

LEGISLATIVE ASSEMBLY OF ALBERTATitle: **Friday, July 25, 1986 10:00 a.m.**

[The House met at 10 a.m.]

PRAYERS

[Mr. Speaker in the Chair]

head: **INTRODUCTION OF BILLS****Bill Pr. 12
The St. John's Institute
Amendment Act, 1986**

MR. WRIGHT: Mr. Speaker, I beg leave to introduce Bill Pr. 12, The St. John's Institute Amendment Act, 1986.

Mr. Speaker, the purpose of this Bill is to extend the previously granted property tax exemption relating to property in the city of Edmonton and to exempt from municipal taxation certain other lands of the institute which have been acquired since the original Act was passed.

[Leave granted; Bill Pr. 12 read a first time]

**Bill Pr. 9
Galt Scholarship Fund Act**

MR. GOGO: Mr. Speaker, I beg leave to introduce Bill Pr. 9, the Galt Scholarship Fund Act.

Mr. Speaker, the purpose of this Bill is to constitute a new fund that will provide wider uses for money presently held in a trust with narrow purposes.

[Leave granted; Bill Pr. 9 read a first time]

**Bill 228
Alberta Lands
Inventory and Protection Act**

MR. FOX: Mr. Speaker, I request leave to introduce Bill 228, the Alberta Lands Inventory and Protection Act.

This Bill would establish a commission charged with undertaking the creation of an inventory of all land in Alberta categorized according to its agricultural capability and thereafter charged with the designation of a series of land reserves. The most important effect of these reserves would be the preservation in perpetuity of agricultural land for agricultural purposes.

[Leave granted; Bill 228 read a first time]

head: **TABLING RETURNS AND REPORTS**

MR. ANDERSON: Mr. Speaker, I'm pleased to table Alberta's contribution to the Final Report of the Federal/Provincial/Territorial Working Group on Wife Battering, established by the ministers responsible for the status of women.

DR. ELLIOTT: Mr. Speaker, I wish to file with the House two reports, the Utilization of Hardwoods in Northern Alberta, and the Challenge North report, with its two backup documents, Northern Alberta Today and Economic Development Opportunities in Northern Alberta.

head: **INTRODUCTION OF SPECIAL GUESTS**

MS BARRETT: Mr. Speaker, today I'd like to introduce to you, and through you to members of the Assembly, some visitors seated in your gallery. They are Mr. Dwain Lingenfelter, his wife, Marie; his daughter, Sasha; and his son, Matthew.

Mr. Lingenfelter is actually my counterpart in Saskatchewan. He is the Opposition House Leader with the New Democratic Official Opposition, and I might speculate soon to be the Government House Leader, I hope. Please welcome them.

MR. HERON: Mr. Speaker, yesterday I had the distinct privilege of attending a cultural exchange between the aboriginal people of Alberta and the aboriginal people of New Zealand and to watch the beautiful Wellington tribe dancers. I also participated in an honour dance with our White Robe dancers and this tribe.

I would like at this time to introduce to you, and through you to members of this Assembly, Bill Nathan, the president of the Ngati Poneke Young Maori Club from Wellington, New Zealand, his lovely wife, Donas, and his striking son Tane. I would ask that this Assembly join with me in welcoming these guests who are situated in the public gallery.

MR. SPEAKER: Members, at this moment, I know it's not under the heading of introduction of guests, but I'm sure all members of the Assembly join me in extending our condolences and best wishes to the Member for Clover Bar with respect to the death of his father yesterday. We assure him of our prayers and our concern.

head: **MINISTERIAL STATEMENTS****Alberta Public Safety Services**

MR. KOWALSKI: Mr. Speaker, I'm pleased to advise that the government of Alberta is instituting a major assistance program to aid in all aspects of cleanup and recovery from the recent flooding of the river systems in north-central Alberta. To ensure that assistance is as effective as possible, existing programs which have the management, control, and technical experts in place will be used to the fullest extent practicable.

During the crisis, which has not yet abated, ministers of government, MLAs, and government officials frequently visited and kept in close touch with the residents and local officials of the affected areas to ensure that public safety was protected and damage minimized as far as was humanly possible. However, widespread damage and disruption has occurred which affect all aspects of everyday life along the tributaries and major river systems of north-central Alberta, especially the Medicine, Blindman, North Saskatchewan, Paddle, Swan, Pembina, McLeod, and Athabasca Rivers.

Municipal authorities are requested to identify and estimate damage to both public and private property. Cleanup and restoration operations in their areas of jurisdiction should

be commenced promptly. They should maintain accurate records of all expenses and costs related to emergency management operations and recovery and cleanup and restoration to preflooding conditions. These incremental municipal costs will normally be eligible for full reimbursement from the provincial government's disaster assistance program.

In order to accurately assess and appraise damage to private property, Alberta Public Safety Services will assist municipalities to register individuals' damage and loss. A list of the registration centres and the date of their operation will be made available on Monday by Alberta Public Safety Services. These will be advertised in the local newspapers. Application forms, details of the assistance program, and other information will be available at the registration centres. Everything possible will be done to provide assistance grants to individuals as rapidly as possible. Conclusion of this matter is a priority with the government of Alberta.

Details of the comprehensive recovery program will be made available over the next several days, but in broad outline it will encompass virtually every aspect of the damages caused by the flood and will include but not be limited to:

- Disaster payment for full crop losses will be made on the basis of \$75 per acre. This disaster payment will supplement hail and crop insurance coverage and provide spot loss assistance. Drowned-out pastureland assistance will be paid on the basis of \$20 per acre.
- The provision of assistance for the restoration of loss and damage to private property, including debris and general cleanup, residential dwellings, agricultural buildings, fencelines, small business operations, and all other essential but uninsurable equipment and facilities. A \$1,000 deductible amount will be applied, and payments will be based on 80 percent of the eligible appraised balance. Where items should be disposed of because of health or safety hazards before they have been seen by an appraiser, they should be listed, described, and photographed in location.

Assistance will be provided for the restoration of the road network; the repair, restoration, and reclamation of erosion damage and silt deposits; the restoration and cleanup of water channels and drainage systems; the complete restoration of municipal utilities and small utility co-operatives. Assistance will be provided by public health officials in the testing and certification of public and private water systems. Finally, Mr. Speaker, technical advice and assistance, including appraisers, will be made available to municipalities and individuals on any and all aspects of restoration and recovery operations.

With respect to the \$1,000 deductible amount for private property, the government will provide the same compassionate interpretation for the residents of rural Alberta as was outlined yesterday for the affected residents of Edmonton. Letters will be sent to all affected local authorities today outlining the recovery and assistance programs. In addition, regional offices of government departments are contacting municipalities to help identify and appraise damage.

It is important that everyone is aware that responsibility for identifying and estimating loss and damage and for initiating cleanup operations rests with the individual and municipal authorities. The provincial government will reimburse these necessary costs, provide technical assistance and advice, and additional resources where requested. The federal government has agreed to share the costs of emergency

management operations and recovery assistance under the disaster financial assistance arrangements. The government and people of Alberta are grateful for the co-operation of the federal authority.

By working together, Mr. Speaker, sharing information, and being sensitive and responsive to the needs of the affected people and communities, we are confident the damaged areas of Alberta can be restored quickly and effectively.

Thank you.

MR. MARTIN: Mr. Speaker, I'm standing to reply to the ministerial statement. I hope this doesn't become a habit, but I'd again like to compliment the minister for a good response. In terms of this tragedy, I think people wanted a quick response from the government, and they're getting it in both urban and rural.

I notice that assistance will be provided for the repair, restoration, and reclamation of erosion damage and silt deposits. I'd be interested and looking forward to the long term, because obviously hay crops and these sorts of things could go on for a couple or three years. I would hope that that would be covered, and it seems to me that it is in the announcement.

I would again say the same thing about the \$1,000 deductible. I appreciate that the Premier has directed the minister be compassionate, and he will be. I hope it doesn't cost us more than just waiving it totally. The other point I would make to the minister — I think it's an important one, Mr. Speaker — is that funds be advanced as quickly as possible, because the uncertainty can be a problem. I hope that when they have the damage, those funds are directed quickly in both rural and urban areas.

If that's done in this case, I again have to compliment the minister on a job well done.

head: ORAL QUESTION PERIOD

Securities Commission

MR. MARTIN: Mr. Speaker, I'd like to direct the first question to the Minister of Consumer and Corporate Affairs. The Securities Commission is in the midst of another mess involving prospectus approvals, in this case Audit Resources. My question to the minister: since joining Executive Council, has the minister sat down with the Chair of the Securities Commission to find out what improvements have been made in immediately checking information for accuracy before prospectuses are approved?

MISS McCOY: Mr. Speaker, once again the member opposite is prefacing his remarks with conclusions and representations which have not been substantiated. In answer to his question, I have of course consulted with the chairman of the Securities Commission on an ongoing basis. Let me say that from my information the staff at the Securities Commission and the commission itself have been doing their job in a most timely and expeditious manner.

MR. MARTIN: Your information is different from the rest of the people of Alberta, Mr. Speaker. Specifically, let me ask this of the minister: has she reviewed with the commission why they would ever have developed a policy that these blind pool companies need not set some of their shares aside in escrow in order to protect investors?

MISS McCOY: Mr. Speaker, sometime in 1985 the Securities Commission approved a new policy which has to do with blind pools, as they are sometimes referred to. This is a manner of capital formation whereby a company will proceed to be listed on a stock exchange. It will describe the principals of the company and the business intentions of the company before it is listed and the stocks are traded on the exchange. Of course, at that point the exchange rules also apply.

Just for the information of the member who is asking the questions, it may be that he is unaware that the Alberta Stock Exchange is an organization comprised of 41 members, all of whom are private investment dealers. They are a self-regulating organization, and they do control the trading on the floor of the exchange. A few weeks ago the staff of the Securities Commission brought an application before the commission. The application was asking for a change in the policy with respect to one or more applications for prospectus clearances. That is to say, the principals of an issuing company hold their shares in escrow.

I might again state simply for information that escrow indicates that the shares are held without selling them for some period of time so that the principals of the company who have initially taken shares undertake not to sell them for whatever period of time. Mr. Speaker, I should be very clear that the draft policy, which will be instituted for new clearances at least, states that these shares will be held in escrow and released on a sort of staged basis, some percentage in the first year, some percentage in the second, some percentage in the third, some percentage in the fourth, and some percentage in the fifth.

MR. SPEAKER: Thank you. I think perhaps enough has been said.

MR. MARTIN: I guess that's why they call it a blind pool. My third question to the minister is following on the government's policy statement of last October that I have in front of me concerning the Alberta capital market. More brokerage syndicates and innovations such as blind pools were encouraged as a matter of policy. My question to the minister is: can she assure the Assembly that she will sit down with the Chair of the Securities Commission and urge that absolutely firm policing mechanisms are in place before schemes such as blind pools are permitted?

MISS McCOY: Mr. Speaker, I again think the thrust of the question is not with the understanding of the nature of the capital markets.

MR. TAYLOR: Look at all the high rollers over there.

MISS McCOY: You should know, Nick.

There is a stock exchange in Alberta, and that is a simple organization which facilitates the exchange between a purchaser of securities and a seller of securities. The buyer and the seller make a deal. They make a deal based on information that is available to both of them. The deal is a private deal. The purchaser has the responsibility to make up his or her own mind whether to purchase securities.

The exchange rules insist that information be available to the purchaser such that a proper and informed decision can be made. Having said that, the risk the purchaser is willing to take is up to the purchaser.

I might say, Mr. Speaker, that I recommend to the members opposite a document which has been in circulation

and is on file in the Legislature Library. The name of it is 2000 A.D. It is, in fairly simple language, a description of one's investment options on a generic basis, and it might assist if they were to read it.

MR. MARTIN: It's hard to have a follow-up on that 2000 A.D. and all the answers. We're just trying to find out if the information given to investors is the truth. That's the problem we're talking about.

My supplementary is to the Acting Premier, wherever you are. I'm not sure who it is. Is it you? Thank you. To the Treasurer, the Acting Premier, it's part of his department, if I may say so. This kind of mess and publicity does nothing for investor confidence in this province, and it makes it less likely that Alberta will become the sort of financial centre the government says it wants it to be. My question: in an effort to bolster investor security and confidence, will the minister order a thorough, independent inquiry into the practices of the Securities Commission?

