

LEGISLATIVE ASSEMBLY OF ALBERTA

Title: **Tuesday, June 2, 1987 8:00 p.m.**

Date: 87/06/02

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

head: **COMMITTEE OF SUPPLY**

[Mr. Gogo in the Chair]

MR. CHAIRMAN: The Committee of Supply will please come to order. Before we proceed, would the members of the committee agree to revert to a brief Introduction of Special Guests?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Hon. Member for Cypress-Redcliff.

head: **INTRODUCTION OF SPECIAL GUESTS**

MR. HYLAND: Thank you, Mr. Chairman. I'd like to introduce to the Assembly this evening a constituent of mine from the big town of Etzikom, Alberta. Bryan Hearn is president of the Foremost Chamber of Commerce and a councilor in the county of Forty Mile. I would appreciate if he would stand and the members would welcome him to the Assembly.

**ALBERTA HERITAGE SAVINGS TRUST FUND
CAPITAL PROJECTS DIVISION
1987-88 ESTIMATES OF PROPOSED INVESTMENTS**

**Department of
Community and Occupational Health**

**1 – Occupational Health and Safety
Research and Education**

MR. CHAIRMAN: The capital projects of the Alberta Heritage Savings Trust Fund, page 4, Community and Occupational Health is before the Assembly tonight. Would hon. members wishing to make comments, questions, or amendments to the vote indicate their interest to the Chair. It's traditional that the minister make opening comments. This is the second time this vote has been before the committee. The hon. Minister of Community and Occupational Health, Hon. James Dinning, would you care to make some comments?

MR. DINNING: No opening comments, Mr. Chairman. I made them the other night. Only to provide -- and perhaps the pages would come and pick up this bulk of papers -- a status report on the occupational and safety heritage grant program effective May 11 for the information of all members.

MR. CHAIRMAN: Hon. Member for Calgary Mountain View.

MR. HAWKESWORTH: Thank you, Mr. Chairman. I look forward with anticipation to receiving my copy of the document the minister is just in the process of circulating. It might answer some of my concerns. Perhaps the minister, in view of the time he's had to review the comments that were made the other day in reviewing this particular vote, will recall that certain ques-

tions were raised about certain occupational studies for occupational health, in particular something called the sick building syndrome.

Again I asked the minister if any of the studies that were presently being undertaken in fact were related to that issue or concern, and perhaps he could go into a little more detail while we're reviewing the actual list. If it's not in fact in the research projects that have been approved under this vote under the heritage grant program, perhaps he could give some indication whether he's asked his department to at least advise him about the possibility in coming years to add that to the vote or else to investigate it through other avenues of government.

As well, I was wondering in my particular questions the other day -- I was asking the minister what assessment had been done of the cost to the provincial government of those who smoke and the impact it has on nonsmokers, particularly in view of the federal initiatives to eventually not allow further advertising for the sale of tobacco -- whether he is looking at some policy initiatives within the provincial government that would discourage those who smoke in the workplace. Those are important questions. Perhaps they're not being reviewed, or perhaps they've not been investigated as part of these approved projects in the list which the minister has just circulated. Nonetheless, if they are, I'll look forward to finding those and seeing what has been done. If they're not, again I'd like the minister, if he would be so kind, to give us some preliminary indication of what steps might be taken in that area as well.

Thank you, Mr. Chairman.

MR. CHAIRMAN: Hon. Member for Edmonton Kingsway.

MR. McEACHERN: Thank you, Mr. Chairman. Before we run out of votes here -- and I know we have four or five to go -- I wonder if I can ask a procedural question. We spent the first day of the Heritage Savings Trust Fund capital projects estimates in sort of a general discussion and then we went into specific votes. I'm wondering if, at the end of each of the specific votes, there is an overall vote and a time to wrap up the overall picture a little bit. Is that customary, or do we finish when we finish the last individual vote?

MR. CHAIRMAN: Well, hon. member, the Chair is in the hands of the committee, but the government puts government business. So the Government House Leader, whoever is acting, puts forward the business to be discussed by the committee. There was agreement on day one that we would discuss the overall capital projects division, as the member rightly recalls, with the agreement that then we would proceed directly to the votes.

The Chair is compelled by Standing Order 62(3) that we deal strictly with the issue before the committee. The Chair can't change that. Perhaps before day 12, which is Friday, assuming we move day by day, the hon. member's House leader -- well, it's not up to the Chair. You could discuss that with the Government House Leader and come to some accommodation, but frankly the Chair is really not in the position to do that, Edmonton Kingsway.

MR. McEACHERN: Okay, I guess what I was asking for -- and somebody from the other side might take a look at it and I wanted to give a little advance warning -- was a chance to sort of look at the total dollars on the back page and look at the total process of voting the \$140 million in this case for this particular

year and relate that to heritage trust fund versus the estimates. I wanted a chance for a few wind-up comments, I suppose, and that's what I'm asking for.

In terms of community and occupational health, I do have a few remarks I want . . .

MR. CHAIRMAN: Order in the committee please, members.

MR. McEACHERN: My colleagues have raised a number of issues in a number of different areas, so I don't think I'll repeat what they were saying, although to some extent they did touch on the one area that I wanted to talk a little bit about. That is safety in the oil patch. It seems to me we've not had a very good record in that area, and it's been particularly bad in the last while. Certainly December was a very black month, and there's been a death since then as well.

I guess I want to say again to the minister -- and I did mention this to him briefly in the heritage trust fund hearings -- there is a gentleman who has made a proposal that I think makes a lot of sense. The minister has turned it down rather flatly, and so I think some other members of this House should know about it and should think a little bit about it and see if they see any merit in it. Perhaps they could persuade the minister.

This gentleman has made a very good case for suggesting that we do a registry in which we register not only accidents that happen in the oil patch but also the near accidents. His rationale is this, and it seems to me to make an awful lot of sense: if you kept a very close record of the near accidents that were happening in the oil patch, you could better analyze what pieces of machinery were faulty or were not of the safest types and which ones were of the safest types. You could make information available to all the oil companies and all the governments around the world that are interested and that have oil industries, and they could better prepare safety legislation and preventative safety measures if they had the kind of knowledge that you could get from not only recording every accident, as I gather we try to do now, but also every near miss no matter where, when, how, or why.

He maintained -- and he's worked around the oil fields of the world considerably -- that Alberta is in a totally unique position to do that and to make it work and to develop a technology with our ability with computers and the knowledge we have and the concentration of the oil industries that we have in this province. There is no other place in the world that has the kind of communication skills and the technical skills -- I'm thinking computers here -- to gather that kind of information in the systematic manner that could be as helpful. And he says that if Alberta would do that, we could then export that knowledge around the world and also clean up our own act.

One of the very high costs that we have in the oil industry is the amount the companies have to pay for workers' compensation because of the number of accidents they have. The companies would be willing participants if the government would get behind something like this. Some of the big companies have already indicated they would be willing to do it. They are not able to by themselves; one or two companies can't do it or a half a dozen companies can't do it. What you need is a co-ordinated program, and only the government is in the unique position to do that.

So it seems to me that the minister should take a very serious look at this gentleman's proposal. He knows his name, and if he has forgotten it or didn't take it down, he could certainly get in touch with me and I would give him the name and phone num-

ber. There would be such an improvement in the safety factor in the oil industry in this province . . .

MR. CHAIRMAN: Order in the committee please, gentlemen.

MR. McEACHERN: . . . that we could not only have a lot less people injured for life or killed, as we have here in Alberta, but we could export that kind of safety technology around the world. I was rather disappointed at the quickness with which the minister brushed that idea off at the heritage trust fund hearings, and so I raise it again. Some of you that know the oil patch should stop and think a little bit about that and talk to some of the people in the oil fields and see if something along that line couldn't be set up that would really enhance the workers' safety, particularly in the oil industry.

MR. CHAIRMAN: Vermilion-Viking? Edmonton Belmont.

MR. SIGURDSON: Well, thank you, Mr. Chairman, I think. I thought the Member for Vermilion-Viking was about to get up and give us a speech on occupational health and safety and part with some words of wisdom that I'm sure the hon. member has.

If I may, Mr. Chairman, I'd just like to get in one dig, though. I notice the minister happens to represent a Calgary constituency, and I'm sure that if the Flames had won the Stanley Cup we wouldn't be here tonight.

MR. CHAIRMAN: Hon. member, with respect, we don't talk about a hypothetical situation. Edmonton Belmont.

MR. SIGURDSON: Mr. Chairman, with all due respect, I heard the hon. Member for Edmonton Kingsway talk about safety in the oil patch, and the Flames were snuffed out and the Oilers happened to do something that was great and they won. Therefore I happen to think it's somewhat more relevant. [interjections] Stretching it somewhat? Mr. Chairman, I tried.

Mr. Chairman, tonight we're on the Alberta Heritage Savings Trust Fund capital projects division, and specifically we're dealing at the moment with Community and Occupational Health. There is an amount to be voted for that department, an amount of some \$1.5 million. I noticed that at the top of the page under the objective, it says, "To provide funds for research, training and education with the objective of preventing accidents." Now, we have an awful lot of worksites throughout our province, and here we are going to direct but \$1.5 million to preventing accidents. I have to wonder just what kind of educational package we can send out to employers and to employees when all we're spending is \$1.5 million.

In the last year that stats were available, we saw that more than 100,000 workers were injured on the job, Mr. Chairman. That's somewhere in the neighbourhood of about 7 percent. Surely to goodness when we're trying to prevent accidents, when we're trying to save on the pain and suffering of workers due to industrial accidents, \$1.5 million is not a sufficient amount to do just that. In the previous year \$2 million was spent, and we attempted then to disseminate information that perhaps otherwise would have remained at a print shop, or perhaps it would have remained indeed only in the minds of those who are concerned about safety at the workplace.

The year prior to that, for the year '85-86, \$1 million dollars was expended out of the Heritage Savings Trust Fund capital projects division. We went up fully 100 percent. That was a laudable intention, because we wanted to cut back not only in

terms of saving money from people that were injured in terms of having to make payments but we wanted to ensure that when Albertans went to work they had the best available information to keep them safe at the job they were performing.

Now the full year has passed, and we find that we've got a cut. Have accidents gone down? No, accidents haven't gone down. Accidents have probably remained pretty much the same, and yet there are fewer people in the work force. The minister looks across -- there are fewer people in the work force today than what there were a year ago and two years ago, and here we're cutting back in one of the more dangerous occupations in Alberta, which happens to be in the oil patch. Nine people last year lost their lives. We're cutting back.

What are we doing, Mr. Chairman, to the minister? What are we doing in the area of research and training and education out of this fund? Not out of the overall budget of the minister, but of this fund, what amount, what proportion of that \$1.5 million is going towards preventing accidents for those people that happen to be employed in the oil patch?

Supplies and services: we have an increase. But I would like to know in that \$10,000 that's been increased: why? Where's it gone? Well, just right here -- maybe I'm reading it wrong; I don't think so. We've gone from \$78,000 in '86-87 to \$88,700 in ['87-88]. Surely, Mr. Minister, that is an increase of some \$10,000 -- \$10,700 to be precise. How much of that is going to supplies? How much of that is going to services? What's been the perceived need when we're cutting back overall by \$0.5 million? How much is going where?

