosophy of the government at this time?

MR. MOORE: First of all, Mr. Chairman, I happened to be fortunate enough to have been involved in some of those policy sessions the then Leader of the Opposition had before 1971 to establish the policies of this government with respect to education tax. What was said was that we intended to relieve the residential property tax payer and the farmer from the cost of the provincial portion of education tax which was the school foundation fund. We met that commitment and have maintained that to this day.

On the other side of the coin, in 1972 we did say that we would fund 100 per cent of hospital costs and alleviated the property tax payer of most if not all hospital costs. We've never taken that approach in education. We've always felt that some portion of the education costs needed to come from property tax, mainly to maintain the degree of education independence that our school boards seek and, I believe, deserve. So I don't believe that we're in a position where we haven't met our commitment with respect to the reduction in education property tax that we promised in 1971. But I would add that a few months ago my colleague the Minister of Education undertook a complete review of the manner and method in which education is funded in this province, which includes matters such as the School Foundation Program Fund, the annual per pupil grants from that department to boards of education and school divisions across the province, in addition to the amount of revenue that school boards are raising through the supplementary requisition.

I can only say it's my belief that we have to come to grips with the problem that has existed the last year or two in terms of an increasing percentage of the property tax dollar being taken by education in supplementary requisitions. Frankly, I think if that amount is not arrested soon by the tax-paying public, the property owners saying to their school authorities, we can no longer pay these amounts, then the province will have to look at some other action. I don't believe the property tax should be paying quite as great a share of the education costs as it presently is, in relation to municipal costs. Mr. Chairman, that is my position as Minister of Municipal Affairs.

The matter won't be resolved until the Minister of Education has had an opportunity to complete his review and our cabinet has had an opportunity to consider that, along with matters being studied now by a provincial/municipal task force which I established, with representation from the AUMA and the Association of MDs and Counties, to study the overall fiscal relationships between the government of Alberta and its municipalities, which touches on education financing as well. It has to, by the very nature of the property tax use.

MR. R. SPEAKER: Mr. Chairman, to the minister. In 1971 the percentage of education paid through property tax was around 15 per cent. As I've indicated, it's somewhere in the area between 23 and 30.

When we were in a joint meeting with the southern Alberta school trustees, one of the comments of the Minister of Federal and Intergovernmental Affairs was that the government had an objective of around 25 per cent, in terms of the percentage of education the property tax would pay. I wonder if the minister could indicate whether that's a general government position, or was it

taken at that point in time. Is that open to review through this committee that I understand has been established?

MR. MOORE: There certainly isn't any firm position, percentage-wise, as to what portion of the property tax should be utilized for education. That's part of the review. When the review is completed, the decisions from that review may indeed indicate some percentage or some other criteria that can be used.

For example, for a number of years there has been a requirement that a supplementary requisition not exceed 8 per cent, I believe. But school boards had the option of choosing whether it was 8 per cent in the mill rate — and with rapidly increased assessment levies, that sometimes resulted in a 50 per cent increase in the actual dollars — or 8 per cent in dollars. Most chose the mill rate approach, which in effect takes the ceiling off altogether. So talking about increases and so on, there are ways other than percentages that the education cost might be controlled.

Indeed, from time to time the province has to look at substantially upgrading its per pupil contribution for a variety of things, including the programs for transportation of children, and so on. So it'll all involve a variety of things. My view would be that we don't have a firm position on any percentage at the present time.

MR. R. SPEAKER: Mr. Chairman, to the minister. The thrust of the Provincial Treasurer's budget was to lower expectations. Will the object of the committee doing the study be to bring the local governments more in line with what is called lowered expectations, to try to say: look, if you don't cut back the taxes and reduce the load on the taxpayer, we're going to have to legislate or set up some ground rules; we as a province are not putting any more into the fields of municipal or education financing. Is that kind of directive going out at present? Is that the object of this committee? Is that why the government all of a sudden is becoming a little concerned that things are getting out of hand and is finally having a look at the way spending is going? Is that the purpose of the committee, or is it to come up with a rational, shared percentage responsibility of not only municipal taxes but education costs?

MR. MOORE: Mr. Chairman, the committee was established at the request of the Urban Municipalities Association, and the terms of reference were struck in consultation with that association and the Association of MDs and Counties. It would be fair to say that the only criterion the committee has is that the government will not entertain any proposals which result in a percentage sharing of either resource revenues or income tax. But generally speaking, all other sources of provincial revenue or all other sources of revenue which can be found by way of the implementation of some new program, would be matters the government would consider. For example, the committee is considering the possible implementation of a municipal gasoline tax to assist in paying road costs; I want to emphasize it's not a government position at all. So there's no directive whatever to the committee along the lines the member suggested. With the two exceptions I mentioned, the committee is quite free to study and recommend to government on any matter that involves a different kind of arrangement or improved arrangement in sharing revenues between the province and municipalities, or in suggesting new ways to raise municipal revenues.

MR. R. SPEAKER: To the minister: Will the committee be reporting by the fall session of the Legislature so a new policy or direction would be implemented in the 1982-83 fiscal year?

MR. MOORE: Mr. Chairman, I doubt they'd report before the fall session. I have given the committee no deadlines. Bearing in mind that two-thirds of the representation on the committee is non-government, when they were beginning their studies, I did not think it was appropriate to say, here's a deadline for reporting. Rather than one report, I expect to get perhaps a series of reports. It may well be that the committee would have something to report to me this fall that I could share with the Legislature. If that is the case, I'll do so. But I really expect that it will likely be spring of 1982 before any substantial amount of work can be accomplished.

MR. R. SPEAKER: Mr. Chairman, to the minister. Would one of the other areas being explored be the revenue from licence plates? This is talked about at various times: in whatever municipality the licence is located, the revenue therefrom would go back to the municipality. Is that one of the items under discussion by this committee, somewhat similar to the gas tax?

MR. MOORE: I haven't asked the committee to consider that matter, but there's no question they will be, because it has been raised on more than one occasion by the Urban Municipalities Association. I wouldn't even want to begin suggesting how revenue like that might flow and on what basis, because no consideration whatever has been given to that matter.