MR. JOHNSTON: Mr. Speaker, I think that over the past two days the hon. Minister of Consumer and Corporate Affairs has given a clear statement of the concern this government has with respect to the operation of the Securities Commission and has indicated that at the present time she is reviewing guidelines and the way in which that entity will operate. It should be stated, Mr. Speaker, that because the Securities Commission is in place, it has in fact been able to reveal the kinds of transactions which have been referred to today. That in itself must be some measure of the success of that entity.

I can assure the Leader of the Opposition that I will convey to the Premier his demand for an investigation, which he has so clearly put forward. But I think it's only fair to note to the people of Alberta that there is a great deal of safety in the current fundamental structure of the Securities Commission as it now operates in this province.

MR. MITCHELL: Mr. Speaker, my question is to the Minister of Consumer and Corporate Affairs. It's the responsibility of securities commissions to enforce orderly market policies. It's the responsibility of governments to establish those policies. What is the policy of this government in ensuring orderly markets in the Alberta securities markets when the Audit Resources shares were permitted to skyrocket from 5 cents to \$8 in less than three months without any review and any apparent underlying value establishing that \$8 share value?

MISS McCOY: The member opposite has raised several very good questions. Let me take them in reverse order. He has stated value. Value is that which a purchaser and a buyer will place on an exchange.

MR. TAYLOR: Suppose they're the same ones?

MISS McCOY: Then there's no deal.

Secondly, the Alberta Stock Exchange and the Securities Commission are indeed always monitoring the trading activities of a stock on the exchange floor, and it is my information that they have been doing that from the start. Thirdly, these sorts of stocks are known as junior stocks. Everyone knows they are volatile. There is nothing inherently wrong with an increase on the exchange of value for a share. Finally, the role of the Securities Commission is most assuredly to ensure that accurate and sufficient infor-

mation is available from the seller to the purchaser. That is what is happening right at the moment.

Investigations are being carried out right at this moment and in a timely fashion. As soon as the authorities, the commission and the exchange, were aware that there might be some insufficiency of information, they acted immediately. Investigations are being carried out right now.

DR. BUCK: Mr. Speaker, to the hon. minister of consumer affairs. As the hon. Member for Edmonton Meadowlark asked, was there a red flag put up when this share started trading so dramatically? I guess that was basically the question. What is the government's policy? Are there guidelines to alert the minister's department and the Securities Commission when a stock becomes so volatile? What are the guidelines?

MISS McCOY: Again, the member is suggesting that there is something inherently wrong with a volatile market. The Alberta Stock Exchange, which is a self-regulating body, watches the market on a daily basis as a matter of course. So does the Securities Commission. But insofar as any indication of skulduggery or unusual behaviour is concerned, they will take action when they perceive there is some indication to do so. In the meantime, those who are trading on the floor of the exchange and those clients of those floor traders that are giving them the buy and sell orders are well aware of the nature of that stock, and they are well aware of the nature of the exchange. They are acting as fully informed, freely transacting individuals.

MR. MARTIN: That sounds like freely consenting individuals.

Health Care Insurance Premiums

MR. MARTIN: Mr. Speaker, I'd like to direct my second set of questions to the Minister of Hospitals and Medical Care. It flows from yesterday when the minister said that we're going to have higher health care premiums. Could the minister confirm that one of the major reasons for the higher premiums has to do with adding to provincial revenue pending federal transfer payment reductions? My question is: isn't this the real reason, since there's no proof higher premiums will reduce overuse of this system?

MR. M. MOORE: First of all, Mr. Speaker, the Leader of the Opposition is entirely incorrect in suggesting that I said there were going to be higher medicare premiums. I never said anything of the kind. I said there are several options that present themselves to the government providing enough funds for the health care system, one of which was an increase in premiums or a tying of the premiums to a percentage of the health care costs under the health care insurance plan. Mr. Speaker, there has been no decision whatever made with regard to health care premiums. When it is made, the hon. leader will be so informed.

MR. MARTIN: That's certainly a different sort of attitude from the minister than yesterday, Mr. Speaker. Let me ask the minister ...

MR. M. MOORE: On a point of order. The facts of the matter are contained in *Hansard* from both last Monday and yesterday. I never at any time said that we were going

to raise premiums; neither did the Premier or the Provincial Treasurer.

MR. MARTIN: I said "contemplated." but don't be defensive, Marv. You'll get your chance.

Mr. Speaker, let me ask the minister. I believe he did say, and I'm sure he will let me know if I'm misquoting him, that it was common knowledge that costs go up when premiums are not related to health care costs. To follow up on that: what investigation has the minister done regarding the working of this economic principle in most provinces in Canada which have no premiums for health care insurance?

MR. M. MOORE: Mr. Speaker, the hon. member might refer himself to a report which was just released this past week in the province of Quebec relating to the direct relationship between utilization of the system and individuals paying for some of that utilization out of their own pockets.

Really, Mr. Speaker, the hon. member is engaging in a debate with respect to political and ideological beliefs, if you like. The facts of the matter are that the hon. Leader of the Opposition, as I indicated yesterday, believes that if the state pays for everything and taxes and taxes, all will be rosy. I happen to be of the belief that the more direct payments people make for services provided, the more responsible they will be toward the use of that service. That debate took place over the course of the period from April 8 to May 8, and the last time I looked, a good majority of the people in this province believed that the direction we're going in is an appropriate one. [some applause]

MR. MARTIN: Let the backbenchers pound. I'm sure the people of Alberta will love paying higher medicare premiums. Mr. Speaker, it's this government that's raising the taxes. The minister said in *Hansard* on Thursday that they were contemplating it. [interjections]

MR. SPEAKER: Excuse me, hon. members of the Assembly. The Chair is really reluctant to have to invoke Standing Order 13(4)(b), but perhaps all members would care to make reference to that with respect to the growing frequency of interruptions and heckling during question period. It's quite fine for one or two voices, but this is turning into much more of a shouting match across the House.

Hon. Leader of the Opposition, please continue.

MR. MARTIN: Mr. Speaker, I appreciate that. I won't shout across the House.

Mr. Speaker, we are going to lose a lot of money because we won't join other provinces in a fight with your kissing cousins in Ottawa over the transfer cutbacks. It's a significant amount of money that we will be losing, \$530 million I believe. Will the minister agree to pursue this idea vigorously before giving any more consideration to increasing health care premiums?

MR. M. MOORE: Perhaps the Leader of the Opposition could explain what he's referring to. Insofar as the moneys which are being withheld by Ottawa with respect to the Canada Health Act, the amounts thus far are somewhere in the range of about \$27 million to \$28 million and will total about \$36 million at the end of the three-year period. I don't know what other matters relate to health care are being withheld. Perhaps the leader could clarify or ask his question of the Provincial Treasurer.

MR. MARTIN: I was not talking about extra billing; I was talking about transfer payments, Mr. Speaker.

MR. SPEAKER: Forgive me, hon. Leader of the Opposition. My scorecard shows the main question plus three supplementaries have expired.

MR. MARTIN: He asked for clarification.

MR. SPEAKER: A very brief clarification but not a question.

MR. MARTIN: No, it's only two, Mr. Speaker.

MR. SPEAKER: Table officers, what's the score? Two? Thank you. You're right; I'm wrong.

MR. MARTIN: Rather than explain to the minister what transfer payments are, I won't use up my question. The minister is talking about considering tying the premiums to a utilization rate. I don't think I'm misquoting him at all. Could the minister indicate to the Assembly what the premiums would be for an individual and a family if he tied it to the 50 percent rate that he was talking about?

MR. M. MOORE: Mr. Speaker, last Monday afternoon during my estimates and again yesterday during question period we considered that. As a matter of fact, I tabled a report some time ago that indicates and the estimates indicate the total amount of funds required for the health care insurance plan during this fiscal year. They also indicate the amount of the premiums being charged. Basically, it's summed up this way — I don't have the figures in front of me. Just under \$700 million is the cost of the health care insurance plan. Of that amount about \$204 million is raised through premiums.

As a matter of fact, 29.8 percent of the costs of the health care insurance plan are paid for by premiums, and those premiums are now at the rate of \$14 per month for individuals and \$28 per month for families, with all those persons over 65 years of age being exempted entirely from premiums and other persons, depending upon their incomes, being exempted in whole or in part because they are lower-income families or individuals. No one pays health care premiums in this province who is below any so-called poverty line, and our senior citizens don't pay them either.

So the hon. member can use the figures to figure out for himself what would happen if the health care insurance premiums paid 100 percent of the costs. I don't know of any other insurance program where only 30 percent of the costs are paid for by insurance premiums. All I was suggesting is that it may be very useful to consider tying the insurance premiums to the overall cost of the health care insurance plan so that individuals would know at the end of the year or at the beginning of a new year that if the premiums went up 10 percent, it would be because the utilization or the doctors' fees or a combination of both went up that much.

I might add in conclusion, Mr. Speaker, that a lot of people have said to me over the course of the last 24 hours that it's time we did something like that so people would know the real, true cost. I might also add that not one of them that I know of was a member of the hon. leader's party.

DR. BUCK: Mr. Speaker, there were points of order, points of privilege, and this is a point of practicality. Can the

minister speak into the microphone? Maybe we would not misunderstand him.

MR. SPEAKER: A point well taken for all members. With the sound system, please speak into the microphone. The Speaker has the same problem himself.

Member for Calgary Buffalo, a supplementary.

MR. CHUMIR: Mr. Speaker, I was wondering whether the minister has any figures to show that there was a lower per capita usage of medicare back in the good old days when premiums were up at the 50 percent level than there is now when they're down at the very low 30 percent level, at least low in the minister's point of view?

MR. M. MOORE: Yes, as a matter of fact we do, Mr. Speaker. The utilization rate in 1970 was substantially less than it is today. I don't think one could attribute all of that, though, to premiums, but it is substantially less. Those figures are again contained in the annual reports of the health care insurance plan.

DR. BUCK: Mr. Speaker, a supplementary question to the minister. In light of the rumours of increased premiums, the concerns I have from constituents are that there may be a cutback in services from different auxiliary groups, physiotherapists, chiropractors, et cetera. Can the minister assure the people of this province that there will be no cutback in services from these other groups?

MR. M. MOORE: For the longer term I can't assure anyone of anything, but I can say this with respect to the present negotiations which are going on between myself and the Alberta Medical Association: we are not discussing services provided by other professions; in other words, the chiropractors, the physiotherapists, and those who are outside the Alberta Medical Association and outside the Canada Health Act when it comes to extra billing. They are not the subject of any discussions which are presently going on with the AMA. At the present time I have no intention of removing any of those services from the health care plan.

The only thing that's under discussion, which I've indicated in this House earlier, are those purely cosmetic procedures, largely involving plastic surgery, which are not medically required. I might add there are from \$3 million to \$4 million worth of those services provided on an average year in this province that are entirely outside anything that could be considered medically required and are paid for by the Alberta health care insurance plan. I've said to the Alberta Medical Association that it may very well be that those dollars should be put into improving the fee that's charged for maternity and some other things that are very essential.

DR. CASSIN: A supplementary to the minister of health. Would he consider implementing the recommendations of the Quebec task force which is suggesting that health services be a taxable benefit? It is estimated that it would generate some \$217 million in that province to help offset the rapid and marked increase in health services.

MR. M. MOORE: Mr. Speaker, perhaps I should refer that question to the hon. Provincial Treasurer. When we've concluded our arrangements with respect to getting our money refunded from Ottawa with respect to the Canada Health Act, an agreement that I hope we can reach with

the Alberta Medical Association, I believe we need to put our minds by way of striking some kind of a committee of interested individuals and the medical profession and others to how we look at this whole problem of utilization — and we've got the utilization report that came in — to see if we can glean something from it that will give us some direction in terms of the overall, long-term health care costs. In the Quebec plan, which I've only briefly seen in newspaper descriptions, there may be something that's worthy of consideration by the Assembly.

Brazeau Dam

MR. TAYLOR: Mr. Speaker, to the Minister of the Environment. There are questions in the minds of the public about what flood controls are going to be in place next year and the year after that. There are also questions on the Brazeau dam about the recent flood as to who calls the shots and whether a decision was taken to increase flood damage. The answers we have now are from all parties who have a vested interest, stating that what was done was properly done. Will the government table the agreement that outlines the management arrangement of the Brazeau dam between TransAlta Utilities and the Alberta government?

MR. KOWALSKI: Mr. Speaker, I have no difficulty looking into that whole matter and providing information to the members of the Assembly.

MR. TAYLOR: A supplementary, Mr. Speaker, to the minister. Could he tell us now which partner makes the management decisions for the Brazeau dam, TransAlta or the government?