In the area of grants, I see that we have almost a half million dollar loss. In fact, we have more than a half million dollar loss. I recall during the budget estimates debate, Mr. Chairman, that the minister stood up and said: "Well, it's time that we returned some of the onus to the private sector. It's time for the private sector to turn around and get some of that information, compile it, disseminate it, spread it out, so that all the workers could know what was going on." Indeed, we saw in his budget a substantial decrease. Worksite services went down 6.5 percent. Occupational services went down more than 14 percent, almost 15 percent. Research and education during the overall budget: that too was cut 13.1 percent. Program support: that too was cut. Overall support services were cut, and now the Heritage Savings Trust Fund capital projects. Are we trying to make up for that? Obviously there was a rainy day in the minister's department. Is that money coming out of the Heritage Savings Trust Fund? No, it's not coming out. In fact, Mr. Chairman, money is being taken away again from this particular budget to the tune of 25 percent or \$0.5 million,

But I recall that minister standing up and saying, "Yes, it's time that those directly involved -- whether they're workers, whether they're management, or indeed perhaps even some of the government -- collectively contribute and put our minds together." I thought perhaps that would include putting some dollars together so that we could look at improving the research, training, and education at the worksite so that we might prevent accidents.

We saw all the cutbacks. At a time when accidents weren't going up, in fact the amount of money being paid out to claimants had gone up, unemployment was up, jobs were down, injuries were up. So too was the amount of money being paid out to claimants. One would have thought that maybe, just maybe, a small amount of investment into prevention would have been forthcoming from some area of the government. But no, not this department; not this government. Couldn't have anything like

that.

In 1985, Mr. Chairman, 94 workers were fatally injured on the jobsite. Ninety-four workers were killed, because they were going to work. Ninety-four people got up one morning and thought their job that they were going to was probably relatively safe. They were just going out to turn a wrench at the well site, drive a truck down the highway, and lift a load of timber off the back end using the boom. Ninety-four people in calendar year 1985 thought that they were going home the night they went to work, and they didn't. What are we doing? We're cutting back. We're cutting back the very programs that are there. The funds that are supposedly there for research, training, and education are being cut back in this particular project, the capital funds project of the Heritage Savings Trust Fund. They're being cut back 25 percent.

What indication does the minister have that would direct him to do just that? I don't see it. I didn't see the number of accidents go down, I didn't see the number of employed Albertans go to the worksite and see that their safety conditions were so terribly improved that they didn't need this \$0.5 million. Quite the opposite. Quite the opposite, Mr. Chairman. I saw workers go out to their worksite to find that they needed even more money for safety committees so that they could meet, for information packages so that they could discuss, for capital being made available so that they could send some of their co-workers off to conventions that indeed talked about health and safety concerns.

No, here we are in wonderful old Alberta, suffering not only with an economic recession but with an ideological attitude that says we have to cut back. We must cut back and it doesn't matter where. We have an ideological direction that says we must move this way -- for those who read *Hansard*, I was moving my hands to the right as opposed to moving down a paved road, for the Minister of Transportation. That would have at least maintained the status quo. Surely that's not too much to hope for when the record of safety hasn't improved all that very, very much.

Mr. Chairman, we see so many changes in the workplace now. Equipment and technology are changing at an ever rapid pace. We know that perhaps the tools and the manuals that we were trained on four or five years ago are now today out of date. I would hope that even the Member for Stettler and even the Member for Lacombe and Red Deer North and South as well, but to a lesser extent . . .

MR. CHAIRMAN: Order, please.

MR. SIGURDSON: . . . would recognize that the manuals and the tools that we work with today in 1987 aren't necessarily the tool and the equipment that we were trained on in the 1960s, the 1970s, or indeed perhaps even in the 1980s. There's been a very rapid improvement in technology, and we don't perhaps know what we're dealing with.

Now, I suppose that some of the more callous among us might say: "Well, surely to goodness it's up to those who work with those improved tools, with that improved technology -- the onus is on them to find out what they're dealing with. Surely to goodness it's not up to the manager to provide the time off and the training that goes along with the implementation of these new, innovative ideas." Well, I would suggest otherwise. As a society we all benefit from increased productivity. Some of my colleagues would argue that we have benefited so well from increased productivity that we have a terribly high level of un-

employment. But the fact is that when we have high productivity, benefits accrue to all of us. Surely to goodness when benefits accrue to all of us, all of us have a stake in ensuring that those who operate those new, innovative, technologically improved pieces of machinery ought to be fully trained and competent in using those various pieces of machinery.

In an economic depression, which is what we're in right now, many employers, especially those who are in a small business, can't afford to have some of their employees take three, four, or five days off to go out and get trained on those new, wonderful, technologically, innovatively improved tools. But surely, Mr. Chairman, if that capital were available to those employers, surely then they would allow their employees to go out and take that training. That's perhaps what some of the funds in this Heritage Savings Trust Fund ought to go towards.

We have in our society a number of trained technicians. We have lawyers who study long and hard so that they can interpret the laws. We have dentists that study long and hard so that they might extract teeth or fill cavities or even give a simple examination. We have doctors that examine the body to ensure that we are in good health. Indeed, 80 years ago . . .

MRS. CRIPPS: You're stating the obvious.

MR. SIGURDSON: Well, Madam Minister, if I'm stating the obvious, let me refer to this then. Eighty years ago . . .

ANHON. MEMBER: Shirley, get back over here.

MR. SIGURDSON: Shirley not. Seventy or 80 years ago when we wanted to open up the west, what we endeavoured to do was just to offer land to people that came from countries where land was not plentiful. We made that land available, and they became farmers. But even today we have people that study agriculture at the university. The technology in agriculture is changing and so too is the technology -- the minister was smiling, but he failed to recognize that so too has the technology changed in the area of plumbers and pipe fitters, in the area of carpentry, in the area of electronics, for the electricians.

It wasn't all that long ago when we had to deal with propane as a fuel. The difference between liquid and vapourized propane is incredibly different. One is far more volatile than the other, but only at certain stages. I wonder just what kind of money coming out of this particular program is going to train those people that happen to be filling the tanks. I wonder just what kind of money is coming out of this project for education for those people. Because I would suspect, Mr. Chairman, with all due respect, that those young people -- for the most part they're quite young -- who happen to fill our propane tanks are not being properly trained. If an accident were to occur at their worksite, the tragedy would not be one that I would want to deal with as a member of the Legislature. The tragedy would not be one that the Minister of Community and Occupational Health would want to deal with. Because the tragedy would surely be so great that life would be lost, and perhaps many other people would be injured.

Now, Mr. Chairman, in closing . . .

ANHON. MEMBER: Thank God.

MR. SIGURDSON: Well, hon. member, let's hope that at some point we don't have to do what you suggested for the entrance of some poor soul who wasn't properly trained on some piece of

mechanism.

I would hope that the minister at some point would have recognized that now is not the time to make these cuts; in fact, now is the time to perhaps even fund certain agencies to a greater degree than what we have in the past.

During the estimates of the minister I commented on the fact that the Alberta Federation of Labour would be opening an occupational health and safety centre. I thought there would be funds made available to that. What do we have? No funds available. Those people there that happen to be helping injured Albertans: in the generosity of this Conservative government, what do they get? Do you know? Do you know what they get? Oh, there's the Member for Cardston who wants me to sit down. Because he knows what they get. They happen to get the use of the library. But what funds? What funds out of this project have been made available to that group that happens to be helping injured Albertans? I would hope that the minister would stand up and be able to correct me and say, "Oh no, he's wrong; they get more than that." Because the other side of the coin is that they do get more than that. They happen to get some constructive criticism, I'm told, along with the use of that library.

But surely the amount of money available to that group should have gone up. Because the Alberta Federation of Labour, in their strive and their drive to create a safe work force for working Albertans, have tried to provide research, and they've tried to provide training, and they are in fact providing education for Albertans so that they might very well go to the workplace, work at the workplace, so that they might enjoy the camaraderie of their fellow employees at the workplace before they safely return home that evening to maybe their wife and their family or perhaps just return home safely that evening in one piece so that the following day they can get up and again go to work. But no, no, not with this budget. Not with the commitment from this government. Not with the commitment from the minister who says: "Well, now is the time to cut back. Now is the time the entire government has to cut back. We have to realize a certain economic reality, and therefore it's time to cut back."

Mr. Chairman, I started off by saying -- and I know that *Beauchesne* has an article somewhere in there, a section about being repetitive, but I feel that at this minute, the least that I can do is be repetitive.

ANHON. MEMBER: It's the most too.

MR. SIGURDSON: The objective of this department [interjections] -- wait for your turn -- is to provide funds for research, training, and education, with the objective once again of preventing accidents. I'm afraid, Mr. Chairman and colleagues, that with the cutbacks at this time, it's not, unfortunately, going to be done.

MR. CHAIRMAN: There's no question that the Oiler reception has done wonders for committee. Are you ready for the question, hon. minister? Does the minister wish to respond or . . . [interjections] Members, ready for the question?

SOME HON. MEMBERS: Question.

MR. CHAIRMAN: Community and Occupational Health, hon. Member for Calgary Mountain View? Hon. minister.

MR. DINNING: Just briefly, Mr. Chairman, because I know all

hon. members have had their lengthy say. As for the comments by the Member for Calgary Mountain View regarding the sick building syndrome, I had the opportunity to comment on that following his comments in the Assembly and said at that time that we would welcome any good presentations, any quality submissions for research in that area. We haven't received any yet. We've received some submissions, but we haven't considered them good enough quality to support, and we would welcome submissions for that kind of research under this program.

Smokers smoking in the workplace. It's an issue that's debated long and far, wide across the land. It's something that I commented on during my estimates before the Committee of Supply for the Department of Community and Occupational Health, and I'd refer the hon. member back to those comments.

The hon. Member for Edmonton Kingsway talked about the safety industry, the possibility of exporting that ability that we've built up, that expertise that we've built up in the safety industry in this province. We are doing that. I would hope we could do more of it in the days ahead. But in the area of oil patch safety and in the area of construction safety and in all of those areas where Alberta is renowned for its safety expertise, we are selling that knowledge, that experience, around the world.

The Member for Edmonton Belmont -- the speed-reading, speed-writing, and speed-talking Member for Edmonton Belmont -- spoke of reductions in the program. If he had been here the first night of our estimates, he would have heard my comments in this regard. This is a 10-year program. Last year we proposed to the Assembly some \$2 million in spending, and it turned out that by the end of the 1986-87 fiscal year we had invested some \$1.35 million of that \$2 million allocation. We believe that this \$1.5 million can be fully used and will be used, in that only those projects that are brought to us that are of a good, high quality nature will be funded. And we believe the indications that we have had so far, that we will be receiving in the order of \$1.3 to \$1.5 million in quality submissions that we will be funding.

MR. CHAIRMAN: Ready for the question?

HON. MEMBERS: Question.