MRS. FYFE: Mr. Chairman, on the same area of questioning. I wonder if the minister could advise if this task force committee will be receiving submissions from municipalities that may have a particular position to put forward. I think particularly of the small growth communities that are experiencing a squeeze at this time.

MR. MOORE: Mr. Chairman, I doubt that the committee itself will be specifically receiving recommendations from municipalities. But bear in mind that two members of the committee appointed by me or recommended by the Association of MDs and Counties and two by the Alberta Urban Municipalities Association, so four people on the committee are either members of the executive or very closely connected with those two municipal organizations which in turn solicit a great deal of opinion from their members as to what's appropriate and what's not. I would expect that the work of the committee will involve close consultation with the two associations which would provide the input the hon. member is referring to. As to public meetings or official representations being received by the committee from individual municipalities, I doubt that will occur. It should most properly occur through the two associations.

MRS. FYFE: One further question, Mr. Chairman. Can the minister advise whether the representatives from the Alberta Urban Municipalities Association represent small communities and the large areas? Does he have any information as to where they might come from?

MR. MOORE: Mr. Chairman, I would be pleased to respond to any member with a list of the people on the committee. All I can say is that one of the urban

members, who I happen to have been discussing some other matters with earlier this week, is the mayor of the city of Grande Prairie, who four years ago came from a small community, the same one, and is pretty familiar with small community problems.

Without any question others have concerns of small and large communities in mind. I think the committee is balanced very well between small, rural and urban communities and perhaps metropolitan areas, and that they'll be able to reflect the views of the cities of Edmonton and Calgary as well as all our other smaller municipalities.

DR. PAPROSKI: Thank you, Mr. Chairman. Further to a question I asked earlier in the afternoon in question period, I understand of course there is a rental rebate for seniors who occupy their own private suites. Seniors occupying a self-contained suite are subsidized to the extent that they only have to pay 25 per cent of their income. If the minister would just clarify further for the committee. As I understand it, they receive a \$500 rental rebate. Is there any contemplation that they will also get the extra \$500 to make it \$1,000 like the one in the private suite?

In addition to that, Mr. Chairman, recognizing that the municipal interest rate reduction subsidy for municipalities has increased 119 per cent to \$43 million, of course the unconditional grants are \$78.9 million, the property tax reduction plan is increased some 33.9 per cent, and the rental rebate is \$20.5 million, I just want to capsule that by asking one question about the previous municipal debt reduction plan which benefited so many municipalities across this province. Does the minister have information to indicate what has happened to that? Have the debts of most of the municipalities, in particular Edmonton and Calgary, been kept low as a result of that massive, one-shot infusion of money? Where are they now relative to where they were prior to the municipal debt reduction plan, especially Edmonton?

MR. MOORE: Mr. Chairman, on the first question relative to the renter benefits for senior citizens, we made a change a year ago to increase the benefits from \$500 to \$1,000 for senior citizens who were renting. We described it this way: non-subsidized accommodation, accommodation not subsidized by the government of Alberta in some other way. By that we generally mean private rental accommodation. Senior citizens' lodges and self-contained units, which are all built and paid for by this government, sometimes with assistance from the federal government, are providing rent to those individuals in most cases at considerably less than market. So we maintained that at \$500, and no consideration is now being given to increasing it.

With regard to the member's second question, it's extremely difficult at any time to get a fix on exactly what a municipality has in terms of its per capita debt when they get to be the size of the city of Edmonton, or compare that with the city of Calgary or some other municipality of a similar size. It's fair to say that the municipal debt reduction program wiped out most of the municipal debt in this province, and since that time, that there has been a fairly rapid accumulation of debt. But before one can make comparisons, one has to consider for what purpose the debt has been put in place.

For example, if you were comparing the city of Edmonton with some others, you would not want to include the debentures they might have sought with re-

spect to capital improvements in the Edmonton telephone system, in the Edmonton power system, in the system of sewage disposal or water treatment that might pertain to sales of water or treatment of sewage for other municipalities. At the same time one would not want to compare a municipality that was its own residential land developer and had accumulated by way of debt a good inventory of residential lots, with some other community that had not accumulated a capital asset that had a resale value of that nature.

A lot of factors go into the per capita debt figure that I don't believe make it a totally fair comparison. One has to sort all those out. It's impossible for me to do that except at the end of a municipality's budget year, when we know what they have put in place in terms of debt. I'm in the process of doing that now for the 1980 calendar year, and as members would know a requirement in The Municipal Government Act is that all municipal governments report to the Department of Municipal Affairs with their annual budgets, the results of their last operating budget, and with audited statements at a certain time during each year.

I'm sorry to say that we've not had an opportunity yet to tabulate and, indeed, receive all those results. But in general, borrowings by municipal governments are going up quite rapidly. Some of that reflects the fact that the debt having been paid by the debt reduction program, they felt free to accumulate some more. There was indeed pressure from council members and, on many occasions from citizens who were represented by those members, to provide additional services and incur additional costs. Those have been some of the pressures brought to bear on local governments as well. I'm not alarmed yet at the extent of the increase in debt, but it bears careful watching to ensure that we don't have municipalities whose credit rating is not what most of them are today.

MR. MANDEVILLE: Just a supplementary question or maybe a little information, Mr. Chairman. With regard to residents of nursing homes, I asked the minister this afternoon if there was any intent to have them receive a portion of the renters' assistance. Some of our homes' rents are subsidized, like our lodges and self-contained suites. I agree with having a cut in renters' assistance to people who are in that type of homes and in low-cost housing. However, they also pay in the nursing homes. I think they've increased it to \$7 a day if you want a double room. I don't know what the figure is for a single room, but I think it's around \$10. So they are paying a portion.

If the residents in a lodge are subsidized to a certain degree, and they're getting \$500, I would like the minister to take a look at the residents in a nursing home and get that percentage. I don't know what the percentage should be, maybe \$200, but I would like the minister to take a look at giving some assistance in nursing homes, to the degree they do in the other subsidized accommodations.