MR. KOWALSKI: I've already responded to that earlier in the week, Mr. Speaker. The day-to-day operation of the dam — it's a piece of property owned by TransAlta Utilities — is conducted by TransAlta Utilities. There is close information provided on an hour-by-hour, day-to-day basis to water forecasters in Alberta Environment. Officials in Alberta Environment are kept up-to-date on the day-to-day management operation with respect to the dam. Final decisions on the management of the Brazeau dam are made by TransAlta Utilities. In the case of circumstances such as the ones on Thursday, July 17, Friday, July 18, and Saturday, July 19, close consultation was made with Alberta Environment.

MR. TAYLOR: Mr. Speaker, to the minister. I think there's evidence out that TransAlta thinks otherwise. Specifically, could the minister tell this Assembly what policy procedures and guidelines are in place now to provide guidance for those making management decisions for the various dams we have in Alberta?

MR. KOWALSKI: Without any doubt, the first priority has to be the retention of the safety of the dam and, secondly, water control on the North Saskatchewan River. The suggestion and innuendo that the Member for Westlock-Sturgeon made in the opening part of his question with respect to information provided by TransAlta Utilities to the contrary of what I've said, is absolutely flabbergasting news to me. I would sincerely ask the Member for Westlock-Sturgeon to now file in the Assembly information that will confirm and validate the innuendo he has just made, because I think that's a very serious statement.

MR. TAYLOR: Mr. Speaker, there are obviously no guidelines. In due time we will file it. In order to restore public confidence, will the government conduct a public inquiry into the handling of this flood by the Brazeau dam and the role of dam management and flood control throughout Alberta so that Albertans will know who is in control of water management when another flood occurs?

MR. KOWALSKI: Mr. Speaker, on the days of Thursday, Friday, and Saturday, July 17, 18, and 19, Alberta was experiencing one of the most severe 'downstorms' it had ever experienced in that part of Alberta. The Brazeau dam was rising, water was being released at a significantly lower amount from the Brazeau dam, and that water was coming into the Brazeau dam. I provided those figures earlier in the week.

In addition, there is a distance of 156 miles from the Brazeau dam to downtown Edmonton. I am convinced the proper decisions were made. It's always amazing to me how four, five, six, eight days, two weeks, or three weeks later, people can have so much wisdom with respect to a hindsight decision. The fact of the matter is that a decision was made recognizing that nearly twice as much water was coming into the reservoir than was outflowing. There was a risk factor about allowing water to be retained in the reservoir behind the Brazeau dam that might have put the dam itself at risk.

How unfortunate it would have been today if in fact the decision was to allow a greater retention factor in the reservoir which would have brought out, collapsed, and destroyed the dam. Today the question coming from the Member for Westlock-Sturgeon would have been just the opposite of what it is. It's great to ask questions in retrospect. The minister responsible for Public Safety Services has responded to this question on several occasions this week. The hon. member likes to raise questions and provide innuendo with them. I've given him a challenge; I hope he will respond.

MR. SPEAKER: Perhaps we could have another dam supplementary question.

MR. TAYLOR: Mr. Speaker, après moi le déluge. All I want is a simple yes or no. Are we going to have a public inquiry?

MR. KOWALSKI: Mr. Speaker, I see absolutely no need for a public inquiry on this matter.

MR. YOUNIE: Mr. Speaker, not everyone feels that way or shares his confidence. In view of the fact that the government did pay a portion of the cost of that dam, in return for which they were supposed to get some flood-control benefits, and in view of the fact that the reason they couldn't retain more water was that it was already being retained at a high level before the rains started, will the minister investigate why the dam was being held so near maximum level before the rains even started?

MR. KOWALSKI: Mr. Speaker, I'm not aware that the information provided by the Member for Edmonton Glen-garry which led to his question is correct.

Education Funding

DR. BUCK: Mr. Speaker, my question is to the Minister of Education.

First of all, Mr. Speaker, I'd like to thank you and members of the Assembly for your expression of sympathy.

I'd also like to say that my father, being a long-time county councillor and school board member in this province, would expect me to be here at work this morning. Secondly, I'd like to say publicly that we, as guardians of taxpayers' dollars in this province, should be proud of the facility at the University hospital, the Walter C. Mackenzie centre, especially the intensive care unit. The care and equipment and everything in that hospital is something that we can all be proud of anyplace in the world.

Mr. Speaker, my question to the Minister of Education stems from a letter I received from the Roman Catholic school board in Fort Saskatchewan. This is the request for funds similar to that afforded the municipal districts' debt reduction in 1979 and the Alberta municipal partnership and local employment program just recently announced. Can the minister indicate if any considerations have been given to the assistance of school boards who could participate in programs similar to these two mentioned to help them with their debt reduction, which is growing very, very high at this time?

MRS. BETKOWSKI: Mr. Speaker, I do have the matter under review, given that the Alberta Municipal Financing Corporation is refinancing a portion of its debt, the cost savings of which it will pass on to municipalities. I am reviewing the ability to consider school boards to have those savings as well.

DR. BUCK: Mr. Speaker, a supplementary question to the Provincial Treasurer. The Minister of Municipal Affairs isn't here. Can the minister indicate if the government is giving any consideration that the local school boards participate in programs similar to the AMPLE program in that they could be doing works such as heavy sewer work, et cetera, which would be parallel to the program that's in place for the municipalities?

MR. JOHNSTON: Mr. Speaker, as the Minister of Education has pointed out, she has recommended to her colleagues in government that we should consider that. As she has in fact reported, we have not yet come to conclusions on how to deal with the school board side of it.

MR. CHUMIR: To the hon. Provincial Treasurer: in light of the fact that the municipal portion of this program was based on a reduced financing cost, the Alberta Municipal Financing Corporation, why is it that the benefits of this program were not extended to the school system when the initial decision was made?

MR. JOHNSTON: Mr. Speaker, I think essentially we should note that this was not simply rollover money. There is an additional package of money which is involved in this program which is fairly substantial and of course impinges on our budget. The majority of the public debt at the local level is in municipal hands, so the first target in terms of our program to generate jobs and assist municipalities was at the municipal level. As I've indicated, we will be considering whether or not it would be appropriate, given the budgetary circumstances now before us, to extend that to school boards.

[The Member for Westlock-Sturgeon rose]

MR. SPEAKER: I'm sorry, hon. member. A person from your caucus has already been involved in this issue. The Member for Edmonton Avonmore.

MS LAING: To the Minister of Education: in view of the increased cost to school boards for school funding, I'm wondering if she would consider raising the funds to school boards to meet 85 percent of school costs instead of the 64 percent presently being met.

MRS. BETKOWSKI: Mr. Speaker, this is exactly the point we were on yesterday. There is a motion before this Assembly which proposes exactly that. I look forward to the debate that will ensue. However, I think it is important to note that, as I said yesterday, school boards have had increased funding over the past six years in the order of about 70 percent. There has been a continual increase to the boards. Given that inflation over the same period, as I indicated yesterday, was about 50 percent, there is no case to argue that school boards have not been supported by this province and that education is not our number one priority, because in fact it is.

MR. JONSON: Mr. Speaker, could the minister outline the degree to which other forms of capital support are provided to school boards in addition to the per pupil grant and the percentage increases that have previously been referred to?

MRS. BETKOWSKI: Of course, there are many and varied supports, particularly in the capital building program, which is in fact a major employer across this province during this difficult period for our construction industry. I look forward to reviewing the matter in more detail when my budget estimates are presented in this Assembly.

Wildlife Programs

MR. MUSGROVE: Mr. Speaker, my question is to the Minister of Forestry, Lands and Wildlife concerning some property west of Brooks known as the Ward Ranches, which the department was in the process of purchasing for wildlife enhancement. Has the minister finalized this purchase at this time?

MR. SPARROW: Yes, Mr. Speaker. It has been finalized.

MR. MUSGROVE: A supplementary. Has there been any arrangement made for the management and operation of this property?

MR. SPARROW: Yes, Mr. Speaker. The groups that were involved in the purchase have finalized their operating agreement. It has been signed. The groups involved are Ducks Unlimited, Alberta Fish & Game, Wildlife Habitat Canada, our division of fish and wildlife, and we also had in the planning process Alberta Agriculture, Alberta Environment, and the Eastern Irrigation District.

MR. MUSGROVE: Another supplementary, Mr. Speaker. Are there any similar projects in Alberta being considered at the present time?

MR. SPARROW: Yes, Mr. Speaker, I covered several in my estimates the other night. The important ones to note are the Ducks Unlimited projects, some 20 in the province that we're carrying on. It's a five-year agreement with Ducks Unlimited. This should affect some 800,000 acres. Others are in Buck for Wildlife funds with Alberta fish and game clubs. There are some 180 projects going on with 123 fish and game clubs in this province. That will

affect about 30,000 acres. Besides that, along with the Canadian government we've been working on a North American waterfowl agreement. That agreement was signed in May of this year between the U.S. and our federal government. That should affect some 1.3 million acres in Alberta.

MR. TAYLOR: A supplementary, Mr. Speaker, to the minister. Can he tell me who has the final control or management of the Ward Ranches? Is there any system for the orderly use for those rather than sportsmen; in other words, grazing or farming leases from out of the ranch?

MR. SPEAKER: There were two questions in that, hon. minister. Please answer the first one, not the second one. Supplementary questions are designed to be one question at a time.

MR. SPARROW: Yes, there is an agreement, Mr. Speaker. The main lease is to the Alberta fish and game club.

Natural Gas Deregulation

MR. PASHAK: Mr. Speaker, yesterday the Minister of Energy informed the Assembly that it was entirely unacceptable that consuming provinces should impose taxes on Alberta energy products. My question is to the Minister of Energy. Given the government's failure to include all provinces in the gas deregulation deal, what steps is the minister taking to ensure that the consuming provinces comply with both the spirit and intent of the natural gas pricing agreement?

DR. WEBBER: Mr. Speaker, the hon. member raised the question yesterday with respect to provinces taxing gas that would be netted back to the producer. I strongly indicated that I didn't think it was right that a province, such as the NDP government in Manitoba, impose a tax on compressor fuel that is counted as the cost of service in trans-Canada costs and netted back to the producers in this province.

If we are going to have a deregulated system after November 1, we cannot have other provinces taxing gas that's going through those provinces or adding to the cost of service for the trans-Canada system and have that automatically come back on our producers. Before we proceed with deregulation — I'll be happy to make further comments when we get into the estimates this morning — there are a number of concerns, and we have to deal with those concerns before we proceed with deregulation.

MR. PASHAK: A supplementary, Mr. Speaker. The minister didn't answer the question, which was: what concrete or specific steps does he plan to take? I'd like to ask a similar question with respect to the fact that some consuming provinces are putting extra tariffs on gas in their distributing systems. Is he going to give me the same nonanswer, or is he going to tell me what steps he's going to take to prevent them from doing this?

DR. WEBBER: Mr. Speaker, certainly taxation powers are those of the provincial governments. But I would urge the hon. member to talk to his cousins in Manitoba and see if he can't urge them to take the tax on our products off.

MR. PASHAK: A supplementary, Mr. Speaker. Here in the province of Alberta we're representing the people of the province. In view of the fact that Alberta has conceded

to drop its border price, will the minister lobby to push back the November 1 target date to allow the rest of Canada to comply with the natural gas pricing agreement?

DR. WEBBER: Mr. Speaker, I'd be pleased to deal with the matter of gas deregulation in the estimates today. I've indicated a number of times in this House that we're working with the industry, and we are in consultation with the federal government and the two provinces of British Columbia and Saskatchewan in terms of trying to clear up the obstacles that we see that lie in the way to total deregulation on November 1. We will continue to work on those. If we see that the November 1 date is not one that's feasible to proceed with, then we'll make a decision to defer. However, we still have that date as the date that we're shooting for. Hopefully, we can achieve that.

MR. SPEAKER: The time for question period has expired. Might the Assembly agree that the person who posed this main question complete his own set of supplementaries, and that only?

SOME HON. MEMBERS: Agreed.

MR. CHUMIR: A point of order.

MR. SPEAKER: The point of order will be raised at the end of question period. Does the Assembly agree to the motion as put?

HON. MEMBERS: Agreed.

MR. SPEAKER: Opposed? Thank you. It's been agreed by the House that the Member for Calgary Forest Lawn has a final supplementary on the issue.

MR. PASHAK: The study by F.H. Deacon Hodgson, which our leader referred to earlier, notes that the natural gas producing sector faces further significant near-term downside risk as the process of deregulation evolves in Canada. When will the government announce that it's abandoning its support for a deregulation policy which will clearly hurt Albertans?