MR. HAWKESWORTH: Just a couple of quick points. I appreciate the comments of the minister, and I certainly appreciate that he brought forward this information that provided that to all members of the Assembly. I would just ask him, because I think that first of all it helps us understand the actual details and specific priorities within this vote -- I would like to know, in terms of getting the reports that have been completed and listed here in this document: are they all available to the public and the members of the Assembly? Secondly, when reports are done, how are they distributed to the stakeholders, if I could use that phrase, or people who would have an interest in that particular industry or those particular issue areas?

I appreciated his comments about receiving proposals for studies on sick building syndrome, I suppose these are brought forward through the minister's office. If people contact individual MLAs, is it suitable to simply have them go through the minister's office? Does he take those individual proposals and have them vetted or reviewed or approved by a departmental committee? So I'd just appreciate it if he'd make a word or two about the steps in the approval process.

Thanks.

MR. DINNING: Mr. Chairman, the hon. member could be referred to page 1 of the May 11 status report: "All reports from completed projects may be borrowed from the Library Services Branch." The information is there. For further information about the program the information is there. All research proposals that we receive are vetted by outside examiners, often people in the industry who are active both in academia and in the actual health and safety area, both inside Alberta and beyond our borders as well, I think that pretty well answers most of the questions put by the member.

SOME HON. MEMBERS: Question.

Agreed to:

Total Vote 1 -- Occupational Health
and Safety Research and Education

\$1,500,000

Department of Energy

I -- Alberta Oil Sands Technology and Research Authority

MR. CHAIRMAN: Department of Energy, page 5 of the capital projects division. Any comments by the hon. minister? Calgary Forest Lawn.

MR. PASHAK: Well, I'll make my comments brief. Mr. Chairman, in anticipation that the minister would take the time so provided him to answer the questions that we raised when the Energy estimates came up earlier. Some of the main questions that were raised at that time had to do with . . .

MR. CHAIRMAN: Order in the committee please.

MR. PASHAK: . . . AOSTRA support for heavy oil sands research, I mentioned a couple of examples at that time. One had to do with the cancellation of the Burnt Lake project. The second had to do with some concerns about the Husky upgrader. And in both cases the concern was that if these projects are canceled or if they are not started within a reasonable length of time, then the teams that were put together for those projects would be disassembled and a leadership role that I think Alberta is playing in the global scale could be lost. It would take a long time to put these teams back together.

The second concern that was raised during the debate that I'd like the minister to address was raised by the Member for Westlock-Sturgeon and by the Member for Athabasca-Lac La Biche and had to do with: are we getting a big enough bang for our buck when we put money into this kind of research? We're putting it in the form of grants. Would it be in the province's interest to put more of this money into these projects in some form of equity participation which would allow an even greater return to the Treasury of Alberta?

Also, another question that was raised had to do with phasing out funding from the heritage trust fund itself and replacing that with funding through the General Revenue Fund of the province of Alberta.

So with that I would like to go to the minister to see if he'd answer these questions and any other questions that he deemed important from last day's debate.

DR. WEBBER: Well, Mr. Chairman, I appreciate the opportu-

nity to respond to some of the comments made the last time we had Energy up in the estimates here. It was interesting that some of the members who spoke have had past experience in Fort McMurray, including the Member for Calgary Forest Lawn being the member of a seismic crew up there many years ago, likewise with the Member for Westlock-Sturgeon who had spent some time up there. I, too, had the opportunity to spend some time in Fort McMurray back in the mid-50s. Having not only the opportunity to see the oil coming out of the oil sands into the river, however, I also had the opportunity to be a beer slinger in the Fort McMurray beer parlour, and that's where one probably gets his best education. So we certainly have members here who are familiar with at least that part of the country.

I was also appreciative of the fact that members supported in principle the work of AOSTRA, and many useful comments were made with respect to the role and the mandate of AOSTRA. Certainly there is a need to review that role and mandate on an ongoing basis. With the new chairman in place now, I think it's an opportune time to assess where we are and where we should be going in determining our priorities with the reduced expenditures that we have.

A number of the members answered their own questions last time, Mr. Chairman, with respect to why there were cutbacks. Obviously, restraint is the reason for those cutbacks and a balance of where those funds should come from. In my comments last time I noted that the Heritage Savings Trust Fund and general revenue provide funding to AOSTRA. That decision was made a couple of years ago simply because in the capital projects division of the Heritage Savings Trust Fund the 20 percent limit was being reached; therefore, to avoid going over the 20 percent limit, it was decided to receive funding from the General Revenue Fund. So over a period of time as we hit closer and closer to that limit, it's likely that we will see more funding coming from the General Revenue Fund and less from the Heritage Savings Trust Fund. I suppose one could amend the legislation and allow for a greater portion of the heritage trust fund to be allocated to capital projects division, but that was not the decision.

Another question that arose related to the amount of money that was the reduction in the overall budget. I think it's important to clarify that the actual expenditures in '86-87 were very close to the budgeted figures for '87-88. Even though there was a higher budgeted figure for '86-87, the actual moneys committed to projects turned out to be very close to what the budget is for this year, so if those moneys this year are invested in research projects, there would be very little difference between the amount of money that would go into research between the two years.

The hon. member asked the question, the concern, about certain projects not going ahead. I think he referred specifically to Burnt Lake, for which Suncor had been involved in negotiations with the government. Those negotiations were not concluded due to the price collapse and likewise with a number of other projects. Certainly I agree that it's a shame that many of those teams that were put together had to stop their work, but obviously with the world collapse of prices it became uneconomical to proceed. However, with increasing prices of oil -- \$19.67 U.S. today -- many of these companies are now coming back to us for further discussions on how they can proceed to develop some of these projects.

Mr. Chairman, there were a number of other questions that were asked last time. The hon. Member for Redwater-Andrew I believe answered some of them, if members would refer to *Han-*

sard. As I reviewed *Hansard*, I saw that he had answered some of those questions. If upon concluding this particular vote I see in the review of *Hansard* that some questions remain unanswered, I make the commitment to in writing get back to hon. members to respond to the specific questions they raised.

One final question that came up from several members -- I believe the hon. Liberal leader as well as several other members were indicating that maybe too much money was being spent on too few companies, almost as if we had an aid or a welfare program in place for multinationals. Obviously, and this is the case historically with AOSTRA, they're prepared to joint venture with any corporation, any company. However, because of the dollars that are associated -- this is a high cost area -- the larger companies are more capable financially to enter into joint ventures with AOSTRA than the smaller ones. However, I think it's important to note that many of the funds in AOSTRA go towards university research, and we established a small inventor's fund several years ago -- 1983 if I recall correctly -- so there's a wide scope of investment for those funds.

The development of the oil sands being a high cost area traditionally has required large investments from large corporations. However, having said that, I think that with the research that has been done, we are now at the stage where it may be as economic or maybe even more economic to look at some of the smaller projects with new technology. I will be reviewing this concept with my colleagues in terms of establishing a policy as to where we go in oil sand development.

Some questions related to the ownership of technology, and I refer hon. members once again to page 63 of the 10-year report. It's an analysis of all the projects that AOSTRA has been involved in for 10 years, called the 10-year review. Page 63 of that particular report very clearly outlines how AOSTRA generally ends up owning the technology.

Well, Mr. Chairman, I believe those are most of the questions. Some questions related to numbers in the annual report and some apparent discrepancies, and I have to assure hon. members that the funds for AOSTRA are audited on an annual basis. I think the one thing that may be confusing some members is the fact that X dollars may be allocated for AOSTRA; however, Y dollars being less than X may be actually spent, and the spread, the difference, is carried over into the next year. I think if hon. members take a closer look at that, they'll see that's what has happened.

So, Mr. Chairman, those are the responses that I see for hon. members.

MR. CHAIRMAN: Ready for the question? Hon. Member for Edmonton Kingsway.

SOME HON. MEMBERS: Question.

MR. McEACHERN: I just have a couple of questions. Thank you, Mr. Chairman. I'd like to thank the Minister of Energy for very carefully answering quite a number of the questions that were raised the other day. I wanted to elaborate maybe on a couple of the questions or ask for a little more specific information.

You talked a bit about the cutting back as it had been raised in the Assembly last day, and you said that some money was coming from general revenues. I'm wondering. For instance, for this year then, the cut from \$31.4 million of last year down to \$20.8 million of this year: will that amount be pretty well made up by general revenue moneys into AOSTRA or not?

You sort of said there's some money coming there, but you didn't indicate how much. Could you give us a percentage or a ballpark figure on that so we'd know whether AOSTRA is really . . . You see, AOSTRA went, I think it was, from \$50 million in the year before last to \$31.4 million down to \$20.8 million. So I was sort of asking: were you winding it down? I think your indication now is just that no, it's a recognition of a tighter budget.

We would just remind you we have spent overall some \$400 million then on AOSTRA, and that is a very major outlay. I think it's incumbent upon the minister to follow through on his commitment with this new chairman to really have a good look at where we've gone so far, what have been the strengths and weaknesses, and where we go from here. It's a bit like looking again at our budgets or the heritage trust fund concept in view of the fact that we're now in a deficit situation compared to the days when money was flowing a little more freely.

There's one other question you didn't get into that we did raise the other day and that I would appreciate a comment or two on, and that is the diversification of our energy resources into other fields like solar, wind, coal, et cetera. I think we have cut back on a solar project that was raised by the Member for Pincher Creek-Crowsnest last day, and I wonder if the minister could comment a little bit on that. I know we have lots of oil, and in some ways it's in our interests to see to it that that remains a technology of some importance for some time to come, but there are no guarantees on that. Somebody may come along one day and invent a way of using hydrogen or some such and sort of bypass our oil. There are other renewable resources like wind and solar energy that could in the long term be of great benefit for mankind.

You talked about the idea that perhaps small is not such a bad idea in some cases, and I would just like to say that I've been doing a little reading in the field of finance and companies, that sort of thing, and I gather it's also becoming . . . You know, we were asking and you were answering about whether we were putting too much money into the big multinationals and that maybe small is the way to go to some extent. It would seem there's a trend among the corporate world to cut down the size of some of the big corporate giants . . .

MR. CHAIRMAN: Order in the committee, please.

MR. McEACHERN: . . . and then split them into smaller units, and I think that in the energy sector here in Alberta maybe that could have some application.

I'll relate a very specific story of when I was doorknocking one time back in, I think, the '82 election. I met a young man who at some point in the late '70s or early '80s had been up into the Fort McMurray area when they were planning the oil sands project. He said he got talking to one of the engineers and this time they were planning an oil sands project for some \$4 billion, which mushroomed a little later into some \$14 billion. It was meant to be a very huge plant. He said that in talking to the engineer he found that the engineer had a totally different idea of how it should have been done had he been allowed to have his way. Instead of building one big plant and importing sand from eventually up to 20 miles away, which was the plan, his idea would have been to build a small plant that would take only the sands from within a half mile and, while that was being done, build a second plant on the same model or maybe even improved -- because the kind of research AOSTRA can do, they can maybe improve the technologies used -- and then build that

second plant while the first one is operating, and before the first one runs out of sand the second one would be ready to operate, and maybe even build a third. Then having built the plants so they can be taken apart, hopscotch the first plant, when it had taken the sands that were economic to take around it, over the third one, and eventually do the whole area. But he was saying that the model they were working on was such that they were going to be transporting sand as much as 20 miles, and the cost of transporting the sand that far would take more energy -- never mind the dollars -- would actually bum more energy or use more energy than you'd get out of the sand when you got it there eventually. And he thought that "big" in that case was not such a great idea and that in fact it was a rather uneconomic project the way it was planned.