MR. GOGO: Thank you, Mr. Chairman. I wanted to make a couple of points, first of all with regard to the senior citizens renters' assistance. I think it's an excellent program the way it is. I'm sure members of the committee are well aware of the policy of the government, that those in self-contained units in the province of Alberta pay 25 per cent of their income, which probably means about \$104 to \$105. Yet those in the private sector are faced not only with the economic rents of the private sector, but utility costs.

I think the policy change a year ago to increase that to

\$1,000 is very meaningful. I would be somewhat reluctant to narrow that gap between the two because I think there is great demand for people to get into the self-contained suites in Alberta. Reference was made by the Member for Bow Valley with regard to nursing homes and lodges, and the comparison between the two. In fairness, I think the fact that one comes under Hospitals and Medical Care is significantly different, and the fact that room and board are included.

With regard to debt reduction, Mr. Chairman, I had understood prior to the debt reduction program of \$1 billion, that about 17 per cent of ratepayers municipal taxation was going in interest, and to offset that was one of the prime motivations for the government. I would be interested if the minister would have some idea what the rates of municipal taxation would be in Alberta if cities couldn't borrow at 11 per cent under the municipal finance council. If they were paying 16 to 18 per cent, what on earth would the taxation in Alberta be to the home-owners then? Obviously it would be probably 70 or 80 per cent greater than it is. If he could comment on: if municipalities could not borrow from the municipal finance council at a preferred rate of 11 per cent what would the impact be on the ratepayer of a community?

The final comment, Mr. Chairman. As the minister is aware, the AUMA and MDs and counties, I believe, have approached government with regard to the tax collection question and supplementary requisition and the pros and cons of municipalities who really have no authority today other than by statute, to collect the demands of school boards. In many cases that's after the fact, after they've determined their municipal budgets. I'm sure members of the committee are well aware in their constituencies that we're constantly being asked if there is not some better way where public scrutiny can be involved with the amount of requisitions necessary to be raised by municipal authorities. I for one defend the right of school districts to do what they're doing; I'm not questioning that. But I do know that that matter is continually raised by local jurisdictions, as to whether or not there isn't a better way for collecting that revenue. I wonder if the minister would be prepared to comment on that.

Thank you.

MR. MOORE: Mr. Chairman, first of all, with respect to the costs incurred by persons staying in nursing homes, I have the greatest degree of sympathy for ensuring that people in nursing homes are able to provide whatever other amenities they need to provide themselves after having paid their daily allowance. If that's \$7 a day, as the member suggested, it's \$280 a month. I don't want to judge now whether that's adequate or right, but I do know that at least annually the Minister of Hospitals and Medical Care brings proposals to our cabinet to increase the amount of subsidy paid by the government to both private and public nursing homes. That subsidy is paid to ensure that the nursing home resident is able to pay the balance and still have enough funds left over for whatever needs they have.

It would be my view not to deter from the principle of making sure those citizens are looked after in an appropriate way. To extend the renter assistance program into that area would, in my view, be a duplication of a government subsidy that could better be provided by the Minister of Hospitals and Medical Care in terms of our increase in *per diem* financial support to both public and private nursing homes. I hope the member would have the opportunity to raise that again with the Minister of

Hospitals and Medical Care when those estimates are debated, if he believes, as I do, that that's the appropriate place for it.

I want to make these comments with regard to the comments of the hon. member from Lethbridge. First of all, members should think very carefully about this business of municipal financing. It's a little confusing. The Department of Municipal Affairs is not the Municipal Financing Corporation. The Minister of Municipal Affairs is not responsible for the Municipal Financing Corporation. The Municipal Financing Corporation was set up 25 years ago — and the Provincial Treasurer tabled the 25th annual report two or three weeks ago — by the government of Alberta of the day and municipal organizations who were interested in forming a Crown corporation to fund municipal entities. Today, in terms of a minister's responsibility, that operates under the purview of the Provincial Treasurer and an Act of the Legislature.

The Municipal Financing Corporation establishes rates that it lends to its member municipalities, of which there are about 350 in this province, including — in addition to, the 350 — school and hospital boards across the province, establishes a rate at which it lends that is equal to its rate of borrowing plus some small administrative cost. When I announced changes in the interest subsidy program on March 27, that rate was 14.25 per cent.

On top of that, as a result of a decision we took four or five years ago, the government of Alberta, through the Department of Municipal Affairs, subsidizes the borrowing rate that is established by a corporation that is really owned by its member municipalities. That subsidy brought the effective rate down to 9 per cent for the last fiscal year, down to 11 per cent for the fiscal year we're in now. Without the subsidy that shows as \$43 million in this budget, municipalities would pay that going rate, which happens to be a favorable rate because today they're borrowing all their funds from the Heritage Savings Trust Fund at a rate lower than if they had to go to the New York money market. The Provincial Treasurer has indicated there may be some necessity for some of our Crown corporations to be funded by other than the Heritage Savings Trust Fund during the current fiscal year. I just wanted to make that explanation.

The short answer to the question is that as of March 27, they would borrow at 14.25 per cent. But there is a second government program, implemented 25 years ago, that allows that kind of financing to occur, and a third government decision, if you like, that established the Heritage Savings Trust Fund, Alberta investment division, that allows the corporation to be funded as well as it is.

Finally, with regard to tax collections by school boards and municipalities, about a year ago I received a brief from the Urban Municipalities Association, and held a meeting with them, together with my colleague the Minister of Education, where the sole discussion was the subject of tax collections by municipalities on behalf of school boards. Their representation to us was that we ought to consider school boards being required to collect their own property taxes. We looked into that matter very, very carefully, did an extensive amount of study as to the implications, and finally concluded that there was no way to implement such a proposal without having a relatively expensive duplication of the tax collection systems which exist today.

So as an option, in the Department of Municipal Affairs we designed a dual tax notice that, in my belief,

clearly indicates to the person who receives it that there are two entities approaching them for payment of taxes, one being the municipality of Edmonton, the other being the Edmonton Public School Board, clearly outlining the percentage increase in each one's mill rates and requisitions for that particular year and clearly indicating what the purpose is. Some municipalities do a good job of indicating that on their tax notices today.