DR. WEBBER: I'm not sure that's the same question he asked before. It sounded somewhat like it. Nobody has indicated that we are going to be abandoning so-called deregulation. There are agreements in place and a process in place to try to achieve full deregulation by November 1. If we can do it, we will.

MR. SPEAKER: Thank you. I understand we have a point of order.

MR. CHUMIR: Mr. Speaker, I'd like to suggest that once a line of questioning has been commenced, it's equitable and in the interests of fairness between the parties that all parties have an opportunity to ask a supplementary. Sometimes the supplementary can be a better question than the main line of questioning.

MR. YOUNG: Mr. Speaker, a second point of order. I believe that *Hansard* of this question period and some of its predecessors will show that in some of the preambles to the questions there is a considerable amount of material which is of the nature which provokes debate. Mr. Speaker, I would suggest that you might take under advisement the

notations which you provided to us early in the session, of which the second item said:

- (2) Answers to questions should be as brief as possible, should deal with the matter raised, and should not provoke debate.

Perhaps you would consider refreshing the memories of all members with respect to the placing of questions in respect of provoking debate. [interjections]

MR. SPEAKER: The Chair recognizes the Member for Edmonton Highlands, followed by the Member for Westlock-Sturgeon.

MS BARRETT: Mr. Speaker, on a point of order subsequent to the point of order previously raised by the minister responsible for research, technology and telecommunications, it seems to me that if . . .

MR. SPEAKER: Forgive me, hon. member. If we're all going to be entirely accurate and picayune, as we seem to be at the moment, would the Member for Edmonton Highlands please refer to the accurate title of the minister.

MS BARRETT: I thought I tried, Mr. Speaker. Can I say the Member for Edmonton Jasper Place, because I thought I had it right? Anyway, the minister referred to the Speaker's ruling on the first day Oral Question Period took place in this Legislative session with respect to preambles not provoking debate. Might I also respectfully submit that the ministers adhere to this policy? Thank you.

MR. TAYLOR: Mr. Speaker, speaking to the point of order, which I thought was to finish the series of questions, you have quite consistently and fairly followed the practice of trying to pick supplementaries from each caucus as we proceed through the Legislature. I think it is just part of your continued fairness of treating questioners to continue when a main question is asked and to let the supplementaries run out through the different caucuses. Supplementaries have very little information in front of them, anyhow.

MR. SPEAKER: With reference to points of order one, two, and three, we will deal with point of order number one, in particular with respect to the extending of question period. First of all, hon. members realize full well that question period is supposed to last 45 minutes. We have been more than gracious in our extending of question period. Part of that has occurred because on both sides of the House — in the case of the opposition parties, people have been posing lengthy questions; we have had the difficulty of responses to the original question being somewhat lengthy and involved. We've had a case this afternoon, hon. member, for putting — certainly not the only one, as I've reviewed *Hansard* from day to day.

The matter of not one supplementary being raised but two and three, plus comment: I think now that the Assembly has been in session this long, all of us can learn to be much better with respect to the handling of question period. That in effect poses difficulties, the fact that the supplementaries are not truly supplementaries. We are getting paragraphs, and we're getting two and three questions being raised as supplementaries. That must cease.

With respect to the government benches, and obviously to members of Executive Council in particular, many of the answers are indeed too long. It's part of the spirit of the House to have somewhat good-natured provocation so

we can have the response and the interchange, but also some hon. ministers tend to take a little bit too long to get it out.

With respect to the House, the difficulty that ensues from all of this is that every day we have a number of people left waiting in the wings. Today we have at least four members who were unable to get into question period. It may well be that from time to time some of the issues are indeed of such a serious nature that more time is legitimately spent with respect to the answers and the questioning process. I think a good example of that this week has been the serious issue of flooding throughout the province.

The Chair would also like to make note that some members are terribly slow at getting up when it comes to question period. If a member is going to take about three seconds to get up and then loves to respond in terms of waiting to see what the reaction is to his or her presence, it obviously takes up some more time. There is a difficulty there of the alacrity of getting up, and the minister cannot make response until the member who has asked the question has indeed sat down. So there has to be a bit more of that tidiness involved.

That has dealt generally with respect to what's happening in question period. As we have kept public record of the time of questions involved and also the numbers of questions, over the last two weeks there has been a development where we're getting fewer questions into the House. So the Chair welcomes this opportunity to have this discussion, if you will, this morning.

The matter of extending question period is only a courtesy. The Chair will take under advisement the comments that have been made by the hon. Member for Calgary Buffalo and the Member for Westlock-Sturgeon. In actual fact, to be absolutely correct in the House, when the time beeper goes, question period should immediately cease. The matter of giving any extension whatsoever is a courtesy of the House. To have to extend the courtesy even further is a decision of the House, but the Chair, having listened to this, is more prepared to listen to the beeper, if you will, and to have question period cease in the middle of a sentence when the beeper does go. However, the Chair takes it under advisement. Perhaps the House leaders involved might care to deal with this issue at a future date so we can continue to have the consensus of the House, which the Chair entirely appreciates in terms of consultation and also the ebb and flow and the whole development of the House.

Further points of order?

MR. TAYLOR: Mr. Speaker, just speaking to the point of order, am I to understand that as of now we can finish the series that we're on, or is the rule no? Also, is there a meeting composed of the House leaders on this question?

MR. CHUMIR: Mr. Speaker, simply put, I think the question is: will the House consent to the completion of a string of supplementaries once the question is continued? I would like to hear the House say "no" in that instance.

MR. SPEAKER: Sorry, Member for Calgary Buffalo. If you'll check the record, that decision was made earlier this morning. The answer to your question is "no." [interjections] Please — if you'd like to join me in my chambers immediately after question period, I'd be only too happy to serve you a cup of coffee so we could discuss it further,

but not within the confines of the Assembly, taking up its time.

head: **ORDERS OF THE DAY**

head: **COMMITTEE OF SUPPLY**

[Mr. Gogo in the Chair]

MR. GOGO: Would the committee come to order, please.

Department of Energy

MR. GOGO: The department before the committee this morning is the Department of Energy; the minister is the Hon. Neil Webber. Page 133 in your budget book and page 49 in the elements book. Would the hon. Minister of Energy care to give opening comments?

DR. WEBBER: Mr. Chairman, I'm pleased to take the opportunity this morning to discuss with the committee the 1986-87 estimates of the Department of Energy. I'm also pleased to see the enthusiasm of members across the floor wanting to have a discussion on this. I'd also like to recognize the fine work and the professionalism of the staff in the department. They have many responsibilities and, during these times, I think extraordinary responsibilities. I would want to recognize the fine work that they're doing.

As all hon. members know, these are difficult times for the energy industry and for all those associated with the industry. The fall in world oil prices has certainly had a dramatic impact on this industry in Alberta in terms of the cash flow of the different companies and their ability to invest. As a result, activity levels today are low. We do expect, however, that prices will recover . . .

MR. TAYLOR: When?

DR. WEBBER: Later this year. It is important that the energy industry be assisted in the short term to assure its viability when prices do recover. I think it's also important for us to plan for the worst-case scenario in the event that prices fail to recover sufficiently. We are engaged in doing that and are working with the industry, the federal government, and other parties to see what we can do. I would say, Mr. Chairman, that we will take every reasonable step to ensure that the Alberta energy industry will continue with viability.

We have announced a number of new programs to stimulate activity in the short term. The programs were announced in April and June of this year. More specifically, we have \$300 million for the exploratory drilling program, \$100 million for the developmental drilling program, \$50 million for well servicing, and \$50 million for geophysical work. In addition, the Alberta royalty tax credit has been enhanced to 95 percent for the balance of 1986, to a maximum of \$3 million.

In the area of oil sands and heavy oil development, we're actively pursuing ways of promoting research and expansion of our base activity. While the demand for oil and natural gas is currently soft, we must nevertheless plan for the future. In this respect we are supporting the engineering study for Syncrude's proposed major expansion with an interest-free advance of \$85 million over a three-year period, with repayment to be made from future earnings

from the project when it is completed. There is \$10 million in this year's budget for that.

We took the same approach with regard to the Husky upgrader by funding, in conjunction with that company and the federal and Saskatchewan governments, the engineering work which normally precedes construction. This is in my view a reasonable approach in this period of uncertainty with respect to oil prices. That work should be completed early in 1987, at which time a decision regarding construction will be made.

I mentioned earlier, Mr. Chairman, that we are assessing further measures of assistance which may be required if prices don't recover, especially to help the smaller and middle-size companies that have carried out a significant part of the exploration work in Alberta. However, we're seeing the results of the impact of the lower prices on the most recent statements of even the larger ones.

There are no easy solutions, but we have to explore all options. It also has to be recognized that the problems we have in the industry in Alberta are of national importance and that it is in the interest of all Canadians to maintain a healthy and active oil and gas industry in this province. At every opportunity we are pressing the federal government to eliminate the PGRT. We've always been opposed to that unfair and discriminatory tax, and at the time the western energy accord was signed, we reluctantly agreed to the tax being phased out. Price and industry cash flow today are markedly different, and there is obviously no rationale whatsoever for the continued collection of that tax.

We have recently seen, Mr. Chairman, the reference to royalties and the PGRT as if they were one and the same sort of monster. I want to make it very clear that as the owners of a resource, Albertans expect us to collect royalties in this province to get a fair return on this resource, and that the PGRT is a tax imposed on our industry unlike any other industry in the country. If I may comment, I think that today's editorial in the *Calgary Sun* does a very good job of explaining the difference between the two.

Yesterday we released a press release indicating that the marginal royalty rates on old gas would be reduced to 42 percent from 43.5 percent and on new gas to 32 percent from 33.5 percent, effective August 1. These reductions, which began on August 1, 1985, and will conclude on August 1, 1987, were part of our government's commitment to have royalty reductions on the marginal rates. By that time we will have reduced the marginal rates on old oil and gas from 45 percent to 40 percent and on new oil and gas from 35 percent to 30 percent.

I think it's also important, Mr. Chairman, that when talking about marginal rates, the impression is not given that these are average rates. There have been a number of letters to editors and a number of comments in newspapers in the last while that the average royalty rates in this province are 30 to 40 percent, and that's entirely erroneous and false. The average gross royalty on conventional crude oil, old and new together, is approximately 26 percent, but when you deduct the Alberta royalty tax credit, the royalty holidays, and the relief from enhanced oil recovery, the average net rate is approximately 15 percent. In the case of natural gas, the average gross royalty rate is approximately 29 percent, with an average net rate of about 17 percent.

The question of natural gas deregulation has been raised in this Assembly and elsewhere a number of times. As indicated already this morning, we continue to work toward the November 1 target date. Certainly a lot has been accomplished in this phase-in year from November 1, 1985,

to November 1, 1986. Legitimate concerns have been raised with regard to some aspects of deregulation and the manner in which they have developed; for example, the results of the National Energy Board surplus test deliberations. We will work hard with the industry, the federal government, and the other two provinces, British Columbia and Saskatchewan, to address those concerns in the upcoming weeks.

A number of direct sales have come about in the past year, as well as competitive market programs. That's really what the deregulation process is all about. It's simply the removal of the Alberta border price to allow buyers and sellers to negotiate prices that are acceptable to both. It's unfortunate that the word "deregulation" is being used all the time, because there will still be a lot of regulation. There will be the regulation of the trans-Canada pipeline system. There will be provincial regulation of the distributors in the consuming provinces. There will be regulations within this province as well.

However, with the so-called deregulation, the objective is to allow the marketplace to determine the price. We have legislation that we will be proceeding with in this Assembly in upcoming weeks to move toward the objective of having this so-called total deregulation on November 1. If the decision is made on November 1 not to proceed, a significant amount of deregulation will still have occurred, with the sales that have already taken place. It's not a matter of saying that if we make the decision not to proceed at that time, we completely go back to what we had before, because we can't.

A number of concerns have been raised with respect to the National Energy Board's decision on the surplus tests. There's also concern about the border pricing test. There have also been questions raised by a number of people about the fairness of the Topgas recommendation of the National Energy Board. We've now had the benefit of the Edge task force report, which is really outlined as a blueprint for deregulation. They indicate the steps that need to be taken prior to November 1 before deregulation can occur and steps that they think should occur afterwards. However, it will be through our discussions with the different provinces, the federal government, and the industry that we decide whether or not that breakdown is appropriate. We also see the renegotiation of contracts between Western Gas Marketing and the consumers, distributors, and industries at the other end of the pipeline.