So that engineer must have been rather farsighted, because I think I now see a trend in the whole corporate world to move in that direction. I'm glad to hear the minister referring to that idea that maybe small is beautiful in some ways. Perhaps we could have one or two answers more from the minister, then elaborations.

Thank you.

MR. TAYLOR: Mr. Chairman, I want to thank the minister for answering some of the questions. It's not that I brought up some; it's more that I'd just forgotten to ask some others earlier. I would like to also compliment the Member for Edmonton Kingsway for pointing out that we should be widening our research just in case oil isn't the be-all and end-all down the road. But even within the oil front -- I don't expect the minister will have it at his fingertips -- if he could take some time maybe and do as he said, after reading *Hansard* transmit a letter to some of us who are interested. I would be interested in how the budget breaks down as to between conventional oil or, in other words, enhancing conventional oil recovery; heavy oil, which is occupied by many small companies but of course there are some big ones; and tar sands, which is almost the exclusive prerogative of only about half a dozen companies, maybe even less than that. About five, I believe, own 90 percent of the tar sands. I'd be interested in seeing how the research breaks down, and I suppose there's some that's common to it.

I'd also like to suggest to the minister that other areas could be quite beneficial. Not too many years ago in west Europe, because the hydrocarbon prices are higher, I participated in extracting gas from the fresh and brackish waters that exist in coal seams. We have a lot of coal seams that have water in them, and you'd be amazed that when you take the pressure off a coal seam there's usually a substantial amount of methane and gas that can come out. I was just wondering if there has been any work going on in that area.

Also, gas will be trapped in waters at very great depth, and that's a horizon because we have the deep part of the basin in front of the Rocky Mountains. So any drilling that would unlock fluids at great depths in water, even along the front of the Rocky Mountains in its deep basin area -- it would be interesting if they're doing any research on that.

[Mr. Musgrave in the Chair]

But I'll save my heavy fire most of all, Mr. Chairman, for something that's bothering me more and more, and I just did some phone calls this afternoon to check on it. This is the case of many of our large corporations using fresh surface waters to go after, push out, chase the oil out of either the huff and puff

methods in the heavy oil or in old-fashioned water floods in conventional. I believe the time has come when there should not be one cupful of fresh water allowed to any oil company to put in the ground. There's no reason why they cannot use fossil water and deep water. As a matter of fact, most of us geologists will hit water three out of four times when we're looking for oil, so there's lots of water out there.

I'm participating in a water flood in Saskatchewan right now where the Saskatchewan government may be much more farseeing than we are. It will not permit us to use any fresh water in the Dodsland area. We use brackish water from the [inaudible] and very, very salt and sulphurous water from the Winnipegosis at a deeper depth.

We have a very porous reef that runs all the way from Lloydminster to northwest Saskatchewan and central and eastern Alberta and going on up into the Peace River country that will yield hundreds of thousands -- millions, maybe even billions -- of barrels of water that can be used for enhanced recovery in heavy oil. It's a crime for this department to be sitting there talking with some major oil companies about building a waterline from the Saskatchewan river down into the Grande Centre and Bonnyville areas. There's absolutely no reason for it. It's a crime that you will stand indicted for in the years ahead when we find how short we are of fresh water. There's no reason why this Alberta oil sands technology cannot be expanded to point out to these antediluvian characters that run these major companies that will sit there and take all your fresh water -- if you're crazy enough to give it to them for nothing -- rather than go to the extra expense of drilling depths of only 5,000 or 6,000 feet for thousands of millions of barrels of saline and chemical waters. I would like to see the minister announce some policy then or do at least some research into it just because it will be something we are going to regret for years and years to come.

Once the water has gone down into those formations, it picks up the salts and other chemicals that are already in the formation in order to push out the heavy oil or to create steam down there. If you want to take on a cost/benefit analysis over this next century, it will go down as probably the greatest waste of any natural resource. This makes the flaring of natural gas in Turner Valley for 35 years look like child's play. The early oil people that allowed the gushers to flow looked like conservationists compared to this government and their attitude toward the use of fresh water by the corporations in order to either enhance the recovery or to use in heavy oil floodage. So I would be interested in some sort of commitment or answer from the minister, Mr. Chairman, if he's going to continue this gross neglect of our fresh water resources.

MR. PIQUETTE: Mr. Chairman, I'd just like to raise a few points relating to research relating to the ERCB. In a recent meeting with some junior oil and gas companies, it was suggested that we should raise in the House that a lot of the proven or supposedly proven reserves for oil and gas in Alberta perhaps are fictitious in nature as opposed to really being proven. A company president in Calgary just a couple of weeks ago indicated to me that he felt some of the even larger companies are not really being thoroughly honest about the reserves we're supposed to have in our oil and gas fields in Alberta. The reason for that is that if they can up the supposed reserves, then they have more for sale in the international and domestic markets.

I just wonder how much monitoring or research has been done by the government and by your department relating to how much we really have of actual surplus oil and gas in the prov-

ince of Alberta. What is it really based on? Is it totally based on what the company reports to the government, or is it totally a point of view which is independent from oil and gas analysis? What is it really based on? I think that just like the whole idea of using fresh water to get some of the oil structures out of the ground, it's very shortsighted. I'm wondering how shortsighted we are in terms of making sure we have an adequate protection and monitoring system and research program to ensure that we have a domestic supply of oil and gas which is actually based on facts and not on supposed fiction. Perhaps in his response the minister could answer this concern, because it was expressed at a meeting I attended by three different small oil and gas producers here in Alberta that are very concerned about some of these questions.

DR. WEBBER: Mr. Chairman, there were a number of points raised last time and today with respect to diversification of research with AOSTRA. First of all, the annual report outlines very succinctly the funds committed to, I believe, the different category that the hon. Member for Westlock-Sturgeon may find answers his question. In the annual report they indicate the categories and itemize this under institutional research under mining and extraction, in situ oil sands, underground access, heavy oil, bitumen upgrading, and a number of categories where the dollars and cents are outlined specifically. But if he has any additional breakdown he wants, either the Order Paper or he can contact my office.

With respect to the mandate of AOSTRA, it very clearly indicates the mandate be related to oil sands, heavy oils, and upgrading and enhanced recovery. Certainly there are funds within our department that are related to solar energy and other forms of energy. The particular project that was brought to my attention by the Member for Pincher Creek-Crowsnest and others, the solar and wind project, has been put on hold for a time until we are in better shape than we are today to fund that particular project, but we have made the commitment that that particular project would go ahead. With respect to whether or not those kinds of research, including coal research, should be brought under the umbrella of AOSTRA is subject to debate, but at the present time the mandate of AOSTRA does not allow that. But as I mentioned, the review of the mandate is an ongoing process and I appreciate the comments from the hon. members.

The Member for Athabasca-Lac La Biche made some comments about reserves of oil and gas. I would invite the hon. member to ask me questions related to that in question period, because I don't see that it has anything to do with research for AOSTRA. I'm not saying that to be disrespectful. Certainly those are important questions, but I don't believe this is a forum for that.

With respect to the comments on fresh water versus groundwater, some of the concerns of people in the ...

MR. TAYLOR: Groundwater is not the same. Groundwater is fresh water that you get at depth. This is fossil water -- very, very deep.

DR. WEBBER: I understand the distinction the hon. member was making, but I was indicating that there are those who are suggesting that we go to rivers or lakes for water as opposed to using the groundwater and he is suggesting that we go deeper down for supplies of water. I don't know at this stage what research has been done in that area but would be happy to find out whether or not in our department, whether through AOSTRA,

any research is being done there. Certainly in a number of these projects, whether it be environmental concerns or otherwise, the Department of the Environment works with our department and with AOSTRA.

MR. PIQUETTE: What I meant, Mr. Chairman, relating to AOSTRA, relating to the amount of supplies we might have or are supposed to have in terms of surplus gas and oil, is that I think it is very relevant to the whole research by AOSTRA, because if we really don't have as much reserve as we're supposed to have, then I think we should be moving ahead a lot more in terms of our research for heavy oil and gas and the recovery aspect. I think also it would be a good research project by AOSTRA to make sure we really have what we're supposed to have in terms of our reserve.

MR. DEPUTY CHAIRMAN: Mr. Minister? Are you ready for the question?

Agreed to:

Total Vote 1 -- Alberta Oil Sands Technology
and Research Authority \$20,800,000

Department of the Environment

2 -- Land Reclamation

MR. KOWALSKI: Mr. Chairman, the last opportunity I had to appear before the committee saw me respond to questions from the Member for Edmonton Glengarry, the Member for Cypress-Redchff, the Member for Westlock-Sturgeon, the Member for Edmonton Kingsway, Calgary North West, Vegreville, Taber-Warner, Calgary Forest Lawn, Highwood, and Calgary Millican. I believe, sir, that I had responded to all the questions raised by hon. members.

MR. TAYLOR: Maybe I can transfer my fire a bit to the Minister of the Environment as to whether or not . . .

MRS. CRIPPS: I think you got a smudge.

MR. TAYLOR: I see my friend from Drayton Valley has given me some advice here.

To the Minister of the Environment. I think this falls in his prerogative. If the Minister of Energy is enthusiastically going ahead with research, a large part of which is the use of fresh water or immediately subsurface water, water that is potable or water that is able to be used for feeding cattle, if indeed he is going ahead with it and the Department of Energy, and as the conservation board, more aptly called the exploitation board, allows us to go ahead, will the Minister of the Environment . . . Are there mechanisms within the minister's department that he can step in -- for instance, in this fresh water line we're talking about from Athabasca down to the Grand Centre/Bonnyville area -- and stop such a flagrant raid on our surface resources and the shortage of water? Does that come under the minister's department? Can he do something about it? I know he has land reclamation, but a great deal of land reclamation comes about by the judicious use of water. Consequently, if another one of his departments, maybe a senior cabinet minister to him, is stealing his fresh water in order to enhance oil recovery, the Minister of the Environment is going to be left in a poor position. I'd be interested if he would share with the House just what rules or

laws there are to prevent the oil companies from grabbing the fresh water he may need for his department.

MR. KOWALSKI: Well, Mr. Chairman. I really don't want to get the wrath of the Member for Edmonton Kingsway again, but it seems to me that the last opportunity we had to deal with some questions from the Member for Westlock-Sturgeon, I'd indicated that really this is not the area we're talking about tonight. The document we're talking about is the Alberta Heritage Savings Trust Fund capital projects division. It deals with irrigation headworks and main irrigation systems improvement, and land reclamation. Now, the irrigation headworks and main irrigation systems improvement, with due respect, Mr. Chairman and hon. member, occur essentially in the southern part of the province of Alberta. What this has to do . . .

MR. TAYLOR: I don't know what an irrigation system is if it isn't water.