We sent that developed joint tax notice to the Urban Municipalities Association and the Association of MDs and Counties, who in turn distributed it to all their members. That occurred about six weeks ago. Since that time they've been receiving representation from across the province. In the main, that representation is positive to the idea that that kind of tax notice ought to be going out. Reservations have been expressed by some along the lines that they have a set-up computerized now that doesn't fit the form we're talking about, and others who say, the form you're talking about doesn't allow us to list the 100 properties; we can only list one.

The end result of all this is that when we've completed the review of comments by municipalities, we are going to undertake to make some modifications in the design we put out. I was hopeful it could be done this year, but it's too late now. I hope that by the fall of this year, when the associations meet for their annual meeting, I will have for them a revised standard property tax form that any municipality can use to send to their property tax payers that will clearly indicate school and municipal purposes are separate, indicate what the school authority is, perhaps who the trustees are in the case of the school and who the reeve or the mayor might be in the case of the municipal authority. There's a little message there too. Municipalities said, they know who the mayor is but they don't always know who the chairman of the school board is.

We will then provide from the Department of Municipal Affairs that tax notice, probably on a free basis in terms of just a printed form that is required by municipal governments. Then they will choose whether or not they want to use it. It won't be mandatory, but it will be there for municipal governments to use. I might add that I have a positive response to that proposal from the Alberta School Trustees' Association as well, and I think it will go a long way simply to clear up in the minds of taxpayers across this province where their property tax dollars are going.

MR. MANDEVILLE: Mr. Chairman, I'd like to say that I'm like the Member for Lethbridge West. I think the renters' assistance program is excellent. As I said, I think it's fair to work out a plan to treat all residents the same. However, the Member for Lethbridge West indicated that it should be under hospitals. Just a couple of months ago there was an increase to nursing home residents, so there's an indication to me that they're not being recognized as far as subsidies are concerned.

I look at someone staying in a senior citizens' self-contained suite. If their revenue is \$400 a month, their pension, they pay \$100 a month rent in some of our low-cost housing, and that's under the Minister of Housing and Public Works. Also in our senior citizen lodges, they get subsidized to a certain degree, and they also get the \$500. When they go from a lodge to a nursing home, with the increase they just got they're paying \$210 a month now, \$7 a day for 30 days, when they're only getting \$400 a month, the same as a senior citizen in a self-contained suite. So I think the minister has to take a

good look at why we forget to give them the subsidy when they get into the home, just because they go from a senior citizens' self-contained suite into the lodge, then into the home. If they go to the auxiliary hospital, the convalescent hospital, the active treatment hospital that the minister of health is in charge of, they don't pay anything. They're in there free.

I'm just saying that there's a gap in between for the residents of nursing homes that I'd certainly like the minister to take a good look at seeing whether — I don't know what the figure is. They should have a percentage of the renters' assistance because, in all our programs, they're the only ones who don't get any recognition. The convalescent, auxiliary, or active treatment hospital is free.

MR. DEPUTY CHAIRMAN: Does the Member for Lethbridge West have a supplementary?

MR. GOGO: Yes, Mr. Chairman. I just wanted to comment to the Minister of Municipal Affairs in his role as the minister responsible for Disaster Services in the province of Alberta — I didn't have an opportunity to do this in the Executive Council estimates. I wanted to pass on to the minister the very great appreciation by members from my constituency who experienced a disaster last year. I wanted publicly to thank the minister, as the man responsible for Disaster Services, for the very prompt attention paid to it by him and his staff. Thank you.

MRS. CHICHAK: Thank you, Mr. Chairman. I just want to comment with respect to the remarks the hon. Member for Bow Valley made with regard to subsidization of citizens in nursing homes. In that respect I really want to point out that the service being provided on a permanent, long-term basis in senior citizens' homes is very much different than in active treatment hospitals or in other senior citizen accommodation. Nursing care, therapeutic and recreational activities, and medications are totally provided. There's a very heavy subsidization.

Offhand I think it's in the area of \$26 per day or very close to that, so that really to say that there is a gap there — I really don't understand what the hon. member is indicating with respect to the gap, because if you wanted to compare the kind of support being provided to a citizen in one type of accommodation and a citizen in another, the gap is really the other way.

I recognize the points being made with regard to the kind of support being given under the Department of Municipal Affairs to citizens in various types of accommodation. If we want to look at the question of accommodation support — the point may already have been made while I stepped out of the House for a moment. Particularly with regard to those senior citizens in their own homes, although we now are giving a very heavy subsidy, the reports I'm getting back and I'm sure all hon. members are getting back from the seniors, is their ability to keep up with the rising property tax, irrespective of the kinds of support now being given by way of property tax reduction, for those in rented accommodation as well.

I think I raised the matter with the hon. Minister of Education insofar as where we might be able to give greater assistance, and that is in re-examining the kind of education support there is, those education costs that are now being charged on a regional basis for extra-curricular programs which perhaps could more properly be considered now and determined under the school foundation program. This is where I would like to see

perhaps a more consolidated approach between the Minister of Education and the Minister of Municipal Affairs, as to whether there can be any moving up of that timetable in that recognition.

With regard to nursing homes, I think we must recognize the very heavy kind of support being provided daily. If we compare the subsidy provided in Alberta and the cost directly to the patient in relation to that in Ontario, we would find that the citizens in Alberta are at an advantage.

MR. R. SPEAKER: Mr. Chairman, I've had a little time to assess what the minister said in the opening comments with regard to unconditional grants and the municipal debenture interest rebate program. I have to say that I believe the minister has been bushwhacked by the Provincial Treasurer. The people who have lost in this province are the municipalities. There has been a violation of some very basic principles. I think that's the way we have to look at this action that has gone on in setting up the budget.

I'd like to enumerate those principles. Number one, it is the responsibility of government to deal in an equitable manner with each municipality, county, and jurisdiction across this province. Money through grants, in this case unconditional assistance grants, must provide by formula, which is in place, equitable opportunity for finances to the operation of those local jurisdictions. All right. That principle of unconditional grants is adhered to.