Already this morning we have had reference to the taxation impact on netback pricing. If we proceed with deregulation and other provinces are in a position to impose taxes that are netted back to our producers, that would be entirely unfair to the producers in this particular province. An example that was given yesterday was the tax on compressor fuel in Manitoba. It does not raise a significant amount of money, only some \$12.5 million, but it's the principle that a province can impose a tax that's counted into the cost of service and then netted back to the producers in this province, impacting on them.

Quebec as well has recently imposed a tax at the other end on natural gas, as they did on other forms of fuel. In our view it would be unfair if they had imposed that tax only on natural gas and not on the other forms of energy. However, they've not done that, and it's a tax at that end that's not netted back to the producer at this end.

A lot has been accomplished with respect to deregulation, Mr. Chairman. A lot more needs to be done. The objective of the industry and the signatories of the natural gas pricing agreement is that we do proceed in the direction of dere-

gulation. If hon. members in the opposition raised concerns about the November 1 date in their comments, I'd appreciate hearing from them the steps that they think should be taken prior to our agreeing to a go on that particular date.

I would be remiss, Mr. Chairman, in not mentioning one other important resource under this department's responsibility, namely coal. The office of coal research and technology is up and running. It is focussing its efforts on the need to improve the quality of our coals to meet the requirements of our customers and transportation issues. In addition to lending his support to these objectives, the province's newly appointed coal advisor is doing important work in promoting coal to all of our markets. We're pursuing opportunities to sell more coal to Ontario and to further develop our overseas markets so that we are well positioned when prices and markets recover.

Mr. Chairman, I'd like to refer to just a few specific items in the budget itself. In vote 1 we are requesting an additional \$3.5 million to continue the development of the mineral revenue system, the computerized system essential to the proper collection of royalty revenues. In vote 2 in the area of minerals management there's a net decrease of some \$32.4 million, largely as a result of the phased elimination of the ethane feedstock price equalization program. Some 46 additional positions are being added to ensure the efficient, effective, and timely collection of Crown revenues.

In vote 3 an additional \$1.1 million is being requested to meet our commitment to what was referred to as the OSLO project, the other six leases operating agreement. We have a 10 percent equity interest in that project, and work is being done in assessing the prospects for future oil sands development on these leases. The participants in OSLO are slowing down their work on this project, and it is unlikely that all the dollars requested here will be spent, but those decisions were made after the budget-making process was concluded.

Vote 4 covers the operating costs of the Alberta petroleum incentives program. There's a small decrease associated with manpower reductions. As members know, the eligibility period for that program ended March 31, 1986, with some activities grandfathered to the end of 1986. As applications for grants are received after activity has occurred, it's going to take some time to wind down the activities of that particular program. But we hope that can be accomplished as soon as possible, and next year we will have significant reductions in manpower associated with that particular program.

There appears to be a large increase of some \$34.9 million in vote 5 with respect to AOSTRA. In fact, it's a transfer. Prior to this year AOSTRA's operating costs were covered in this vote, while their research dollars were entirely financed by the heritage fund. Effective this year, new research projects are going to be financed in this vote and the ongoing research projects will be financed by the heritage fund.

In vote 6 we have the operating costs of the Alberta Petroleum Marketing Commission, and it shows an increase in manpower requirements to handle the commission's new responsibilities under crude oil deregulation. The commission is now an active marketer, which it wasn't before. It sells the Crown's share of oil production and oil from companies who choose to use the commission's services.

Before concluding, Mr. Chairman, I'd like to take this opportunity to respond to questions raised by the Leader of the Official Opposition in question period some time ago

with regard to the ERCB's recent report on well blowouts. In the hon. leader's preamble to the question, he used wrong figures. I have never accused the hon. Leader of the Opposition of intentionally using wrong figures — I'm sure it was an error — but I have to point out that they were wrong. There were 8,500 wells drilled in 1985 and, of those, 2,447 were inspected by the ERCB. So that means 28 percent of them were inspected, not the 2.9 percent as stated by the Leader of the Official Opposition.

Thirteen point three percent were found to be seriously deficient in the area of either equipment or personnel trained to control a blowout. Other deficiencies that raised the total to 23 percent were minor. So 13.3 percent seriously deficient comes to a total of 325 wells, bearing in mind that these were wells being drilled and not active wells. That distinction wasn't made in the hon. member's questions either. These inspections do not prevent blowouts but serve to identify manpower and equipment deficiencies as far as managing a blowout is concerned.

The impression was left that things were deteriorating with respect to inspections and deficiencies. But if you look at the report closely, you will find that significant improvement was being made. There were more inspections in 1985 than there were in 1984. The percentage of serious deficiencies declined from 22 percent to 13.3 percent. In 1984 there were four blowouts; in 1985 there was one.

I think it's important to outline the criteria for inspection choices. Critical sour gas wells are inspected three or more times; other wells inspected depend on the safety records and co-operation of rigs and contractors. Rigs returning to Alberta or moving into this province are all inspected. The hon. Leader of the Opposition asked whether active wells were inspected at all. In 1985 there were some 76,000 active wells and 13,700, some 18 percent, were inspected.

I think the press release associated with the release of the report very comprehensively covers the questions that were raised by the hon. Leader of the Opposition. By reading the press release, I think he would have found most of the answers to his questions.

Finally, Mr. Chairman, let me conclude by restating our commitment as a government to a healthy and viable energy industry in this province. We are very, very concerned about the impact of the current situation of downturn in prices and the effect that's having on Albertans whose livelihoods depend upon the energy industry. We are monitoring the status of the industry on a day-to-day basis, reviewing our programs and policies, and assessing initiatives which may be required. We will work co-operatively with the energy industry and the federal government in trying to respond appropriately and adequately to this national problem.

I'd be happy to discuss with hon. members in the Assembly the different options that have arisen and been presented to us by the industry and others. As I say, Mr. Chairman, it's not an easy problem to deal with, but we are working at it and hope that if prices stay low over an extended period of time, we can come up with a program that would be able to assist our industry through these difficult times.

MR. CHAIRMAN: Thank you, minister. As the minister has addressed all six votes, the Chair would, of course, entertain questions to the minister on any one of the six votes. I would simply point out to the committee that based on comments the Chair receives after each session of

estimates, the primary purpose of this, as members know, is to refuse, grant, or reduce the estimates before us.

MR. PASHAK: Mr. Chairman, I'd like to begin by complimenting the Minister of Energy on his appointment to his new position. The minister and I took math courses together many years ago, and we held similar teaching positions at Mount Royal, where we both taught math. I went on to teach sociology. The minister entered the government. I am particularly pleased to see that his career as a math teacher at Mount Royal College didn't prevent him from accepting his appointment, just as my own rather similar career didn't prevent me from being appointed energy critic for the New Democratic Party.

I agree with him on some points. First of all, it's rather obvious that there's an extremely serious situation out there in the oil patch and that it's not an easy problem to solve. I'm also very pleased to note that the minister recognizes it's not just an Alberta problem but certainly a national if not a North American problem.

With respect to some other comments that he made in his opening remarks, particularly with respect to the petroleum and gas revenue tax, we were always opposed to that tax. The record of the House of Commons, as I indicated, shows that we spoke out repeatedly against the imposition of that tax. We too saw it as unfair. The minister mentioned that an editorial in the *Calgary Sun* attempted to distinguish between taxes put on oil and on royalties. It's always been our position that the oil and gas revenues of this province belong to the people, not to the oil companies, and the people of the province are entitled to get a fair economic rent from a resource that ultimately belongs to them.

In that vein I'm a little disappointed that one of his solutions to the problem the energy industry is facing is to reduce royalties. We think that will take away very badly needed revenues from the province of Alberta which could further increase the anticipated debt. Again, it denies the owners of the resource the economic rent to which we believe they're entitled.

Just a couple of comments for the moment about deregulation and the minister's observations on deregulation. He pointed out that the purpose of deregulation is to allow the marketplace to determine the price. I don't think there's a reputable economist today that believes there is such a thing as a marketplace. You may get some kooks out of the University of Chicago that believe in such a mechanism actually existing and operating, but in the world of big business prices are regulated in oligopolistic situations. Where you get two, three, or four firms dominating an industry, they act in concert to set prices. There is no such thing as a free market, except maybe in some of the small market areas in a Mexican city or something like that.

Deregulation, as we've seen it operate in the United States, is a colossal mess. There's total chaos and disorder, and there has been in the U. S. gas market for the last eight years, ever since they attempted to deregulate the market there.

With respect to the cost of services and netbacks and that sort of thing and the increase on compressor fuel in Manitoba, I object to that just as strongly as the minister does. We think that's an unfair tax imposed. Whether it's a New Democratic Party government, a Liberal government, or a Conservative government taxing a resource that belongs to the province of Alberta, we'll join you in speaking out against that. And the same thing is true of the 9 percent sales tax that the Quebec government has put on natural

gas flowing through their pipelines. We're opposed to that as well.

In saying that, we think this is an area in which the previous government made a colossal mistake by entering into the Western Accord and only getting the producing provinces and the federal government to sign that accord. When we look at an agreement like that, it's pretty obvious that to make it work, the consuming provinces had to be involved as participants. Without that there really is no Western Accord, and the whole business of deregulation on November 1 and that deadline becomes complete and utter nonsense and will never work.

Some other points I'd like to make with respect to the province's oil and gas policies are, first of all, that I think you have to begin by looking at whose interests should be represented in setting energy policies. It's pretty clear that there are at least three main groups who have interests in what the energy policies of Alberta are: the oil companies themselves and the supply companies associated with them; the consuming provinces, the people that use these fuels; and the owners of this resource, the people of Alberta.

Governments that are elected to office are supposed to act as trustees of that resource. Their primary responsibility is not, as the minister said, commitment to a healthy and viable oil industry; their primary responsibility is to the people of the province, the owners of the province. Of necessity that takes in the needs of the oil industry and the oil companies, and I'm not denying that. But we should make it clear that the policies of this government should reflect the vital interests of the people of the province rather than the industry itself.

Let's take a look at the record of this Conservative government and previous Tory governments in terms of dealing with energy questions. At the moment it's pretty clear that the smaller Canadian companies, the medium-sized companies and the independent small operations, are really being hurt the most by the downturn in the per-barrel price of oil. The majors are hardly suffering at all because they can maintain their profit picture. I agree that there has been a decline in their profits over the last quarter, but they're not in serious straits compared to the small and medium-sized Canadian companies. They can maintain their viability because they make profits at both the refining end and the selling end.

There's much evidence to support that, because the price of oil at the gasoline pump hasn't really declined proportionately to the decline in the price of oil per barrel at the wellhead. In fact, some people estimate that if the price at the gasoline pump truly reflected the market situation, the price of gas per litre could drop by as much as 10 cents. We see all kinds of anomalies in the country as a whole, where the price of gas in Newfoundland is somewhere in the order of 10 cents more per litre than it is in Ontario.

The service industry has also been seriously affected by the downturn. There are at least 25,000 people out of work in the service industry. There will shortly be some 50,000 out of work, according to some estimates. As our leader pointed out the other day, only some 13 percent of the rigs in the province are working at the moment. This is of such concern — I don't know whether the minister noted it — that this coming August 7 there's probably going to be a line of oil field equipment trucks and supply trucks stretching from Calgary to Edmonton demonstrating their concern about this government's energy policies.

With respect to the consumers, the other major stakeholder in energy questions, it's pretty clear even from the

government's own statements that consumers in this country have benefitted to the extent of perhaps \$50 billion or \$60 billion in foregone royalties over the years. With respect to the owners of the oil, the people of Alberta, as I pointed out, we think their interests should come first, that they're entitled to a fair return on a resource that belongs to them and that their long-term energy interests should be protected. What's happening at the moment is that we're trying to sell our oil and gas at fire-sale prices just to make sure we maintain our market share and that some companies are able to maintain some kind of level of profitability. I think this is absurd when you take into account the fact that we probably only have about a 10-year supply of conventional oil left according to ERCB reports. That could be enhanced by further exploration and drilling activity, but at the moment that's their estimate for the amount of supply of conventional crude.

With gas, we've seen in recent days that the gas companies, in order to get any kind of operating revenue at all, are even prepared to sell below cost. In some respects it might even be better to flare off that gas than sell it at a loss. Again, one of the things they're asking for here is a decrease in the total amount of supply that should be held in reserve for Albertans.