MR. KOWALSKI: What this has to do, Mr. Chairman, with a pipeline from Athabasca to Cold Lake -- I've never heard of such a concept in my life. I've never heard of such a proposal in my life. I don't think such a proposal exists. So I repeat that I'd be delighted to entertain questions from the Member for Westlock-Sturgeon with respect to the two matters in here, and I surely don't want to get the wrath of the Member for Edmonton Kingsway by responding that we really have an item here before us. The other night he pointed out to me that he thought I was unduly harsh in responding to questions from the Member for Westlock-Sturgeon when I simply said that they were really not on the subject we have before us tonight.

MR. DEPUTY CHAIRMAN: The Member for Westlock-Sturgeon.

MR. TAYLOR: Yes, I'd like to rephrase it and keep it down to two-syllable words and try to keep proper nouns out of it, because it does seem to confuse the minister. In land reclamation, which is irrigation . . .

AN HON. MEMBER: That's three syllables.

MR. TAYLOR: Reclamation, yes. In reclaiming land, he has talked about irrigation. Irrigation exists in many areas of Alberta. But in the areas he is talking about, in Keho Lake, around Lethbridge northern irrigation, the Brooks irrigation area, Bow eastern irrigation, and the Bow River up near Calgary: all those areas take water out of reservoirs in order to pump down wells in order to reclaim oil. I'm trying to get through to the Minister of the Environment: will he acquire, if he does not have the right now -- I personally think he has, but I don't think he has the courage to use it -- the right to stop people from using water for anything except eating, cooking, and putting it on the land to raise crops?

MR. KOWALSKI: Mr. Chairman, we use water for more than eating, cooking, and putting crops on the land. We use it for sewage disposal systems. We use it for washing, a whole series of other alternatives. If the hon. Member for Westlock-Sturgeon is suggesting that we prohibit the use of water for other than the three items he's talked about here tonight, there'd be an absolute open revolution in the province of Alberta. We use water to wash; we use water water for a number of alternatives. And I

repeat that I'd be delighted to deal with the subject matter the Member for Westlock-Sturgeon wants to deal with, but I keep hearing the caution the Chair has been giving that we should stick to the votes at hand. Those are the votes at hand. Mr. Chairman, if you tell me it's okay to go all over the countryside, I'm happy to do that, but I suspect some hon. members would object.

MR. DEPUTY CHAIRMAN: You're right. So would the Chairman.

MR. PIQUETTE: Just a question relating to land reclamation. Does this amount to be voted also include land reclamation for old municipal garbage disposal sites as well? I guess the minister already answered that question, thank you.

MR. DEPUTY CHAIRMAN: Mr. Minister, did you want to respond?

MR. KOWALSKI: The hon. member indicated, noted by the shaking of my head, yes. It certainly includes old garbage dumps, yes.

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

SOME HON. MEMBERS: Question.

Agreed to:

Total Vote 1 -- Irrigation Headworks and Main Irrigation Systems Improvement	\$45,000,000
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MR. DEPUTY CHAIRMAN: Are you ready for the question on the land reclamation?

SOME HON. MEMBERS: Question.

MR. DEPUTY CHAIRMAN: Did the hon. leader wish to speak? Are you ready for the vote?

SOME HON. MEMBERS: Question.

Agreed to:

Total Vote 2 -- Land Reclamation	\$2,350,000
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DR. WEBBER: Mr. Chairman, I move that we 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 the following resolutions, reports as follows, and requests leave to sit again.

Resolved that from the Alberta Heritage Savings Trust Fund sums not exceeding the following be granted to Her Majesty for the fiscal year ending March 31, 1988, for the purpose of making investments in the following projects to be administered by Community and Occupational Health: \$1,500,000, occupational health and safety research and education.

Resolved that from the Alberta Heritage Savings Trust Fund sums not exceeding the following be granted to Her Majesty for

the fiscal year ending March 31, 1986, for the purpose of making investments in the following projects to be administered by Energy: \$20,800,000, Alberta oil sands technology and research authority; Environment: \$45,000,000, irrigation headworks and main irrigation systems improvement; Environment: \$2,350,000, land reclamation.

Resolved that from the Alberta Heritage Savings Trust Fund sums not exceeding the following be granted to Her Majesty for the following year . . . I'm sorry, Mr. Speaker, I've already reported.

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

HON. MEMBERS: Agreed.

MR. SPEAKER: Opposed? Carried.

head: GOVERNMENT BILLS AND ORDERS (Second Reading)

Bill 41 Small Producers Assistance Commission Act

DR. WEBBER: Mr. Speaker, I'd like to move second reading of Bill 41, the Small Producers Assistance Commission Act. It was announced on October 29, 1986, in response to the concerns of small producers in this province, particularly the Small Explorers and Producers Association, commonly known as SEPAC.

The intent of the commission was to help small, financially troubled companies work out arrangements with their banks and to help maintain the economic viability of those companies. When we first approached the banks with this idea, they were very receptive to the establishment of the commission.

MR. TAYLOR: Naturally. You were giving them money.

DR. WEBBER: We'll get to that.

The commission opened its doors on January 1, 1987, under the chairmanship of Mr. Barry Harrison. Mr. Harrison has extensive background in the oil and gas industry in Calgary, through corporate and securities law, a former president of Bluesky Oil & Gas, and chairman of the board of Mark Resources -- a very dynamic individual, and I think would play a key role in shaping the development of the commission and also working out a good working relationship between the financial institutions and the industry. Other members of that commission today are Mr. Robert McLennan, vice-chairman, and also Mr. Peter K. Jesson and Frank Sayer.

As I say, the purpose of the commission is to help analyze an individual company's position and help them co-ordinate an economic plan for their recovery. This obviously involves discussions and negotiations involving the banks, the company's management, the company's employees, and the government. Many of these small companies have debt problems, and the objective is to reduce their debt, their overhead, and their administrative costs, and to try to get more funding for exploration and development to enhance their supplies.

Mr. Speaker, I must emphasize that the commission is not -- I repeat, not -- a granting agency. Royalties may be deferred, but repayment must then be rescheduled. The objective, as I say, is to help work out a plan to help individual companies

restructure their debt and continue activities.

Mr. Speaker, there are a number of things that the financial institutions can do and have indicated a willingness to do -- such things as waiving fees incidental to renegotiation of debt, converting some debt to equity, a commitment to make funds available to develop resources for increased cash flow, and permit increased cash flow and/or equity injections to be used for new projects. Such funds shall not be vacuumed away to pay down debt. The companies themselves obviously can take a number of steps to improve their finances by reducing costs, tighter financial controls.

The government, as I indicated, also can play a role in terms of doing several things. I'd like to briefly outline what those mechanisms are for assisting in developing workout survival plans for these companies. One I have referred to as the deferral of royalty. The commission is empowered to defer royalties by maintaining the Alberta royalty tax credit at its current level through the duration of the commission approved restructuring plan. In addition, the commission is authorized to allow the combining of Alberta royalty tax credit limits and eligibilities to companies merging as part of a restructuring plan. Currently there is a \$3 million limit per company, and in a restructuring situation the \$3 million for each company could be stacked for \$6 million, but then it would have to be such that it declines down to the \$3 million level over a period of time, which would in fact save provincial funds, and in fact you would end up with one entity with a \$3 million limit for the royalty tax credit.

In addition, Mr. Speaker, there's what we call a Crown lease acquisition credit pool. As I mentioned, it's important that exploration and development occur, and the commission is empowered to flow deferrals or credits into a specific pool targeted to the acquisition of leases and/or reserves.

Mr. Speaker, these are the ways in which the government can assist these small companies through the commission. I'm happy to report that the commission is not very busy. The fact that world oil prices have risen significantly -- and in fact in many instances the banks have not taken action against companies because of the rise in prices, and so the commission has been receiving some applications but not as many as had been expected, which I think is good news. The legislation specifically provides that the commission's mandate shall end December 31, 1989. By that time we would hope that world oil prices will have stabilized at such a level that there would be no further need for that commission.

MR. PASHAK: Mr. Speaker, I have no problem with the intent of the Bill. It does seem to come a little late in the day. It would have been much preferable, I suppose, to have had this Bill on the books during the last session of the Legislature. [interjection] I'll pick it up. I'll get us through in plenty of time.

ANHON. MEMBER: We've got all night.

MR. PASHAK: Just relax. Simmer down. Chew another bone.

MR. SPEAKER: The member's comments to this Bill.

MR. PASHAK: The Bill, as I was pointing out, comes rather late in the day. If we recall, as we started to sit last June the price of oil had tumbled to about \$10 a barrel and that's when small producers were experiencing all kinds of difficulties and suffering anxiety and needed some support at that time.

I can probably guess why it took the hon. minister so long to develop this Bill; he had to search around to find a precedent. As I understand it, this Bill has some similarities with similar legislation in British Columbia that was set up to help small mining towns, single-industry towns with difficulties. He had to find ideas elsewhere to solve a problem that existed here in the province of Alberta.

I have another problem with the Bill, and that is that the language of the Bill seems to be rather vague to me. Nowhere is "small producer" defined. It says that "'participant' means . . . an interested party." That doesn't help very much either, in terms of clearing up what is meant by a "participant." It also refers to competitiveness of producers, et cetera. It goes on to talk about "small in relation to other persons producing oil or gas in Alberta." So the language of the Bill is very imprecise.

I also wonder why we rush so completely and thoroughly to the assistance and aid of small oil producers in this province. I wish we could show the same alacrity when it comes to people that need social assistance, when it comes to people who have mentally and physically handicapped children, farmers, and other groups. I suspect the reason for that, the fact that it's the small producers that get this kind of comfort from a Bill like this, has to do with the nature of the way in which these companies were established in the first place. I think many of them respond by the petroleum incentive program and the Alberta petroleum incentive programs. One can only speculate, I guess to be fair, as to who these people would support in election campaigns, and then you get the symbiotic kind of relationship that exists between small producers, perhaps, and the government of the day.

The last major concern that I'd like to draw attention to is the powers that are given to the Lieutenant Governor in Council. It authorizes them to make regulations "respecting the assistance that may be provided under this Act." It includes the authorizing of loans, guarantees, indemnities, et cetera. Although that particular authorization of giving the power in a Bill to the cabinet to make regulations is not unusual, it is perhaps part of a trend that's going on in our society that is unfortunate, because it puts more power in the hands of the cabinet to make decisions and regulations rather than have those regulations come forward by way of Bills that can be debated in the Legislature.

So thank you very much, Mr. Speaker.

MR. SPEAKER: Edmonton Kingsway.

MR. McEACHERN: Thank you, Mr. Speaker. Just a few comments. I think the intent of the Bill is a good one, the basic principle of the Bill at this time, and I certainly appreciated the comments from my colleague from Calgary Forest Lawn. But I wanted to point out that it's an idea, or a small part I suppose of an idea, that we put forward in our alternate speech from the throne.

The Leader of the Official Opposition suggested a critical industries commission at that time that would help companies who are having trouble, only he didn't envisage that it would be restricted strictly to small oil companies. And granting the problem that the oil industry has had, I can see -- given the history of the government to concentrate on the oil industry -- why they would choose that group. But I would like to remind the government that you've been very reluctant to talk about debt moratoriums for farmers, for example, in ADC. You don't seem to have the same concern for small businesses in other industries.