Let's look at the second area, the interest rebate program. The interest rebate program is to assist municipalities in keeping interest costs down: acceptable principle. But the minister has indicated that the unconditional assistance grants are increased by 9 per cent, less than the inflation rate, and it shows in the budget. But the factor for compensation is that the interest rebate program has increased by just about 120 per cent, so that municipalities that lose by inflation under the unconditional grant system can pick up their loss through the interest rebate system. That's what the minister has said to us this evening in this Legislature.

What's wrong with that? There is an inequity. The municipalities or the counties of this province that borrow heavily, spend and go into debt, benefit most from the program. A municipality that budgets closely, is more conservative in nature, loses in the programs of this government that support the local municipality. So what kind of a philosophy is being given to municipalities across this province at present? It says: those of you who go into debt and spend lots of money will get greater benefits through the interest rebate program; municipalities that hold on to the purse a little tighter, are more conservative in nature, and do not go into great amounts of debt, you will get 9 per cent on your unconditional grants, and that's it; but if you really want some more, go back and get into debt. Mr. Chairman, that really says to the municipalities of this province that to get more finance or support from the provincial government, or to get your share or more than your share, get into debt. That's what it's saying.

The week after this Legislature started this year, in the first or second week of April, I had a letter from one of the counties of this province. After being at a meeting with other councillors, the point they were making to me was that the general feeling from municipalities and counties is that the government will come out with another \$1 billion to bail them out of debt. I said, where did that kind of attitude come from? Well, it's from the govern-

ment; they bailed us out of debt once, and they'll do it again, so let's get out there and borrow the money, get into debt, do our local things, and wait till the next election. They'll help us before the next election.

Mr. Chairman, the kind of budgeting we see here, the kinds of ground rules that were established tonight by the Minister of Municipal Affairs — who admitted here tonight that the way a municipality can increase its unconditional grant over the 9 per cent is to get more out of the interest rebate program; they'll benefit there, and that will compensate. Well, it doesn't talk about responsible budgeting. It talks about expansionary budgeting at the municipal level, completely in contradiction to the message the Provincial Treasurer tried to give to Albertans in the Budget Address, that we should lower expectations and cut expenditures at the local level. I think that message is lost in the way the grants and money are being designed, the way this budget is being designed, and the way assistance is being given to local governments.

I think it's incumbent upon the minister to explain those contradictions, because they are contradictions. The budget here for municipalities is not based on principles. It's not based on a principle that says, municipalities, you have some autonomy, but you also have some responsibility. The format established here is an incentive to go into debt and borrow so that they can get their equitable share.

Mr. Chairman, that's not good enough. If we want municipalities to be responsible and to lower expectations, as the Provincial Treasurer asked, then the design of the budget must be set up in that manner. It isn't in this case.

MR. BATIUK: Mr. Chairman, I don't want to belabor this, but I would like to go back to the renters' assistance. I think the Member for Edmonton Norwood was very close when she said that the government subsidizes to about \$26 per day in the nursing care. I can agree that the difference in the renters' assistance is quite reasonable: \$1,000 to those who rent private accommodations and only \$500 to the subsidized.

Mr. Chairman, I would like the minister to advise whether he is looking at those municipalities that are on a new assessment. At present senior citizens lodges receive a grant from the government of 50 per cent on anything above 2 mills that they put in for the senior citizens' lodges. I guess municipalities on the old municipal assessment would receive it, but those which have gone on the new one and went down from 125 mills to 30 mills, 1 mill raises that much money that it's going to absorb more than the first 2 mills. So they will not be getting any assistance whatsoever. I think this is becoming a concern to some municipalities that they will not be getting any assistance at all for the senior citizens' lodges, whereas those on the old assessment will.

MR. MOORE: Mr. Chairman, with respect to the additional comments made by the Member for Bow Valley and by the Member for Edmonton Norwood with respect to assistance to citizens in nursing homes, all I can say in addition to what I've already said is that I'll undertake to review the matter with the Minister of Hospitals and Medical Care. Again I would have to say that I hope members aren't encouraging us to have a duplication of programs.

On the issue of the anomalies that may or may not exist between an auxiliary hospital — and I appreciate the members' comments there — a nursing home, and a

senior citizens' self-contained unit or lodge, I'll undertake to review that with the Minister of Hospitals and Medical Care and ask him to be prepared to give the member a satisfactory answer when his estimates are before the House. That doesn't take me off the hook altogether, but it helps.

While I'm on that subject, the Member for Vegreville talked about the mill rate applications to senior citizens lodges, if I understood his comments correctly. While I could offer some comments there, the Minister of Housing and Public Works is responsible for the subsidization program with respect to lodge operations and the mill rate subsidy there. I expect that he would be able to elaborate in his estimates.

Finally, I don't have any problem with respect to justifying an almost 26 per cent increase in the Department of Municipal Affairs expenditures for assistance to municipal governments in this province. I think it's generous. The 9 per cent increase that has been provided on average across the board for unconditional municipal assistance grants is in line with the Provincial Treasurer's and the government's wage guidelines which were announced in December of this past year, effective for the present calendar year.

Quite frankly, Mr. Chairman, I believe that most municipalities in this province are making wise use of borrowed funds. I don't believe there are a lot of municipalities out there running hither and yon, borrowing money for unnecessary projects. Indeed, the Local Authorities Board keeps a reasonably good watch in ensuring that those borrowings are for municipal purposes that are required. From that point of view, it should be pointed out that municipalities in fast growth areas, that need to provide additional services to their citizens because of rapid growth in this province simply do have to borrow money from time to time for long-term capital projects. I think it's effective for us to provide a 9 per cent overall increase in municipal assistance grants and provide a very substantial amount of additional municipal relief by way of the rebates that we have with respect to interest rates.

If the hon. Leader of the Opposition has a philosophical difference from our point of view, the only thing that can be said is that he has to get himself in the same position that the Provincial Treasurer and I are in, and that's where you make the decision as to where you put the dollars. I never felt ambushed at all by the Provincial Treasurer. If every other government department had gotten a 25.6 per cent increase in their operating budgets, I imagine he would have felt ambushed. As it is, we were able to hold that overall operating budget to something in the order of about 17 per cent, I hope, or 18. At any rate, it's less than the increase in the budget of the Department of Municipal Affairs.