I'd like to make just one brief comment as to why I think that could create a long-term problem for us. There was an announcement in the paper; there's been a lot of interest shown in the fact that an operation in Calgary has developed a process for rapidly producing vegetables using hydroponic techniques. The ones they're particularly growing at the moment are tomatoes and cucumbers. Within a week they're able to produce incredible volumes of vegetables, but even with this operation they're only producing about one two-hundredth of all of the tomatoes and cucumbers consumed annually in this province. Natural gas is an important fuel in this process. It not only keeps the building warm in the cold winter months but is vital to producing the kinds of inputs that are necessary for these vegetables to grow. In terms of acting as a custodian for the resource of these people, I think the government of Alberta has a responsibility to make sure that these gas reserves that belong to Albertans aren't squandered at ridiculously low prices.

I'd like to comment on just how it is that the Tories have caused us to lose so much economic rent over the years. In the period from 1973 to 1980 — you might recall that the Arab boycott was in 1973 — the price of oil began to rise really rapidly in Alberta. From approximately \$3.50 a barrel it went up to about \$12 a barrel. During this period of time the provincial government didn't immediately step in and impose further royalties on the oil that was flowing out of this province into the Chicago market. By the way, there was a net outflow during the period of '76 to '79 of approximately \$3.7 billion worth of interest and payments for management services and fees.

So the federal government was in a rather serious predicament. Not only was there tremendous money flowing out of Alberta as a result of the fact that the industry was substantially owned by foreign companies, but we were paying world prices for oil coming in at the Montreal end of the market area. Without any involvement on the part of the provincial government, the federal government began to intervene; they put on an export tax. What was the response of the provincial government? They refused to go along with an export tax in spite of the fact that the federal government was willing to put a tax on all energy leaving

the country, including hydroelectric power from the provinces of Ontario and Quebec. As a consequence of that, you could really argue that in a sense the provincial government forced the federal government into proposing that really obnoxious National Energy Board program.

With respect to that, I might also point out that it was the provincial government which ratified that. The New Democratic Party was always opposed to the national energy program, but it was in fact the provincial government through the Alberta/Canada pricing agreement that really gave some significance and acknowledgment to the agreement. I think you can probably all remember the toast that the Premier of the province shared with the Prime Minister at that time. Between 1980 ...

MRS. CRIPPS: On a point of order, Mr. Chairman. That's just simply not true. The national energy program came in as a budget of the federal government, and the provincial government does not have the authority to ratify it.

MR. PASHAK: In any event, this government signed the Alberta/Canada pricing agreement, which in effect amended certain provisions in the national energy program.

MRS. CRIPPS: That's right, but it didn't ratify the national energy program.

MR. PASHAK: My comment was that in effect it was the same as a ratification because it agreed to most of the principles of it.

But in any event, although the price of oil was rising, between 1980 and 1983 the net revenues to the province of Alberta dropped from 43 percent to 30 percent. That's some stewardship. Now, what have we entered into with the Western Accord? If we'd left the Western Accord in place, there would have been a \$22 a barrel floor price for western Canadian oil. Further to that — and I don't want to add a note of doom and gloom to this — there's no indication that the government seems to have some optimism that the price of oil will begin to rise two months or six months from now. I might point out that a tanker of oil from Dubai sold on the spot market the other day for \$6 a barrel, and there's nothing to prevent the price of oil from falling even further. It costs the Saudis about 50 cents to produce a barrel of oil. They've got a 130-year supply of oil without doing any further exploration, so they're in a situation to completely determine the international price of oil. All of this argues against deregulation and argues for a made-in-Canada floor price for oil.

The minister and even the Premier of the province have asked us over the time this Legislature has been in session to come up with alternatives. We'd begin to negotiate immediately with the federal government to establish a floor price. We think a floor price is absolutely essential if you're going to get any new meaningful drilling activity or exploration in this province. What's the point of an oil company going out and doing any real exploration work if they're going to discover oil and not get a profit on the oil, if it's going to cost them more to produce that oil than to discover and put that oil on stream?

In terms of dealing with the long-term needs of this province, we think it's absolutely essential that we turn our attention to heavy oil and the tar sands, not just engage in more studies but set up an Alberta-plus corporation that would actually kick-start these programs and projects into action. It will take about seven years to get a new tar

sands plant on stream. Why don't we begin now? It's estimated that if we went ahead with the Canstar project, it would create something like 60,000 additional man-years of jobs in this province.

With respect to other elements in our program, we'd take a proactive stance. We'd invest public funds in those projects that we think are important with joint-partner ventures. We'd establish a high debt/equity ratio that took advantage of the province's excellent credit rating. That's all with respect to the Alberta-plus corporation. We'd use the processes already developed by the Alberta Oil Sands Technology and Research Authority. We'd use Alberta-first procurement to ensure that Alberta reaps the maximum benefit from these developments.

Aside from the heavy oil upgrader and the Canstar sands project, AOSTRA has developed many patented processes, the use of which could be expanded for the good of Albertans. We'd like AOSTRA to get more involved with small companies and consortiums of small companies.

With respect to small companies, there are many ways in which small and independent companies, the ones who are suffering the most at this time, can achieve a more competitive position with respect to the majors. The provincial government could reduce the many complex royalties to a single royalty, differing between our old and new production, shared with the majority. Companies who cannot afford the army of legal counsel it takes to figure out our present regime would benefit the most. We could return to income tax deductibility of Crown royalties. We could adopt a program similar to Saskatchewan, whereby royalties on a well only come due upon payout. Prorating of gas would give a greater chance for small companies to have a share of the market. That's regulation, but the small companies are now beginning to ask for that again.

For the economy as a whole, we'd enter into negotiation with the eastern provinces so that a price cut in gas to them would be tied to their increased purchases of our coal, which is cleaner and more efficient to burn. The minister mentioned that in his remarks. The United Mine Workers estimate that between 15,000 and 32,000 new jobs would be created if western mines were to produce the additional amounts of coal currently imported into Ontario and Quebec. The benefits of some of this would be that we'd save about \$384 million annually in unemployment insurance payments and add about \$115 million in personal income taxes annually to the coffers of western Canada's provincial governments.

Just to bring these remarks to a conclusion, the minister's office has a 15 percent larger budget this year despite the fact that his scope of responsibilities is significantly less than the previous Minister of Energy and Natural Resources. Perhaps this increase is in recognition of the hard choices and questions that he must grapple with in the coming year. If that's true, we'd suggest that he turn his attention to these particular questions. Will he continue to favour the large integrated companies over the interests of small and independent companies and the best interests of the Albertans who own the energy resources of this province? Will he continue to press for deregulation when the consuming provinces of Canada won't comply with the intent of deregulation and when lower sales prices may make reserve replacement much more difficult? I await his answers.

DR. WEBBER: Mr. Chairman, I just want to respond to one question. I only found one question at the end that he asked me to respond to, and that was with regard to the 15.5 percent increase in vote 1. A significant portion of

that increase represents a transfer of funds in vote 1 from the department to the minister's office for consulting fees. These consulting fees originally were being paid for out of the departmental vote and now have been transferred into vote 1.

I wonder if I could ask the hon. member a question for clarification. Early in his remarks I thought he indicated that he was opposed to doing anything with royalties. Maybe I misheard him. But later he advocated a single royalty rate and then went on and asked whether we were going to do anything for the small- and medium-sized companies or were going to favour the large companies. I would hope that the hon. member would realize that going to a single royalty rate at this time would have a significant negative impact on the small companies. With the royalty tax credit system in place, many of the smaller companies are virtually paying no royalties at all. If we went with a single royalty rate, I think we'd be putting a number of them out of business.

MR. CHAIRMAN: Member for Calgary Forest Lawn, the minister wants to ...

MR. PASHAK: You can have a single royalty rate, but you can also have tax exemptions to protect those small companies that are having cash-flow problems.

DR. WEBBER: I wanted clarification on that, Mr. Chairman, because one of the umbrella groups was advocating a single royalty rate across the board. I thought I heard the hon. member say that. Now he's suggesting that, no, he wouldn't do a single royalty rate but he would make adjustments to that. What we've been doing all along with the royalty tax credit system is try to bring into place benefits for primarily the smaller companies, although those benefits apply right across the board to all companies.

MRS. CRIPPS: Mr. Chairman, I want to make a few comments on this debate on Energy estimates. First, I'd like to say thank you to the department for the excellent job they've been doing over the past few years and the excellent co-operation I got from that department when I had concerns. A compliment to the former minister of energy on a job well done and the current Minister of Energy for continuing with that excellent job.

Mr. Chairman, the problem in Drayton Valley is of course acute because of the reliance of the town on one industry. Hopefully this fall we'll diversify that reliance, but in the meantime we are reliant on one industry. I'd like to give some overview comments about some of the aspects I see as being applicable to the health of the industry. I've talked to a number of oil and gas companies and well service companies over the last few weeks. The following information is certainly pertinent to Drayton Valley. As far as the oil companies are concerned, of course, they say that it doesn't pay to bring the oil out of the ground at anything under \$10 U.S. a barrel because of the lifting costs. Regarding the drilling activity — and there's very little of it in the province today, as we all know — there's difficulty in judging long-term payback. The oil companies must be able to visualize in some aspect long-term payback or they're not going to drill. In my constituency the only drilling being done right now is infill. No exploration is being done. I know of only one well in the last two or three months.

[Mr. Musgreave in the Chair]

I hope the leader of the Liberal Party will stay, because I have a couple of comments I'd like to make to him.

If wells that are in production right now are producing three barrels a day or less, they're being shut in rather than worked over. Of course, that has a dramatic effect on the oil well servicing industry. Most of the oil companies can't hire maintenance or contract work without head office approval. That's a vast change from what's been happening over the years. I talked to one company that normally has three contract crews, and now they average less than one a day per month. There's a drastic reduction in the number of people employed in the oil industry in Drayton Valley.

I talked to the servicing companies about their comments. Of course, many of you would know that all of the jobs right now are being bid, and the oil well service companies believe they're being bid at less than cost. They tell me that the companies are working on capital cost allowance and are not doing the kind of maintenance that would normally be done. One of these days they're going to come to the point where, because of lack of ongoing maintenance and working on capital costs, there is going to have to be some major expenditures, and they just can't afford it. They told me that the question was to work and lose money or to not work and lose money. It doesn't matter whether they work or don't work; they're certainly not going to be making any money or getting rich.

Of course, the oil well service companies in Drayton Valley are concerned about their employees. If they don't work, their employees don't work. These are young people. The average age in Drayton Valley is about 19. Many of the employees in Drayton Valley have young families. It's a great concern to my constituency.

The biggest single factor right now is nonpayment of bills by the oil companies to the oil well service industry. If these companies continue to bleed the oil well service companies, we're going to have a lot of bankruptcies as a result of that, because the servicing companies are doing the work and they're simply not getting paid. Mr. Chairman, you should know that there are millions of dollars out there that are owing to the oil well service industry. It's a great concern to them, and as a consequence, it's a great concern to me.

One of the other concerns that's been raised — and it's not in your estimates — is that they can't put a lien on the company, because by the time they know there is going to be nonpayment of a bill, the 45 days have elapsed and they're helpless. It's a great concern.

Mr. Chairman, I agree that we need to get rid of the PGRT right now. I also agree that it's a disgusting situation when other provinces are taxing the refined product — I'm not talking about the same thing you were — in their provinces and actually getting more out of our oil and gas than the province of Alberta is for the ownership of the product. I personally think that's despicable. I recognize that we don't have any jurisdiction over their taxation policies, so there's virtually nothing we can do about it except complain, as I'm doing right now.

There is a concern in my constituency that balance be maintained between government involvement and ensuring that taxpayers are protected. They want an assurance that the dollars that are being spent are creating activity and jobs. I think that's a legitimate thing.

Mr. Chairman, I'd like to encourage the minister to review the refining prices paid, to ensure that our producers

are indeed receiving a fair price for their product and are not being held to ransom. I get continued concerns that maybe the refiners aren't paying what they should be for the oil.

I'd ask the minister to implement flexible provisions in AOSTRA to provide for experimentation in tertiary recovery programs. In the older fields in my constituency, tertiary recovery is very, very important. I would like that question addressed if at all possible.

Could the minister also indicate if smaller companies are able to effectively obtain a fair market share since deregulation? Has the ability to sell through the Petroleum Marketing Commission given them an opportunity to receive fair value for their product? I know that opportunity is there, but I don't know how effective it is.