The industries of Alberta are in a very critical stage right now. The government has tried to diversify the economy and has had some success, as I've pointed out in the House before, and that success has usually been in areas where they have very specifically targeted certain amounts of money. I'm thinking of tourism and medical research. A service industry has grown up. A lot of small businesses in this province have been amazingly resilient to stay alive, given the concentration on the oil industry and particularly on the field day that the big oil companies have had in this province over the last 10 or 15 years.

And so I'm wondering why the government doesn't think that that same principle of having, if you like, a critical industries commission -- because in a way that's what you've set up: a way of dealing with critical industries, only you've just picked a very narrow segment of our industries to do that. Given particularly that the government has taken \$1 billion out of the economy just at a time when a lot of these attempts at diversification -- some of these new industries are just getting started -- a lot of them are going to be in trouble, and certainly our agriculture is in a great deal of trouble. So the whole idea of debt moratoriums and critical industries commissions makes a lot of sense, and yet the government has chosen to apply that only in a very, very narrow sense.

So I would just like to point that out to the government and suggest that they might broaden their concern for a few more industries besides just the oil industry. I'd echo the Member for Calgary Forest Lawn when he says sometimes the government doesn't show the same kind of sympathies for a lot of other people that need help in this society.

MR. SPEAKER: A call for the question? Westlock-Sturgeon, followed by Athabasca-Lac La Biche.

MR. TAYLOR: Mr. Speaker, if I may on this Bill. I can, I suppose, echo what the Member for Calgary Forest Lawn said: I wish it had been in place a couple of years ago. We could have used it when we needed it then, but I suppose a life preserver thrown in after you've hit dry land is still better than nothing.

One of the things that concerns me, Mr. Speaker, is the feeling I get in the inquiries I have done that the government is more or less stepping aside and giving up royalties and restructuring loans in order to help the banks accelerate their payback. I know this is in keeping with this government that seems to have a mortal fear that the banks are going to frown at them at some time or another and take off. Whether it's the farmers that they're worried about, ruining Alberta if they were to put a moratorium on foreclosures or if they put a debt adjustment board in, or whether it's the bailing out of some of the smaller banks that will make the big banks angry, somehow or another there is an almost obsessive fear of the Big Five bankers.

I detect a lot of that in this Bill too. The idea is that somehow or another if we forgo taking royalties, and a few other areas of government, the bank will get its money back faster. I would hope that the minister gives instructions to the board to make sure the bank backs off just as much as we do. I think we can take a very robust line with the banks. There isn't the need to cater and run under, as often seems to be intimated in saying that we are going to hold off and we are going to make cuts in administration, hold off taking our royalties so the bank could get their money. I would suggest and I would like to see robust action along the lines where you walk up to the bank and say, "Look, you've got your security and everything else, but if we pull the plug and everybody pulls the plug, you're going to get

60, 70, or 80 cents on the dollar," and offer to buy them out. Do a little bit of a sporting gamble: buy them out for the loan for as far down as you can get it, and then turn around to the producer and make him an equity loan where the producer can ... There are a number of ways. Either the producer can pay interest on the loan and principal to you in a direct relationship to the price of oil -- in other words, you take all the up side if the oil doubles in price. You may make 20, 30, or 40 percent on your loan. If the oil price doesn't go up and stays down, you only get maybe 2 or 3 percent on your loan, or maybe no interest at all.

But the point here is that if times are rough and it's difficult to get by, the small oil company still survives. Yet if the price takes off, we the people or taxpayers are advantaged by that. It's one of the areas where I think a little imagination could be used. It was used in Texas in the late '40s and early '50s. The oil payment loan: you made loans on the basis and paid interest and paid bonuses on principal entirely on what the price of oil would come to or what the price of oil was. In other words, you might recover 10 or 15 percent interest plus 20 percent equity, or something like that; in other words, use up -- the increase in pricing, if it takes place, should accrue largely to the taxpayer who took the risk in putting the company together.

Next, I would be interested if the minister -- and there seems very little in here. He mentions the sunset clause that's in there, that this thing is supposed to fold up. But I wonder if he could not use the commission to come up with some rather imaginative ideas on how small companies could be made more competitive against larger companies, particularly in an industry which, largely because of his federal cousins in Ottawa, is becoming more and more concentrated into fewer and fewer hands. This caveat emptor -- buyer beware -- or "Canada's for sale" is resulting in fewer and fewer oil companies but larger and larger ones, so that the small Canadian entity which the taxpayer needs to keep sort of a competitive presence in the industry, which we may need on a military or a strategic line, so that we have, in effect, a window on the industry or a chance to keep the industry -- I hate to use the word "honest" -- but at least be able to compete against a cartel. Maybe we should be using this commission, Mr. Speaker, to look at some long-term initiatives that would help small Canadian companies and not hurt ourselves either. For instance, the royalty sale ...

MR. SPEAKER: Order in the House, please.

MR. TAYLOR: For instance, right now we sell all our oil and gas leases for cash, Mr. Speaker, cash plus a royalty. Well, that of course gives a tremendous advantage to the large multinational that has a great deal of cash going down his jeans and can go out and buy the leases. Whereas if we use this commission and use this setup to work out a system of royalty sales -- we have four major Crown reserve sales a year; maybe only take one of the Crown reserve sales. I know it was tried in Saskatchewan years ago, and since then it's supposed to be a dirty communist plot. But the point is that in most areas of the world that I had bid for sales in, in such communist countries as Saudi Arabia and Egypt and way over to the right of even this party, they use royalty sales; in other words, realizing that when you use a cash sale of your leases, you're restricting it to half a dozen big companies. But if you use a royalty sale, which is in effect nothing more than small companies saying, "Instead of cash, Mr. Government, we will give you 15, 20, 30, or 40 percent more than your standard royalty rate." That way, if oil is found, the taxpayer benefits by getting a much higher return,

and at the same time you allow small companies to use the cash for what it's most important for: the actual drilling and operating of wells and not bidding to the Crown to buy leases in competition against the majors.

I would suggest that this would be an area, and there are probably a couple of other areas too, where we could restructure. We could ask this commission -- because they're going to have a real hands-on approach, they're going to have their eyes open, Mr. Speaker, by the companies they deal with, and they're going to come up with ideas on how we can change our own oil and gas leases at no cost. As a matter of fact, it might end up returning more to the taxpayers by using the innovation and the aggressiveness and the intense hands-on management that a small Alberta oil company can use.

Therefore, Mr. Speaker, this is all I can bring forward right now. With a little more time, maybe when it gets on later -- I don't know how long the debate goes on. I've been poking through some of my old files here, but those are a couple of ideas I'd like to see incorporated in this Bill.

Thank you.

MR. SPEAKER: Before the Chair recognizes Athabasca-Lac La Biche, the Chair would like to point out to all hon. members that since the pages are soon to be involved in high school exams, they are now going to be leaving the House at 10 o'clock in the evening. So if you have any last-minute communications you'd like whistled around the Chamber, perhaps now is the time to do it.

Athabasca-Lac La Biche,

MR. PIQUETTE: Yes, Mr. Speaker. I'd like to make it fairly brief and to the point. There are a lot of items in Bill 41 which I have a lot of concern about, especially section 15 relating to:

The Lieutenant Governor in Council may make regulations

(a) respecting the [type of] assistance that may be provided under this Act to producers eligible for assistance . . .

(b) respecting the taking of security from producers and the realization on security by the Commission;

(c) authorizing the giving of loans, guarantees and indemnities, or any of them, and

(i) prescribing the terms and conditions on which loans, guarantees and indemnities are to be given,

(ii) limiting the amount of any loan, guarantee and indemnity, or class thereof, that may be given, and

(iii) respecting the forgiving of loans.

If we go all through section 15, I really feel that the Lieutenant Governor in Council, in terms of being able to make or change any of these regulations, is really going much beyond what is necessary. Unless they are much more specific in nature, I think this section 15 is wide open for abuse, for patronage, for forgiving of loans or setting of interest rates, or whatever in favour of some companies over others, because they have better connections. I think that in Committee of the Whole we, at least myself as a member, would like to get some response from the minister as to why this is so wide open in terms of that section.

Also speaking on behalf of other small businesses and farmers, I guess I can't be against looking at providing small producers assistance in terms of reorchestrating their loans or debts, but when we don't have any such programs in terms of

the farmers of Alberta -- we have not even created a debt moratorium yet or a properly working debt moratorium -- we are, to a large extent here, seeming to benefit one sector as opposed to the other sectors which are as much in trouble today. I think this is highly discriminatory, and unless the Minister of Agriculture and the ministers responsible for small business would have similar plans in mind here, I would have to indicate tonight that I'm very much against . . .

MRS. CRIPPS: Mr. Speaker, second reading is supposed to be on principle,

MR. PIQUETTE: It is, I'm very much against section 15, the way it's written up at the present time.

MR. SPEAKER: Thank you. Hon, minister, summing up.

DR. WEBBER: Mr. Speaker, I appreciate some of the comments that have been made. A number of points have been raised, one being the lack of a definition of the term "small." I think the hon. members can appreciate how difficult it would be to make a definition of "small" and have a cutoff line that would be very, very firm. In drafting the legislation we decided that we would not define the term "small," but use our discretion with respect to the applications that come forth in dealing with those applications and see that they are directed primarily to the smaller companies.

I have to emphasize once again that there are no grants to the small oil and gas companies that are involved here. Several references have been made to welfare schemes. It's not a welfare scheme. It's the restructuring of their debt, a deferral of royalties. They have to be paid back, so there are no grants associated with assisting the smaller companies.

Mr. Speaker, I find it a little amusing that one hon. member, the Member for Calgary Forest Lawn, criticizes us for stealing an idea from British Columbia, and then a few minutes later his colleague stands up and says it's their idea. So one is criticizing the other. Maybe they should get together before they make their speeches. In any case, certainly the Critical Industries Commission in British Columbia was one that we looked at. We had officials visit that commission to see how they operate. Why not borrow good ideas if they are out there, in practice and other areas? So we have no concerns at all about taking the good ideas associated with the Critical Industries Commission out in British Columbia.

The hon. Member for Westlock-Sturgeon provided a number of ideas now that the commission is in operation and has its mandate. Where was he when the prices were much lower than they are now, at \$10 a barrel? Why didn't he provide us with all those brilliant ideas at that time?

MR. TAYLOR: I was sitting in the gallery.

DR. WEBBER: No you weren't. You were in the House here. Whether he was in the gallery or in the House, Mr. Speaker, we welcome ideas from all sources.

I think it's important to emphasize once again that the banks are involved, and I outlined the different ways that they could be involved. We expect the banks to make significant moves to such things as restructuring or to convert debt to equity and other matters. We would not be making any moves in terms of deferral of royalties until the banks had made their commitments to move on their part, I also have to correct the hon. Member

for Westlock-Sturgeon. He talks about forgoing royalties. I assume he means that we would not get those royalties back. I have to emphasize that those royalties would be repaid.