I was treated very generously. In turn, I've been able to treat the municipalities of this province in a fair way, I think, in terms of ensuring that they have some increase in their unconditional grant, but at the same time to reflect a concern about rising interest rates and provide the subsidy there.

MR. R. SPEAKER: Mr. Chairman, when I look at the minister's own vote, Vote 1, it's up 16 per cent. It seems like it needs that kind of expansion to meet the necessary needs to operate the minister's office and responsibility. I suppose municipalities could use a similar amount of money.

The point I would like the minister to provide informa-

tion on is with regard to the interest rebate program. Would the minister be able to provide us with a list, a breakdown of the amount of interest rebate given to municipalities in the past year? I'm sure the minister doesn't have that for the fiscal year 1981-82. But in the past year, firstly, could the minister provide that kind of list and, secondly, would the minister comment on whether all municipalities have a somewhat equitable interest rebate comparable to the equitable treatment they receive in the disbursing of unconditional grants to the various municipalities?

MR. MOORE: First of all, Mr. Chairman, I don't have with me a list of the interest rebates during the past fiscal year. I wouldn't imagine I would be able to furnish a list for the complete fiscal year until sometime later in this fiscal year, perhaps toward fall, but I could undertake to provide to the member the latest information with respect to what occurred during the last fiscal year in terms of our payments.

As has been indicated under Vote 2, the debenture interest rebate program was estimated during the last fiscal year at \$18 million. It's now forecast at \$19,570,000. I expect very shortly, if not now, we would have an update list of exactly where that \$19,570,000 is going with respect to various municipalities. Mr. Chairman, I undertake to provide that to the hon. member when I receive it or, if it's not up to date, to provide whatever we have as soon as possible.

With respect to whether the interest rebate is going in an equitable way or not, I'd have to say there are mainly rural municipalities in this province whose borrowing demands are much less than urban municipalities. One will find that MDs, counties, special areas, and improvement districts generally operate on a closer to cash basis than the rest of our municipalities, probably a closer to cash basis than the rest of us, and in that context are not receiving very many of the dollars that appear in this vote for interest assistance.

On the other hand, I know that some of the rural municipalities, being good managers as well, have invested their debt reduction funds in interest-bearing accounts that bring them more than what it costs to borrow from us, and indeed are borrowing while receiving interest payments on their funds. If we set up a program that allows them to do that, who am I to say they shouldn't do just that, and some of them do. But I remind the hon. member that per capita grants for support under the municipal assistance program vary a great deal. The major urban centres in this province are somewhere around \$28 to \$30 per capita for Edmonton and Calgary. There are some rural jurisdictions, who aren't borrowing very much money perhaps, whose per capita grants run as high as \$200. So through the formula as well, we try to adjust the assistance under the unconditional grant program to the needs of the particular municipality.

Finally, I repeat again that I think most of the municipalities who are borrowing and receiving this interest rebate are doing so recognizing that the money has to be paid back at a 9 or 11 per cent rate and are not out there wasting it. I said earlier that we continually have to express a concern to them about overspending, but my judgment thus far is that it doesn't demand any kind of action that the hon. member might be anticipating we should take.

Agreed to:

Vote 1 — Departmental Support Services

1.01 — Minister's Office	\$163,103
1.02 — Personnel	\$290,161
1.03 — Administrative Support	\$3,653,196
1.04 — Special Projects	\$370,449
1.05 — Assessment Equalization Board	\$406,369

MR. R. SPEAKER: Mr. Chairman, just before we go to the total, each of the estimates last year in this Vote 1 is less than the comparable forecast. I wonder if the minister could indicate why the underbudgeting occurred in each of those. Were there some special additions to the program or things that arose unexpectedly during that last fiscal year?

MR. MOORE: Is the member referring to the 1980-81 comparable estimates and then the comparable forecast?

Mr. Chairman, I'll deal first with the minister's office. I know that the largest part of that increase from the estimates to the forecast, \$10,000 is made up of additional wages paid in my office for secretarial staff who weren't on full-time staff and additional travel, largely by me. On the matter of personnel, I would have to do some further inquiring as to why that increase was incurred. Sorry, I have the increases with respect to the estimate for 1981-82. Some of it involves the government's decision there to fund deductions for pension and dental plan, which I expect have been dealt with by other ministers. We're dealing with something over \$150,000 in administrative support, out of about \$3 million. That's up 19.2 per cent on this year's estimate, largely because of increases in employer contributions and increases in the amount the government has to provide for pension deductions. That vote relates largely to staff.

I have to obtain additional information as to last year's estimates on probably the latter three parts of that, as opposed to the forecast for last year. I don't have that information with me. I have the information as to why this year's estimates have increased the amount they have with respect to last year's forecast.

MR. R. SPEAKER: The concern I had was the overexpenditure of the budget in 1980-81. When he's looking up the information, I'd like to ask the minister as well how the funds were supplied to take into consideration the overexpenditure or this forecast. I notice that in the special warrant list there is no special warrant to pay for these overexpenditures in all of those categories from 1.01 to 1.05. I'd like to know just where the money was coming from. Was it transferred from some other vote in the Department of Municipal Affairs, or is a special warrant — well, it can't be prepared now, but it has to come from somewhere. You can't create it out of thin air. Those two points are my main concern: one, why the increases and, two, where did the funds come from to fund those overexpenditures last year?

MR. MOORE: Mr. Chairman, if the member wants that information before we approve Vote 1, I'll have to ask that it be held, because I don't have it with me. Indeed the comparable forecast for 1980-81 is a forecast and may be inaccurate on May 12. I expect it was a forecast made in November or December.

No special warrants were connected with any section of Vote 1, so I assume that if there were some overexpenditures there it was by way of transfer, but you can't transfer from one vote to another. So likely the explanation is that the comparable forecast is inaccurate. But I

will have to check that out, Mr. Chairman, and if the member wants the vote held, fine. I simply do not have that information with me relating to last year's estimates.