Mr. Chairman, I'm concerned. Today I heard the Member for Calgary Forest Lawn talking about royalties as ownership, but I have also heard people over there talking about royalties as taxes. Royalties are not taxes. They are the price we receive for the ownership of the product. Maybe we have to change the name. Certainly in talking to people from other parts of Canada, they equate royalties with taxes, and there is no way the two should be used in the same breath under any condition.

The Member for Calgary Forest Lawn and the Member for Westlock-Sturgeon have in fact said on a number of occasions that the Alberta government was a party to the national energy program. I want to re-emphasize that that is not true, Mr. Chairman, and they know it.

MR. TAYLOR: Oh, a cup of coffee; who drank all the champagne?

MRS. CRIPPS: You know the words I skipped; you know them. The national energy program was a federal budget short and simple, brought in by the Liberal government of this country.

MR. TAYLOR: Bet you wish you had it back now, instead of the energy accord.

MRS. CRIPPS: No, we don't wish we had it back. Certainly I agree that the Canadian pricing agreement was signed by the provincial government, but the Canadian pricing agreement was making the best of a bad situation — hot a bad situation, a terrible situation — which was ... [interjection] That's right. It was trust upon us by the Liberal government of this country. No other province, no other resource has ever had a tax imposed on it at the source. If we're going to tax energy, why don't we tax Quebec Hydro? Why don't we tax gold? Gold jumped from \$16 an ounce to \$500 an ounce; nobody taxed that.

AN HON. MEMBER: Automobiles.

MRS. CRIPPS: Automobiles? Who cares?

In any case, I think it's worth mentioning again. I think it's irresponsible of the members to say that the Alberta government signed it. You know we didn't. Besides that, you were drilling in the States, and you said that it was a good policy. Sure it's a good policy if you're drilling in the United States. Any policy is good if you're not affected by it. The effect of the NEP and the PGRT was not a 12 percent tax, Mr. Chairman. Because it was and is based on production, it is 25 percent. A tax based on profit takes into account all of the expenses; a tax based on production

doesn't take into account any of those expenses. So it effectively was a 25 percent tax.

MR. TAYLOR: You started it when you raised the royalties in the '70s. You tried to steal it.

MR. CHAIRMAN: Order please.

MRS. CRIPPS: The royalties are for the ownership of the product, and I don't see any product being sold today for the same price that it was sold in 1935 or 1950. Besides that, if you pay your bills, it will help my service company.

MR. TAYLOR: I'll have to look over my creditors list.

MRS. CRIPPS: Lastly, Mr. Chairman, I'd like to commend the minister for his close working relationship with the industry. The only way we can bring economic stability to the industry, create investment and an investment climate which encourages exploration development and maintenance necessary to keep the activity going is by the co-operation of government and industry. I think it's so important for that co-operation to exist, and I commend the minister for his communications and his close working relationship with industry.

Thank you.

MR. DEPUTY CHAIRMAN: Does the minister wish to respond? The Member for Calgary Buffalo.

MR. CHUMIR: Mr. Chairman, it's a pleasure to be able to get up and speak on this matter. I'd like to also extend congratulations to the hon. minister upon his appointment and also some modest degree of sympathy in relation to the problems that face him in this portfolio. However, I am absolutely certain that the experiences he shared with the hon. Member for Calgary Forest Lawn back in the good old days of Mount Royal College will stand him in good stead in penetrating these difficult problems.

The minister has invited some advice with respect to the problem of deregulation. Of course, it never occurred to me that I might give him some advice, but having been invited, I will in fact do that. The matters we are facing, as the minister has stated, are extremely complex. There are very, very few aspects of the problem that are clear. However, there are some matters which I would suggest are very clear when the question is analyzed very, very closely, free of ideological baggage. These aspects of the problem that are clear flow from an assessment of the very large picture. I see certain things quite clearly, and I would like to explain to the hon. minister exactly what they are.

The most immediate need and the most obvious step the government can take at the present time is to delay the deregulation process at this time and possibly even stop the process of total deregulation completely. The problem we have, Mr. Chairman, in the oil and gas industry at this time is obviously on the revenue side rather than on expenditure. If we had the money it would be easy to spend. Accordingly, the question is: where can we get more money at this very difficult time of declining oil and natural gas prices and, unhappily, with some gas marketing problems arising in the United States? Where do we find the revenue? Our avenues are clearly limited. Avenues we might otherwise have available have been foreclosed because of a very, very major error in the manner in which this government entered into the Western Accord.

One basic error that was made in the Western Accord was the failure to provide for a parachute landing in the event that there was a decline or collapse in oil prices. It was quite clear that such a collapse was feasible, and it would have been possible to put in some form of clause or provision — for example, that the price of oil shall not decline more than 10 or 15 or 20 percent per year — thereby giving us this easy base and a softer landing, which would certainly have softened the difficulties we are facing at the present time. Obviously, the potential for price change was considered, because the federal government was astute enough to insert section 9 into the Western Accord, which provides for an adjustment in the event of a major change in order to protect consumers in the event that the price goes up. That's the federal interpretation, and that's the general context of the section. However, I think it's very clearly arguable that it could apply in the other direction. I raised this with the Premier during his estimates. He agreed that that is a possible interpretation, but the provincial government has decided not to use it. I think they're wrong in not using that clause. Very shortly I'm going to suggest a package in which that could be used. There is every rationale for a parachute clause to be provided in respect to price decline in the Western Accord, but the primary rationale — and this is one of the major principles that I think must be kept foremost in analyzing this problem — is that of equity; that is, fairness between the producing and the consuming provinces.

It was only a week or two ago that the C. D. Howe institute, which is eastern based and independent, set out in a policy paper what it considered to be a basic principle of Confederation. I paraphrase the principle that they set out. It was basically that if the producing provinces are subsidizing consuming provinces when prices are high, it's only fair that when prices collapse, the consuming provinces turn around and return the favour and subsidize the producing provinces. It seems to me to make immanent sense.

Of course, as we're all aware, the producing provinces have subsidized the consuming provinces, particularly during the 1970s, by selling oil below world price. The provincial government calculations indicate that the subsidy was some \$56 billion. It may have been less, but it was certainly substantial, and the question arises that if that principle of equity is to prevail in this province, when and how do we get some of this back? We do have an excellent argument and, as I see it, an unassailable argument in that regard. The problem is amongst other things, and one of those other things is what I see as a failure to advance that argument and make our case to the rest of Canada.

Aside from that failure to advance it, what we lack is sympathy from the rest of this country. That was demonstrated about a week ago by an editorial in the *Globe and Mail*, which is otherwise often very sensible but not so in this case. They opposed assistance to producing provinces. The rationale they gave, the centrepiece of their opposition, was the statements of the government of Alberta, particularly those of the Provincial Treasurer, bragging about how healthy our economy is here and how the government has this cushion and that cushion and the heritage fund. So having bragged about the wonderful state of our economy, eastern Canada and the consumers have taken us at our word. Unfortunately, those statements do not reflect reality. It's unfortunate that this government did not recognize a long time ago that it's very poor policy, particularly on a national basis but also in terms of the expectations that people in this province have. We have to tell the people of this

province the truth, and that is that we have very, very serious problems.

This absence of sympathy for our plight can be no more clearly exemplified than by the fact that the federal government refused to eliminate what is clearly a very inequitable tax, the PGRT. Not even the bosom companionship of fellow Tories has been able to persuade them to remove that or, even better, to return the \$700 million — which is an issue for this year alone, I understand — to the producing provinces, perhaps in some more broadly based form, to assist all companies and not just the large companies that would be benefitted by actual elimination of that PGRT.

So here we are with a good equity argument, and at the same time, we're without goodwill. We can't get it accepted, and that's very frustrating. What are we left with? We're left with the question of: do we have any leverage? What leverage do we have, having entered into the Western Accord? We do have one small piece of leverage left. The one piece of leverage is about to disappear on November 1, 1986. That leverage is the existing price of gas being paid for in the consuming provinces. It is my strong proposal and suggestion to this government that we can and should have a clear policy to keep natural gas prices as high as they reasonably can be kept, consistent with certain realities.

DR. WEBBER: How?

MR. CHUMIR: I'm getting to the how. The primary rationale for keeping them high, the argument that we present to the consuming provinces, is the equity argument with respect to the \$56 billion. As I've said before, this is an argument that they can readily understand. It's fair, and I've always believed that if you have a good and fair argument, it can be one when it's strongly and clearly put, particularly if you have some leverage.

But there are problems. When the minister asks how, he obviously has clinking around in the back of his mind the many problems and difficulties. There are some problems. For example, industrial gas in the consuming areas has to compete with fuel oil. You can't keep a price up beyond what its competition is unless you are prepared to subsidize. I believe there is a case for that, but let's assume that the price of industrial gas has to fall to meet the market.

There is, however, Mr. Chairman, a very large consumer market in eastern Canada which is not facing the competition of fuel oil. The competition faced there is from electricity. The cost of electricity is very, very high. I think it is generally agreed — I have never heard anybody suggest otherwise — that we can keep the price of natural gas high in those eastern consumer markets and still beat electricity. We can keep them at the same levels. I don't see any strong indication — I don't even see a weak indication — that the government recognizes the potential for keeping those prices high and getting some of that \$56 billion back. We seem to be proceeding like lemmings into the ocean.

We also have other arguments. We don't have merely the equity argument. We have leverage there because we can keep the price up. We have the argument of section 9. We have an imbalance, a change. The circumstances have changed. We can argue with the rest of Canada that circumstances are different, and we have some even better arguments which relate to another aspect of equity. Those are with respect to the question of the surplus gas requirements that we maintain in Canada for future Canadian needs, which thereby limit the amount of natural gas that can be

exported to the United States. The reality is that we're getting the disadvantages of the free market by selling our gas at low prices at the present time. When gas is in short supply, we're not going to get the benefit of open sales and competition with the United States. If you think an arbitration clause is going to do it, it just won't. If they think we can outcompete them, why don't they make Canadian consumers enter into long-term contracts if they want to secure our supplies?

There's another aspect of inequity in this situation, and it also puts into question the extent to which deregulation is being put into effect. That is that there is a limitation on the capacity of the natural gas industry to sell gas more cheaply in the United States than in adjacent Canadian markets, regardless of whether the existing market conditions at the given time dictate that that is the right thing to do, and market conditions just could. That's not deregulation. That's protection of the consumer. The surplus supplies are protection of the consumer. It just so happens that I think there is darn good reason to keep a surplus of gas for Canadian needs in this country. But if we're going to do that, we have to recognize that it hasn't been deregulated and we have to be compensated in some way. There's an imbalance in the deal. I would never enter into a deal in which that imbalance exists. I think it's incumbent on this government to make the argument for this province and for the producers that we must be compensated in some way.

The best form of current compensation, the best avenue I can see for rolling all of these factors into one, is to say that we're not going to deregulate that natural gas price on November 1 because the conditions have changed — we have all of these arguments — also, you haven't met your undertaking under the Western Accord and the Halloween agreement to ease. It shouldn't be just eased; if they want to get the full benefits of deregulation, they should eliminate the surplus gas requirement. If they want that requirement, they've got to compensate us.

So I would say that we have to delay deregulation until a fair system is worked out. It may be that total deregulation is not and should not be in the cards. I don't believe they can and will meet a full deregulated process, because that will be an ultimate cost to the consumer which the consumer doesn't want to bear. There are hundreds of millions of dollars at stake in this issue. There are very few places that we can find that now. That's the only place I can see; that's why the heart of our short-term energy policy has to be to secure that money for this province and its industry.

Mr. Chairman, as part of where the government is going and as an indication that they intend to deregulate, they are presently proceeding to circulate amongst the oil and gas industry amendments to the Arbitration Act. The Arbitration Act presently states that if arbitration is necessary, the factor that is to be taken into account is the relative cost of competing fuel in the particular market area that is an issue. As part of the Western Accord and the sequel, the government has agreed to amend that. They're in the process of doing that, and I understand from people in the industry that there is some concern that the focus of the arbitration control will shift from Alberta to eastern consuming provinces. That is what I've been told. I would suggest that the government should very, very quickly announce its intention to stop the legislative mechanism which will put this deregulation process on our part into effect and give a sign to the eastern consuming provinces and the federal government in earnest, by stopping these aspects of deregulation in this province until other elements

of deregulation are rectified. By "those other elements" I am referring once again to the surplus gas issue, the pricing issue, and other related matters.

It's too late to do very much, Mr. Chairman. The time for doing that was in March 1985. We're dealing with a salvage operation. It's not too late to do something, but it soon will be. Our last bit of leverage will soon be gone. So I urge the government and the minister to be aware that leverage is an issue, and we have to take advantage of what little bit we have left. It's the single most important thing the government can do in the next short while.