The comments with respect to what the commission can do, ideas that they would get from being involved in discussions with the industry people: I'm sure that the chairman and his commission will provide us with the benefit of those ideas.

Finally, Mr. Speaker, comments have been made about the fact that this is directed solely at the oil and gas industry. Yes, it's because the oil and gas industry was one where world prices collapsed and the industry was in significant difficulty. We have a number of programs in many areas, whether it be forestry, tourism, agriculture -- many programs that assist industry in many different ways. This was a move specifically directed at the oil and gas industry because of the collapse in world prices and the debt problems of the small companies. Mr. Speaker, we have an important component of our oil and gas industry through the small independent Canadian companies, and we want to see those companies survive and play an important part in the future of this province.

[Motion carried; Bill 41 read a second time]

Bill 45
Gas Resources Preservation
Amendment Act, 1987

DR. WEBBER: Mr. Speaker, I move second reading of Bill 45, the Gas Resources Preservation Amendment Act, 1987.

Mr. Speaker, I'd like to make a few comments as to why we want to introduce this Bill and have it passed. When you look at the Bill itself, the wording of it is a one-liner, actually, with respect to a change allowing the government to "make regulations respecting the terms or conditions to which permits or any class of permits are subject." In other words, the gas removal permits that are issued or have been issued in the past, we would be able to, through regulations, put conditions and terms to those particular removal permits.

Mr. Speaker, this particular Bill comes about because of the deregulation process, and therefore I'd like to make a few comments about the deregulation of natural gas. In leading up to the agreement, the gas pricing agreement that the federal government and the three western provinces signed, there were a number of factors that led up to that. In the early 1980s, the gas industry experienced slower market growth than expected due to several factors, including the decline in exports to the United States because of their surplus situation. Also, we had Canadian export price regulation and slower than expected growth in sales in our domestic markets. So in about the 1983-84 time period there was growing pressure to deregulate oil and gas from both the producers and for gas from the large industrial users.

In mid-1984 we established a summit committee, a group of individuals -- representatives from the gas producing industry, from TransCanada PipeLines, and also from the gas distributors -- and this group tried to develop policy recommendations that would return pricing decisions to the marketplace. Of course, with the election of the Progressive Conservative government in Ottawa in the fall of '84, the process was made easier in terms of negotiating and consulting with them to arrive at the Western Accord in March of 1985. November 1, 1985, was set as the target for the deregulation agreement to enter into a one-year time frame of partial deregulation, assess where we were, and then decide whether or not we wanted to proceed further.

Following this so-called summit group, a task force of deputy ministers and assistant deputy ministers from the three producing provinces and the federal government was formed to study the issues and report back. The summit group worked with these officials, made recommendations, and reported back in September of 1985. It outlined a number of areas of consensus and a number of areas where there was still disagreement. So building on that report, the federal government and the producing provinces continued negotiations which culminated in the October 31, 1985, agreement on natural gas market and prices.

Mr. Speaker, the basis for deregulation was such that recognition that federal price regulation is based on consumers' interests -- we've seen that in the past with the federal government making moves to control prices. The market would provide an opportunity for producers. Deregulation could only occur when gas was in a surplus situation. Obviously, the political powers were such that in a shortage situation it would be very difficult to convince the federal government that the consuming provinces should enter into a deregulated process. Some drop in price was expected, but that was to be balanced by increasing gas sales to the United States; that was the expectation. A number of large industrial users were expected to switch from system gas to direct sales, but in the core market -- in the residential, commercial, and small industrial areas -- they're expected to buy gas from traditional suppliers, maintaining the shipper/distributor linkage.

Long term contracts, Mr. Speaker, between TransCanada PipeLines and the distributors tie the distributors to system gas by that contract, provide a stability to deal with the TransCanada PipeLines large take-or-pay liabilities. So deregulation was based upon respect for those existing contracts but permitting price renegotiation, and that did occur. It was also based on increased access to export markets. At that time, deregulation in the United States appeared to be ahead of deregulation in this country. The main obstacle to deregulation in Canada was the National Energy Board price control, the border price test that they had in place and also the surplus test. The National Energy Board did review its surplus test; as well, they revised the price test. However, their surplus test did not result in a significant reduction. Their new 15 reserves-over-production ratio was more complex, more uncertain, more vulnerable to forecasting assumptions, and almost as restrictive as the old 25A1 test.

So the failure of the National Energy Board to provide significantly freer access to the export markets led to further discussions between Alberta and the federal government, and those discussions led to the culmination of letters between Minister Masse, myself, and the National Energy Board and the Energy Resources Conservation Board. And the result was the federal commitment to relax the export price test further and to review their surplus tests again, the removal of the Alberta border price effective November 1, 1986, and a further review of the progress of deregulation based upon what was going to happen on this surplus test decision.

Western Gas Marketing and the distributors in the provinces of Quebec, Ontario, and Manitoba renegotiated their contracts with a two-year pricing agreement that allowed for a reduction of some 20 cents per gigajoule on the base price, discounts of up to 40 cents a gigajoule off the lower base price for medium-sized customers, and additional discounts of up to 80 cents per gigajoule for the very large industrial customers.

How did the consumer provinces react? How did they respond? Well, the regulatory body in Quebec approved the

two-year price arrangement. In Ontario the Ontario Energy Board approved the deal, originally for six months and then later on for one year, but instructed their distributors to renegotiate a deal with Western Gas Marketing because of concerns they had with respect to the streaming of gas. How did Manitoba react? Well, they introduced a motive fuel tax on gas used by the TransCanada PipeLine compressors in April of '86. The Manitoba government attacked the agreement between Western Gas Marketing and ICG, indicating that the price was excessive and unduly discriminatory, and asked its Public Utilities Board to assess the situation and then report or have a public hearing. After a lengthy and, I believe, contentious hearing, they did report, they did approve the pricing agreement for one year, but instructed their distributors to prepare a plan to acquire gas supplies for the second year by competitive tendering. Both the Ontario Energy Board decision and the Manitoba Public Utilities Board decision, in our view, are interference situations or interruptions into the deregulation process, interfering with consumers and producers being able to negotiate their contracts without government interference. So we have these barriers that have been put up in place in the deregulation process.

So what's the current situation today? In the United States a number of regulatory decisions have been made that actually bar access to Canadian gas going into the United States. The pipelines have been slow to go to open access under the FERC order 436, and the FERC order 256 reduces netbacks to the Canadian producers, and we've heard all about that in the last few days. We'll be assessing that to determine what kind of action we should be taking as a provincial government.

The pipelines going into the U.S. midwest have cut back on Canadian gas to minimize their take-or-pay liabilities with the United States producers. Exports have fallen back to 1983-84 levels because of the lack of access to the United States market. And what's the result of that? Surplus gas, Mr. Speaker. Surplus gas accumulated to meet regulated surplus tests is now concentrated in our domestic market, and therefore prices are being artificially depressed. Crises in the core market are directly challenged by the regulatory agencies in the consuming provinces, as I have indicated, particularly in Manitoba. Those are threats to the erosion of the core market. Attempts are being made to circumvent the existing contracts between TransCanada PipeLines and the distributors by having direct sales being made between municipalities and other entities that use gas, between themselves and producers in Alberta who are prepared to accept a lower price.

Obviously, Mr. Speaker, as I've indicated, there are problems with the process of deregulation, and members opposite, in the centre and off to my left, are ever ready to deny the market as an opportunity. They want to pull the plug. They're ever ready to move in with their heavy boots, heavy hands, and sometimes, I suggest, unclear heads in this process. I believe that we do have to continue with the process of deregulation; however, continually assess the situation, assess each development, and ensure that we get from deregulation the benefits that we saw in going into it. The producing industry wants to continue with deregulation, and the basic arguments in favour of deregulation remain the same today as they did when we went into the agreement. While the drop in oil prices has lowered the pricing reference for natural gas, that would be common whether we were in a regulated or a deregulated situation.

Regulation always favours the consumers. Deregulation provides the opportunity to maintain markets, to increase our markets, and to participate in that U.S. market when in fact it

does turn around, and there are signs that it is turning around. U.S. buyers are today looking for longer term supplies. And, Mr. Speaker, if we have a more normal winter next winter, it certainly will increase the U.S. demand for Canadian gas and lead, I believe, to the regulatory bodies in the United States removing these artificial constraints and allowing our producers to have access to that market. In the meantime, we shall proceed with the process of deregulation. The objective is still to get a deregulated market which operates to the benefit of the whole industry: the producers, the shippers, the distributors, and the end users.

Mr. Speaker, in that context I want to deal specifically with the Bill before the House this evening. For eight months following the October '85 agreement, Alberta issued short-term removal permits with only very general conditions on those removal permits. When the May 1986 decision of the National Energy Board was announced, it was clear that the condition of freer access to the United States had not been satisfied, and it became appropriate to change the format of those removal permits. In addition, Alberta removal permits are seen by users of Alberta gas as assurances that gas is available in excess of Alberta's requirements to meet those contracted volumes, and this reliability results from the linkage of removal permits to the specific contracts. Such a linkage was not made for short-term removal permits issued between October of '85 and May of '86.

Since October of '86 applicants for new removal permits have had to supply contract information on a confidential basis related to price and to where the gas was going, provide that information to the Department of Energy for our assessment in connection with the removal permits and with respect to that permit approval. Permittees are required to submit any changes to the minister prior to removing the gas from the province on those new removal permits. The result is that some permit holders are able to approach potential customers with an existing removal permit, while others must obtain a contract first and then obtain a removal permit, placing them at a competitive disadvantage.

Therefore, Mr. Speaker, the main principle, the main objective, of Bill 45 is to provide a level playing field for new Alberta gas producers entering into the deregulated market, so that the rules are the same for those who had permits issued some months ago and those who are coming in now with new removal permits. It will ensure that all producers operate from a fair and equitable position by ensuring that permit conditions are uniform. Bill 45 empowers the cabinet to impose the same conditions on the permits issued between October of '85 and May of '86 as those on permits issued since October of '86. This means that producers or brokers enter the market on an equal basis. It levels the playing field, as I said, preventing some companies from enjoying a specific advantage simply by reason of having one of the earlier permits.

In addition, the Bill will enable the government of Alberta to ensure that the permits issued between October of '85 and May of '86 are not used, Mr. Speaker -- and this is important -- are not used to dump gas at extremely low prices into the U.S. market, endangering our trade relations. Passage of Bill 45 into law enables us to avoid these dangers.

There are currently approximately 40 of those removal permits that I was referring to that are outstanding, where we may be required to make regulations to attach conditions to those permits. Many of those producers are turning those permits in without the regulations, and I would hope that in the end there is a possibility that all those permits would be turned in, ex-

changed for new permits with the same conditions as the other producers, and in that case we wouldn't even have to pass the regulations. This legislative change will not affect gas moving at the present time under such permits.

Thank you, Mr. Speaker.

MR. TAYLOR: Mr. Speaker, in rising to speak on the Bill, I want to first compliment the minister for preparing the Bill. It certainly is long overdue. It's a Bill that's absolutely necessary.