MR. DEPUTY CHAIRMAN: Does the Leader of the Opposition wish the estimate to be held, or voted on and then information obtained later?

MR. R. SPEAKER: If we could hold Vote 1 and very quickly dispose of it tomorrow.

Agreed to:

2.1 — Unconditional Assistance Grants to Municipalities	\$78,914,447
2.2 — Municipal Debenture Interest Rebate Program	\$43,000,000
2.3 — Transitional Financial Assistance	\$200,000
Total Vote 2 — Financial Support for Municipal Programs	\$122,114,447
3.1 — Program Support	\$466,304
3.2 — Senior Citizen Renters Assistance	\$28,566,000
3.3 — Property Owner Tax Rebate	\$32,112,000
Total Vote 3 — Alberta Property Tax Reduction Plan — Rebates to Individuals	\$61,144,304

MR. BORSTAD: I have a couple of questions on grants to regional planning commissions, if the minister might respond. I believe all municipalities in the province are to have a municipal plan drawn up by a certain time, and then all regional planning commissions are to have a regional plan drawn up. Which vote does that come under, and how is that money allocated for those regional plans, or are just so many dollars allotted each year for whichever municipalities get in first?

MR. MOORE: Mr. Chairman, while I'm on my feet I may be able to answer the question of the hon. Leader of the Opposition with regard to Vote 1. I'm told that all the comparable forecasts in '80-81 which are higher than the estimates relate to salary costs and were covered by the salary contingency fund which comes under the Provincial Treasurer's budget, as I understand it, and automatically goes to departments in the event there's a salary overrun. It may not go automatically, but it goes somehow or other. That appears as a forecast that's higher than the estimates, but no special warrant was required because the funds came out of the Provincial Treasurer's salary contingency funds. If the Leader of the Opposition feels that additional information is required, I'll provide it, but that is the short answer and the complete answer, I guess.

If I could then go to Vote 4 and the questions of the hon. Member for Grande Prairie. The operational costs of regional planning commissions are provided for by several means. First, under a formula that is struck, every member municipality of a regional planning commission makes a contribution to the Alberta Planning Fund. Through this vote — and the member's correct in raising the matter here — the government of Alberta also makes a contribution directly to the Alberta Planning Fund. A formula is administered and developed by the Alberta Planning Board which pays out those funds that come from two sources to regional planning commissions for their work and, for certain purposes, to the municipal planning commissions. No funds are allocated specifically

by the Planning Board to develop a regional plan. Rather they're allocated to a regional planning commission on the basis of their submitted and approved budget for a particular year. If that particular year has in it an extra amount of work for the development of a regional plan, Mr. Chairman, that's taken into consideration.

In addition the Alberta Planning Board has additional funds remaining after the allocation to the regional planning commissions, to provide funds directly to municipalities for special planning projects that, again, are reviewed by the Alberta Planning Board and provided on the basis of the need shown. If the member has some concerns about the regional planning commission covering his area, the Peace River regional planning commission, and how they're funded, I'd be pleased to provide a copy of their latest budget, the contributions made from the Alberta Planning Fund, and how those dollars go into and out of the Planning Fund.

Agreed to:

4.1 — Grants to Regional Planning Commissions	\$6,827,680
4.2 — Co-ordination and Administration of Community Planning	\$3,331,622
Total Vote 4 — Support to Community Planning Services	\$10,159,302
 Vote 5 — Administrative and Technical Support to Municipalities	
5.1 — Program Support	\$726,542
5.2 — Administrative Assistance to Organized Municipalities	\$827,129
5.3 — Administration of Improvement Districts	\$4,866,470
5.4 — Administration of Special Areas	\$2,114,213

5.5 — Assessment Services

MR. MANDEVILLE: Mr. Chairman, just a quick question on assessment services with regard to the changes that were made in the assessment manual that increase the top assessment on farmland from 40 to 45 to \$260, I think, and where they're going to be assessing farm homes. Could the minister indicate if the municipalities and counties are presently making this assessment, or is it going to be done in the general assessment? I'm thinking more of the farm residence. Are they doing a spot assessment on these at the present time, or will more provisions be made for assessors to do this work?

MR. MOORE: Mr. Chairman, the system is going to work like this: we believe that in about three years we will have all rural municipalities converted to the new system, but that will depend on the availability of assessors and the urgency to move them all into that system. The answer is that we're not moving on a spot basis at all. We are converting the new system by taking municipalities which have the most urgent requirement to have the new assessment in place. The one I can think of is the MD of Rocky View which has now completed an assessment based on the new formula we have introduced. My understanding is that what occurred in terms of the dollars that need to be paid is working out reasonably well there, considering they hadn't had a general assessment for some 12 years.

We're doing those first and putting them on the roll in their brand new assessments. Other municipalities have

had a general reassessment within the last two or three years, where we can move some assessors in and do an update of that general assessment that might have occurred, say, in 1979, and call it a new assessment, if you like, bringing the land values up and assessing farm homes over the certain level of value. For others whose assessment is more than two or three years old, we are simply waiting until we have an opportunity to do a complete new assessment in that municipality, and we're putting a heavy emphasis on getting enough people, to get them all updated to do that job. I'll make a note to provide the hon. member and any others who are interested with a rough schedule of municipalities and the time frame at which we expect to complete this job.

MR. R. SPEAKER: Mr. Chairman, is there some problem with regard to assessors at the present time? Some information brought to my attention is that there is a high turnover of assessors and expertise in the field is rather short at the present time.

MR. MOORE: There really isn't a big problem. Bear in mind that the Department of Municipal Affairs is the training ground for assessors. In fact we have a training program, an assessment training division. So we train people and expect to retain them, but a number of other people in Alberta utilize and need assessors and, contrary to what some in the private sector say, the government is always struggling to keep salaries up so that we're not losing good people to the private sector. There's a normal sort of problem there, but nothing has at least been brought to my attention that's alarming.