Aside from this, matters are less clear. The task is formidable. It's a question of preserving our energy industry. There are complexities at every turn. Solutions are difficult, and those that we wish to instigate will obviously be those which will create jobs and activity. I would like to outline some of the needs of the industry as I see them. I point out some of the directions that I see as being worthy of consideration. But I also am clearly mindful of the fact that with the complexities of these matters, each step one takes involves myriad problems. One needs a battery of experts to truly be able to address the feasibility and workability of each of the problems.

The first problem, of course, is that small companies need equity very, very badly. I understand that the minister has been discussing an equity package with the industry. It's very difficult to achieve a package which accomplishes the goals that one would hope to see. The climate itself makes it very difficult to do these things, but I would hope that the minister would make an effort to see that something along those lines is advanced, if possible.

There have been complaints about high royalties. My comments simply would be that there is certainly a role for assessing the rate of future royalties, in any event, and perhaps the consideration of a royalty tax holiday on oil wells, including development wells and not just the risky exploration wells, as at the present time.

There also may be a role for certain types of loan programs to be paid out of future production, Mr. Chairman. There is the possibility of relief on the freehold mineral tax. Some action must be taken to ensure that oil producers in Alberta receive a fair price from the refiners. This has been a matter of some serious contention for a period of time. There is a monopoly purchasing situation. I think it's incumbent on the government to ensure that the prices are fair.

As I noted yesterday on the basis of the questions I asked during question period, we have to move to take whatever steps we can to reduce the unreasonably high costs of transportation by pipeline and provincial distribution systems. These systems are virtually risk-free. They're given guaranteed returns. We're in a time of declining interest rates. Nova, an Alberta Corporation recently recognized this and voluntarily reduced its return on its rate base from 15 to 13.5 percent. There may be more room there. But certainly the view of the industry for some period of time has been that the transportation rate charged by TransCanada PipeLines is too high. It's approximately \$1.10/mcf at the present time, and here we find TransCanada applying for a rate increase. I think there is a role for the government here. In question period yesterday the Premier indicated that he would be inclined to take a hands-off approach. I don't think that's right. I think all of these problems are intertwined, and I believe that strong representations should be made to the National Energy Board in respect of TransCanada PipeLines and to the provincial governments which regulate

their distribution systems. Everybody's going to have to share in the decline in energy prices and the reduced cash available, Mr. Chairman. There is no reason why only Alberta and the producers should share that.

There's a similar concern with respect to some of the provincial taxes which may come out of netbacks. Unlike the Premier, the hon. minister has expressed some concern about that, but this still leaves the question: what action are we going to get? The attitude of the provincial government must become more assertive. We need a spokesman for our interest.

There are problems with respect to gas marketing. The little guy is in great danger of becoming squeezed out. The marketing system has had in it certain unfairnesses and inequities for some period of time. I'm sure the hon. minister is aware of problems with respect to equity raised by area contracts, where certain companies get the benefits of selling all they can produce from certain areas while others go short. These problems have been compounded at the present time by the marketing advantages that large companies have, and on top of that we have a new element which has been introduced in recent years, and that is that eastern utilities have taken to buying natural gas producing companies and then purchasing directly from them, thereby giving them a marketing advantage. The two that come to mind are the Soquip Quebec distribution company, which is associated with Gaz Metropolitan Quebec, which has purchased a company in Alberta, and of course Consumers' Gas of Ontario has Home Oil.

I understand that the government has not been enamoured of these developments and has attempted directly or indirectly to do something about them in the past; however, they've been unsuccessful. We appear to be moving in a very unhealthy direction in that regard. Like anything, if you let it go too far, you can't stop it; no steps are possible. I think we have to address that and take some vigorous steps to address a fair gas marketing situation in this province or you're going to find that the small- and medium-sized companies are going to be squeezed out. This is going to result in a very unhealthy direction for this province. The government unfortunately seems paralyzed, and I hope that paralysis will end.

Mr. Chairman, I have one final point I would like to comment on before wrapping up. Representations have been made to the minister with respect to the taxation of the exploration grant programs that the government has set in motion. I'm of two minds in that regard. On the one hand, I want to see companies encouraged to drill wells. Let me use as an example — I won't comment on the second program that the government introduced recently. I'm concerned with the exploratory drilling program, the effect of which is that the government pays 50 percent of exploration wells. If that is taxed, that simply means that the company drilling is only entitled to deduct from taxes 50 percent of the costs they have borne, and if they're paying tax at a 50 percent rate, that means they are bearing 25 percent of the drilling cost.

I was approached by a representative of a company that wanted to get 100 percent deduction for that cost, so that would be 50 percent government grant and 100 percent deduction. If you pay taxes at 50 percent, that means you're not paying anything for the well; the government pays for the well. Quite frankly, I don't think that's reasonable, and on the basis that there's no free lunch, I would not be arguing for that. If you go to the federal government, they're going to — in fact, it's quite possible that they

might concede, because they're probably looking for some tiny way to look good. There is a limited pot of money. If they do concede, you get a benefit there, but you're going to lose the benefit somewhere else. I don't think that is a very sensible way to seek benefits on the limited pot of money we're going to get from the federal government. I don't think that's the place that should go. I think we can find better places to put our money than having the provincial government pay 100 percent of well costs.

The development well aspect is of lesser magnitude because the tax deductions are staggered on a 30 percent basis, but the same principle pertains, and maybe we just have to buy the fact that if the program isn't working as is, we shouldn't seek to totally pay costs in order to make a program that has inherent problems because of the current economic state of the industry — we shouldn't strain to make the program unreasonably sweet beyond all reason just in order to get development.

The final comment I would make is simply that these are the short-term focuses. In the long term we're all going to have to start addressing the question of: do we need a floor price for oil? I don't know what the answer is to that, but we have to start studying it. That's going to require continental co-operation, and I think the minister has been alluding to that in recent times.

Thank you.

MR. WRIGHT: I have only one point to make, Mr. Chairman, and I'll leave others to make their points. Once more I notice that there is no provision at all in the estimates for creation of a provincial presence in the oil industry. By that I mean a provincial oil corporation. Surely this is an option that must be considered, and it's time to throw away political cant or party prejudice in this area.

At the present time we try to maintain a minimum level of activity in the oil sector by cajoling or bribing or subsidizing the major participants in the oil patch to explore and drill and keep up some activity in this area. We could directly do that if we were in the business ourselves. In the '70s there was a spasm of rationality, you might say, in the creation of the Alberta Energy Company. With typical Conservative moves in the area, the shares of that company were peddled to those that wished to purchase them, so instead of Albertans having a major holding in the company, those that were rich enough or smart enough to buy the shares now own that company. This surely is something that is a major consideration in times of slump in the industry so that we can directly do what otherwise we vainly attempt indirectly to do.

The other day I came upon an astonishing piece of information which will startle some hon. members here; namely that the Saskatchewan government oil company, which is called Saskoil, on June 17 of this year published a document entitled Corporate Strategy and Objectives. This provincially owned company — it's still 58 percent owned by the province — estimates that by 1990, 50 percent of its assets will be outside Saskatchewan and between 70 to 75 percent of the development capital it will put into the company in that time will in fact be development in Alberta. So here we have a provincial corporation from a neighbouring province taking for the people of that province assets which now can be very cheaply picked up and are now being picked up by the major players in the oil industry, which, as we know, are mostly multinational corporations.

We have no way of protecting for the people of Alberta those smaller companies that are going bankrupt or selling

out to the major players, so once more our assets are invaded from abroad. As I say, Mr. Chairman, it's time we set aside political prejudice and invest in such a venture in this way and do something directly to revivify the energy sector.

MR. McEACHERN: Mr. Chairman, I was afraid I wasn't going to get in for even a few remarks, so I'll try to keep them very brief. I would like to congratulate the minister on his appointment, but I can't help thinking that as he moved from Social Services, he must have felt like he was jumping from the frying pan into the fire, with energy being the way it is now.

As Treasury critic, I'd like to relate the oil revenues to that and our problems in the energy sector. I think the \$2.5 billion estimate of the government may not stand up well under the low oil prices. The estimates of revenues seem to be based on approximately \$20 a barrel even though the Treasurer wouldn't divulge that number. He just assumed a one-third reduction. In reality we've had more like a 50 percent reduction in our revenues from that source. Since we have become so dependent on oil and resource revenues, we are of course going to be in a great deal of trouble economically in terms of trying to meet even that \$2.5 billion deficit. I also don't believe the revenue figures take into account the decrease in gas prices that will be the result of deregulation.

The other day the Premier accused us of taking joy out of the misery of Alberta's oil industry. Believe me, we don't. It's of serious concern to the whole province, and there are a lot of jobs being lost. I think the people of Alberta know that we're very concerned about this. I think the government has not shown that they're as concerned as they might be. They've brought in a lot of stopgap programs, but the eleventh hour is arriving very nearly, if it has not already passed.

I mentioned the appointment of the minister a minute ago. It does seem to me rather odd that both the provincial Conservative government and the federal Conservative government would appoint rookie ministers in this very important ministry right at this time. Perhaps that has been part of the delay in coming to some kind of resolution to our problems.

We see that the floor price is still the fundamental thing that we need. It seems to me that the provincial government — I'm taking up some comments made by the minister earlier — thinks that oil is our resource but that the problem is a national problem. That seems selfish and contradictory, but in a way he's right. When the prices were going up and we were getting a lot of revenues, maybe we should've been more willing to admit that we had a nation — one nation and not 10 — and that it wasn't just our resource and we should automatically get world prices. Naturally we should have and did fight for higher prices. As I said once before in this House, we would have fought for higher prices too. But when lower price ceilings were set and imposed upon us, surely we should have used that as a right to negotiate many, many different items and many trade-offs or quid pro quos for that. Had we done that as well as insisted that there be some provisions for a floor price when the prices went down — which I realize most people didn't anticipate — perhaps we'd be in a better position now to argue for that floor price.

I hope the government and the Premier did not rule out the possibility of having a floor price. If you do bring in a floor price, we're not suggesting that that money should

come out of the Treasury of Alberta; we could not afford that. We're talking about a floor price that the consumers would pay across this country and some import duties on any imports that do come into the country. We think that is workable, and that is probably the only direction we can go.

I did have one or two questions on the estimates. I'd like to raise one. Two or three of them did get answered. In vote 1 on page 135 I see that the corporate security service has gone up almost 500 percent. I'm wondering what that was. Is there some particular outstanding event you're anticipating? Are we going to have to protect something in the Energy department or what? I would like an explanation on that particular one.

Perhaps I can pick up one or two others very quickly. On page 137, the purchase of fixed assets, near the bottom: a 205 percent increase — perhaps a quick explanation, if the minister could. On that same page near the top, vote 1.4.5, energy conservation: only a 0.3 percent increase. Conservation of our energy resources may become more and more of a problem with deregulation and low prices and a sort of fire-sale approach to getting rid of as much of it as fast as we can, to make as much as we can in this deregulated world we seem to be moving into.

I'm going to stop there. I would have said more if we'd had more time, but the minister might get a couple of minutes for some replies.

MR. M. MOORE: Mr. Chairman, before moving that the committee rise and report, I'd like to advise members of the House of the business for next week. On Monday, July 28 in the afternoon we will have the Department of Public Works, Supply and Services in committee. It's intended in the evening to be in Committee of the Whole studying certain Bills on the Order Paper and perhaps some second readings if there is time. Tuesday evening will be the Department of Culture; Wednesday afternoon, of course, the opposition will designate; Thursday evening, the Department of Community and Occupational Health; Friday morning, the Department of Municipal Affairs. Of course, some of those could change if the designation on Wednesday involves one of those departments.

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

[Motion carried]

[Mr. Speaker in the Chair]

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

MR. SPEAKER: Having heard the report and the request for leave to sit again, does the Assembly agree?

HON. MEMBERS: Agreed.

MR. SPEAKER: Opposed? Carried.

MR. M. MOORE: Mr. Speaker, I move that the House now stand adjourned until Monday afternoon at 2:30 p.m.

MR. SPEAKER: The Acting Government House leader has moved adjournment till Monday afternoon at 2:30. Does the Assembly agree with the motion?

HON. MEMBERS: Agreed.

MR. SPEAKER: Opposed? Motion carried.

[At 12:58 p.m., pursuant to Standing Order 4, the House adjourned to Monday at 2:30 p.m.]