It's just amazing to me though, Mr. Speaker, that he took 20 minutes of double-talk to try to justify doing what they should have done some months and years ago. In other words, the minister is going back to controlling a market. No matter what he says about it, when you are in charge of giving out permits of whether gas can be sold or not, you are in charge and you are controlling a market. Many farmers fought for years for the right to control markets and thereby control pricing.

You have to give this government and this minister credit, Mr. Speaker, for at least pulling back from the very brink of disaster. But unfortunately, because of the lack of knowledge of the natural gas market, the complete faith this government had with the so-called free market -- that somehow or another, like Little Red Riding Hood, they could wander out into the forest of utility companies and come back all in one piece -- is absolutely amazing. Now he gets up and takes 20 minutes to explain that he's going back into gas regulation. But what a price! Natural gas was \$4 an mcf, or \$4 for 100,000 Btus, when he took over. This experiment has cost the taxpayers billions of dollars. It's cost the taxpayers here in Alberta, because we take about a third of the revenue for natural gas, a little simple elementary education that Adam Smith could have told them, Mr. Speaker, it has cost us at least somewhere in the nature of around \$4 billion for them to learn what's plain old fashioned. When you go to sell natural gas, there are only a few big buyers, and when you're a producer, there are hundreds of producers. Hundreds of producers going only to a few buyers, Mr. Speaker, means that the buyers set the tune. Unless the producers get together in some sort of a co-operative -- or in this case the Alberta government is the one that owns the oil rights and decides that it will give permits or will not give permits; in other words, control the supply -- there's no way of controlling the price. The utility company has almost an insurmountable negotiating power. Then to discover that FERC, the U.S. organization which sets prices down there, would not let American gas come in under a free market, it's like discovering that banks charge interest. I wonder where our minister has been all these years.

I'm glad to support the Bill. I'm so pleased that he joined the 20th century that I could literally leap up onto the desk, if it weren't for the fact that we'd spent so much money just acquiring them, Mr. Speaker. Nevertheless, I can dance for joy that somehow or another the minister is finally coming to his senses and talking about controlling supply. What kind of free market did he expect, Mr. Speaker, when the banker was sitting there snapping at your hind end and at the other end there was a big utility company offering to buy the gas for about a third of what the price was? There was no match at all -- you had to sell the gas -- with a government that was up here saying: "Well, okay. This is a free market; we'll let it go." Now, he has finally come on. So all I can do is just praise him and glorify him and sing accolades. I almost feel like beatifying him, at least putting him in the first stage, because there was a great . . .

MR. SPEAKER: Hon. member, with due respect, this is parlia-

mentary law, not canon law.

MR. TAYLOR: Well, I was just trying to give the gospel according to St. Nick.

I am so pleased that he has gone ahead and realized that we have to do something about controlling the market that I just can't see this moved ahead quick enough to vote on. I hope this is an indication of the shaft of light that is entering the minds of that front bench now, so that when we get back into dealing on natural gas, we won't roll over and play dead any more, that we're going to first start controlling the supply.

I know he had some fancy gobbledygook that somehow or other it fit into the free enterprise market. Well, certainly it's free and certainly it's enterprising any time the producers get together and start to control the supply. That's what I think real free enterprise is about. He had made the mistake in the past of thinking that the consumer on the other side was the one that decided that prices should be set, and we should export it as fast as old Mother Nature let it come out of the ground, for whatever price somebody was willing to come in and pay for it. Now, like Little Red Riding Hood, he's found out that the wolf out there has teeth. I'm very happy indeed, and I want to compliment him on it.

I look forward to the next stage, which will be that if he is going to control the markets, if the government is going to decide how much gas will be allowed to come out of this province, they then will see that it's shared equitably between all the producers in the province and that we don't fall into some sort of foolish concept of letting the companies compete as to who will get the markets. Let's share the markets equitably amongst all the producers if we're going to control that, and once we've done that, then let's do the same with the oil industry. I've set out an agenda that the minister can work towards, and I hope he will do so.

Nevertheless, again I thank you. I really am pleased after all these months in the Legislature to see the shaft of wisdom and light that has come through to the minister.

MR. PASHAK: Mr. Speaker, I'd like to begin by saying how responsible I think the minister has been in introducing this Bill and in providing us with an analysis and background to the current state of deregulation of the gas industry, at least insofar as he sees it. Now, there's so much in the content that he presented us with in introducing this Bill that I'd prefer to deal with that at third reading, because we can deal with the Bill in principle at that time. I do have a few comments that I would like to make, but perhaps in view of the hour, Mr. Speaker, would a motion to adjourn be in order?

MR. SPEAKER: One cannot ask advice of the Chair. Order please. The Chair takes it as a motion to adjourn. Those in favour of adjournment of the debate, please say yes.

SOME HON. MEMBERS: Yes.

MR. SPEAKER: Opposed, please say no.

SOME HON. MEMBERS: No.

MR. SPEAKER: Hon. member, please continue.

MR. PASHAK: A marathon. Well, in addressing the principles of the Bill, it's quite clear that this Bill represents nothing more

nor less than a failure of the whole deregulation process, because what we've seen is a drastic fall in revenues going to the provincial Treasury as a result of deregulation. I would guess that this year we'll be lucky if we get some \$600 million to \$700 million in revenue from a gas industry that once returned us in the neighbourhood of \$1.5 billion or more per year. I would also estimate that because of deregulation we'll be lucky if more than 30 percent of our producers will be paying any royalties into the provincial Treasury at all.

The minister is quick to blame Manitoba for the necessity of introducing this Bill, but Manitoba is only doing what is permitted under deregulation. If you recall, deregulation and the gas pricing agreements were entered into between the three producing provinces and the government of Canada. They did not take into account consumers and the consuming provinces. They've opened the door. All the government of Manitoba is doing, as the government of Ontario is doing, is saying to the people in their province: "You should get the best deal that you can out of deregulation. Why should you be discriminated against just because you're a consumer?" In the case of Ontario, maybe to begin with they did get some minor reduction to their consumers, approximately 21 cents an mcf, I believe, which is almost comparable to the reduction that Manitobans haven't got, which is about 21 cents an mcf, or 20 cents a gigajoule, because they're still paying the motor fuel tax.

AN HON. MEMBER: Take it off.

MR. PASHAK: Well, they could take off the motor fuel tax, and then they'd be paying approximately the same as Ontario consumers, at least for their gas.

But both public utility boards in Ontario and in Manitoba have argued that that's not good enough. They look at the prices that American buyers are paying for gas FOB Alberta, and some of that gas is being sold in the distress market at \$1.05 an mcf, whereas the consumers in Manitoba are paying \$3 an mcf. So any government, any responsible agency would see that as unfair. And another thing, even here in the province of Alberta our Public Utilities Board has raised some questions about what our consumers are paying in this province for gas. They think that's unfair, and they've hinted that our own consumers, our hospitals, our universities, our major cities, should be able to strike better bargains for gas for those residents.

One of my major concerns here in that regard is the fact that the government of this province, the government of Alberta, is willing to take a harder line against the government of Manitoba than it has is the U.S. government in its FERC regulations. It's all right with Alberta that FERC forces our own producers to pick up some of the costs of transporting gas through Canadian pipelines down into the U.S. market. Sure, the Minister of Energy went to Washington and talked to FERC officials, but even here in the Legislature he just sort of dismissed it: there's nothing he can do about it. He's just letting that problem kind of go by the boards, but he's completely willing to take on the government of Manitoba through introducing Bill 45.

In conclusion, Mr. Speaker, tomorrow I'm going to introduce some other answers. The minister seems to think that this is the only way we can deal with the problem of shortfall to Alberta producers. I think there are many other ways in which we could assure a supply for Alberta users, whether they're residential users, whether they're industrial users, whether it's our petrochemical industry. We could do that and at the same time bring prices up. I'll be very pleased to assist the minister in

finding a more constructive approach to the problems that both the Alberta people are facing through the shortfall in revenues coming into the Treasury and through the problems that our Alberta gas producers are facing through declining prices.

MR. SPEAKER: Athabasca-Lac La Biche.

MR. PIQUETTE: Thank you very much. I also would like to direct a few brief comments in relation to this Bill. I am happy that the Minister of Energy here has seen the light to listen to the Official Opposition. I think it does seem to pay that after talking about this subject for the last year, he has seen the error of his ways and is starting to look to our party in terms of some of the ideas on how we can rectify the economy of Alberta, especially the revenues that we have been losing in relation to deregulation.

But in the view of the late hour, Mr. Speaker, I would like to move that we adjourn for this evening.

MR. SPEAKER: We have a second motion for adjournment. Those in favour of adjournment of the debate, please say aye.

SOME HON. MEMBERS: Aye.

MR. SPEAKER: Opposed, please say no.

SOME HON. MEMBERS: No.

MR. SPEAKER: The motion fails. Hon. Member for Athabasca-Lac La Biche.

MR. PIQUETTE: Yes, Mr. Speaker, I guess they do want a marathon here. I guess I should have saved some energy when I got back from Montreal last night.

One of the concerns that we as the Official Opposition expressed last year was that moving to deregulation would greatly affect the revenues that accrued to the provincial Treasury. I guess after nine months of deregulation, where they're seeing that there's been an orchestration of unfairness relating to how deregulation is approached in the United States and the rest of Canada, we're now moving to try and put back some regulation here in Alberta which will not permit the sale of these very important resources at a cut-rate price.

I think that when we look at what kind of situation this has fostered in the economy of Alberta, this government's lack of action in the last year should be thoroughly condemned by the people of Alberta. When we look at the cutbacks in our Education budget, in terms of the layoffs in the public sector, and when we start adding up the unemployment that has been created here in Alberta, if we had retained regulation to begin with in terms of at least our domestic supply and made sure that we did not have cut-rate prices in terms of the sale of these natural resources, we would not be looking at this provincial economic deficit that it will now take probably 10 to 15 years to try and climb out of.

So I would like to compliment the minister for finally seeing the light and putting out a Bill which is very much what the Official Opposition had been saying a long time ago; that is, make sure that we have a floor price. Even though the minister in private conversation has perhaps alluded to the fact that it is a floor price and in public he's not ready to admit that, I think there's nobody that can be fooled by this Bill. It is again reintroducing a control in the marketplace and reintroducing a floor price,

which will not be publicly displayed by the minister but in fact will exist in the province of Alberta.

MR. SPEAKER: Hon. minister, summing up debate.

DR. WEBBER: Well, Mr. Speaker, I believe I made all the arguments necessary with respect to the principles of the Bill. I'll just add to the comments about listening to the NDP ideas. We see in Manitoba an NDP government suddenly proclaiming that free market forces should prevail in order to see their prices go down lower, and here we are seeing the cry for more regulation

with the usual socialist arguments. The hon. Member for Athabasca-Lac La Biche said something about their ideas rectifying the Alberta economy. I wasn't sure whether he said rectify or wreck, but I think it would be the latter.

In any case, Mr. Speaker, my comments on the principle of the Bill were made earlier.

[Motion carried; Bill 45 read a second time]

[At 10:36 p.m. the House adjourned to Wednesday at 2:30 p.m.]