There is a problem with the physical load of doing assessment. It's well and good for me to have brought into this Legislature a change in rural assessment that requires reassessing every rural parcel of land in Alberta over a period of two or three years, but bear in mind that some, like the MD of Rocky View, haven't been reassessed for 12 years; others have been given my approval to go beyond the eight-year mandatory requirement for new assessment. So we're putting on a push to get assessment work done.

Just the very fact that the province is growing so rapidly — the cities of Edmonton and Calgary and others which do all their own assessing are requiring more and more assessors every year. One of the reasons is that a few years ago they used to leave the spot assessment business longer than they should have, and they were losing assessment. They've now learned that it's better to employ enough assessors to make sure you don't miss any new buildings or additions to them. So they're requiring more and more.

The total demand for assessors has been significant. My information is that we're keeping up with it, though. The positions allocated in this budget for assessment services last year and again this year are beyond the normal for the department or for any other government department. My understanding is that we've been able to fill them reasonably well.

MR. MANDEVILLE: Just one quick question. If the minister would get out a schedule on that, I'd certainly appreciate it as a member of the Legislature.

Has the minister looked at any possibility or method of keeping assessments updated? Now they wait seven years, then have a general assessment. Do any other areas have an assessment that could be done at the municipal level and an update kept as time goes on, instead of going on

for long periods of time, in some cases up to eight or 10 years, before they get their general assessment?

MR. MOORE: Mr. Chairman, I've made several speeches on that matter, some quite detailed and long, mostly to my staff and the municipalities I've talked to across the province. Very simply, the old style of going out and putting a spade in every quarter section every eight years to see if the soil had changed doesn't serve us very well when we have aerial photography and all kinds of records with respect to development permits, and you name it, that will allow us to know what has changed on a piece on a piece of property that might require us to examine it physically for reassessment.

Indeed, my understanding is that last year we assessed much of the special areas by aerial photography. We were able to determine whether or not there had been any change in terms of buildings on the land, cultivation, or that type of thing, and had only a very few assessors do that very large area in a short time. They may have been thinking of this before I started talking to them; I'm sure they were.

The situation is improving, and the facts are that we in this province shouldn't simply make an assessment and say, we don't need to do anything for eight years. By way of the systems in place, we should make sure that that assessment is updated every year," that new assessment is brought on, and that improvements are brought into the system so at the end of eight years you don't have a dramatic upheaval when you do a reassessment; you simply have a general review of where you're at. But it should be kept up to date.

Mr. Chairman, to the hon. member. My aim as minister is to ensure that the assessment system is current year by year and doesn't get as outdated as it has been in the past.

Agreed to:	
5.5 — Assessment Services	\$9,304,998
Total Vote 5 — Administrative and Technical Support to Municipalities	\$17,839,352
Total Vote 6 — Regulatory Boards	\$1,366,638
Total Vote 7 — Co-ordination of Northeast Alberta Programs	\$500,000

MR. DEPUTY CHAIRMAN: We'll go back to Vote 1. I understand the Leader of the Opposition is satisfied with the minister's answer.

Agreed to:	
Total Vote 1 — Departmental Support Services	\$4,883,278

MR. R. SPEAKER: Mr. Chairman, before we approve the department total, I'd like to ask the minister whether any potential special warrants will be necessary, in addition to this budget, in the coming fiscal year. Last year between \$6 million and \$7 million in special warrants was required by the department. I wonder if the minister could indicate if any is forecast for this coming fiscal year.

MR. MOORE: Mr. Chairman, perhaps I could just outline for the member the two or three potential areas that could attract a special warrant due to circumstances really beyond my control.

The first is the municipal debenture interest rebate program. We've estimated the requirements there at \$43 million, but I hope the member appreciates that that depends on the level of interest rate charged by the Municipal Financing Corporation. As I explained the other day, we've made a commitment to keep the municipalities' effective rate at a certain level.

The second area where there could possibly be a need for additional funds — and there was last year in both cases — is senior citizen renters' assistance and property owner tax rebate, both in Vote 3. We know the dollar figure there in terms of the rebate we want to provide each individual, but we don't know how many individuals there are. We do our best to estimate as accurately as we can how many people are going to come forward for renter assistance rebates, but we don't know. By the nature of the program, we're obligated to provide the funds.

So those are two other areas where it certainly isn't my intention to suggest there's going to be a special warrant, but it's beyond our control to know how many applications there are. They're not programs that have any dollar lid on them. Those are the only areas where one could expect there may be special warrants because of the difficulty in accurately estimating.

Beyond that, I can only say that the government does use the vehicle of special warrants in cases where that fits. If things occur with respect to requirements for funds in my department that we feel are of such a nature that justify a special warrant, I wouldn't hesitate in asking Executive Council and the Provincial Treasurer to approve them. Aside from those three areas, it's certainly not my intention today that there should be any special warrants in Municipal Affairs.

Agreed to:	
Department Total	\$218,007,321

MR. MOORE: Mr. Chairman, I move that the vote be reported.

[Motion carried]

MR. CRAWFORD: Mr. Chairman, I move that the committee rise, report progress, and ask leave to sit again.

[Motion carried]

[Mr. Speaker in the Chair]

MR. PURDY: Mr. Speaker, the Committee of Supply has had under consideration certain resolutions, reports progress, and requests leave to sit again:

Resolved that for the fiscal year ending March 31, 1982, sums not exceeding the following be granted to Her Majesty for the Department of Economic Development: \$12,803,665.

The Department of Municipal Affairs: \$4,883,278 for departmental support services, \$122,114,447 for financial support to municipal programs, \$61,144,304 for the Alberta property tax reduction plan — rebates to individuals, \$10,159,302 for support to community planning services, \$17,839,352 for administrative and technical support to municipalities, \$1,366,638 for regulatory boards, \$500,000 for co-ordination of northeast Alberta programs.

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

the Department of the Solicitor General and, after that, Environment. I could indicate that it is proposed that the House sit on Thursday night as well.

HON. MEMBERS: Agreed.

MR. CRAWFORD: Mr. Speaker, in Committee of Supply tomorrow, the next department to be called will be

[At 10:41 p.m., on motion, the House adjourned to Wednesday at 2:30 p.m.]

