

LEGISLATIVE ASSEMBLY OF ALBERTATitle: **Thursday, April 14, 1988 8:00 p.m.**

Date: 88/04/14

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

head: **COMMITTEE OF SUPPLY**

[Mr. Gogo in the Chair]

MR. CHAIRMAN: Would the Committee of Supply please come to order.

Department of Energy

MR. CHAIRMAN: The Chair draws members' attention to the government estimates book, 139. The responsibility of the minister is found on that page. The authority for the program and program description are on page 144.

Hon. minister, Dr. Webber, would you care to make opening comments to the committee?

DR. WEBBER: Thank you, Mr. Chairman. I welcome the opportunity to make some opening remarks with respect to the Department of Energy and its 1988-89 estimates.

Mr. Chairman, in the preparation of this budget I want to acknowledge the assistance of a number of people in the department and outside the department. Some of them are sitting in the gallery this evening: executive assistants John Donner and Joel Thompson, along with Klaus Rehaag from the department; from AOSTRA, Bill Yurko, the chairman, and vice-chairman Ernie Wiggins. I'm at a loss at the moment to know whether two gentlemen are in my department or not and sitting up there, but if they are, wave. Good.

MR. CHAIRMAN: Perhaps that's the security, Minister.

DR. WEBBER: Also, I'd like to acknowledge the assistance of others like Tom Vant with Alberta Oil Sands Equity, who's responsible for our 10 percent interest in OSLO and also our 16.67 percent interest -- if that's approximately the number -- in Syncrude, as well as the Alberta Petroleum Marketing Commission chairman, Dale Lucas.

Some of my colleagues in the Legislature are involved in assisting us; namely, the Member for Redwater-Andrew, who's a member of the AOSTRA board of directors; the Member for Calgary-Fish Creek, who is the chairman of our Advisory Committee on Heavy Oil and Oil Sands Development; and the Member for Calgary-North West, who's involved with CERI. It's not a government organization; it's a private-sector group that the hon. member is involved with.

Mr. Chairman, the estimates for this year's budget were based upon an \$18.50 price of oil, and the timing of the estimates this evening couldn't have been much better in that prices closed today at \$18.30 U.S. So we are a mere 20 cents away from the forecast average for the year. So hopefully our estimate will be on the low side, and we would end up with prices higher than that over the fiscal year. I must say as well that that's 12 days into the new fiscal year, so chances look pretty good, I think, to have that forecast come true or higher.

Mr. Chairman, the estimates represent a total expenditure of

1.8 percent over last year's estimates. I'd make a few remarks with respect to review of the past year; I've made some remarks when I spoke on the throne speech. But last year certainly was a year of recovery in Alberta for the oil and gas sector. Renewed optimism is there in the industry and within Alberta. I am happy to be involved in representing the government as minister, working in a positive way with the private sector who are involved in investing in the oil and gas sector. In fact, on several visits to the United States, one to Washington and one to California just recently, we heard comments from a number of companies in the industry about this government's fiscal responsiveness to the changing environment when world oil prices collapsed. These companies are maintaining their interests; in fact, they are increasing their interests in investment in this province.

Our fiscal regime that is in place -- we announced in the fall of 1986 a \$1 billion package of incentives over a five-year period: royalty reductions, royalty holidays, and some temporary programs. Most of those programs have been phased out already except for the royalty holidays: for this year up until November a three-year royalty holiday and then a one-year royalty holiday for the year following.

The result was over \$3 billion of new capital attracted to the oil and gas sector in this province. Drilling activity this winter: over 350 rigs during the three months of January, February, and March. Land sale bonuses: \$760 million, compared to \$240 million in '86-87, a half-billion dollar increase one year over the other. Record well licences in the first quarter of this year -- I say record in that it's the highest number of well licences in any first quarter period in the history of this province: 2,398 versus 729 in the preceeding year, an indication of planned activity for the rest of this year. Increased production of oil and gas: oil pipelines are filled; natural gas exports to the United States increased by 30 percent. A major new gas discovery at Caroline.

The industry in North America views Alberta as a stable, attractive investment place. The U.S. firms, as I indicated, are giving priority to Alberta prospects. Since the downturn in world oil prices, over \$1 billion has been invested in heavy oil and oil sands development projects. Esso at Cold Lake had announced a \$325 million expansion of phases 7 to 10 and recently, for a variety of reasons, cut that back by \$60 million; Suncor at Fort McMurray, \$150 million; BP/Petro-Canada, Wolf Lake, \$200 million; Amoco at Elk Point, \$11 million; Amoco at Nipisi, \$46 million; and the completion of the Syncrude CAP program, \$291 million. Over a billion dollars, Mr. Chairman, in heavy oil and oil sands announcements and projects since the downturn in world oil prices.

Natural gas deregulation is one of the priorities we had in the first year and a half of my time as minister in this portfolio. It was a difficult process. We still have some hurdles to overcome, but they are relatively few compared to what had been the case. I'd be happy to elaborate on those hurdles should the members have any questions.

I mentioned our priority as having been in the area of natural gas deregulation in the first year and a half. For this year our priority in the department is to bring on stream new oil sands, heavy oil projects, and upgrading projects. To respond to this new priority, we have made changes within the department and created a new division called the project and supply development division, which has incremental costs of \$600,000 built into the budget. Its mandate is to look at the financial and technical aspects of major development opportunities. A number of proposals are coming in on a continuous basis for analysis. We need to develop these resources in our oil sands, and I was sur-

prised at a meeting not too long ago where a number of people didn't realize, Mr. Chairman, that we have more reserves in the oil sands of this province than in the entire reserves of the Middle East. I'm surprised that not more Albertans are aware of that. For the future supply of energy, not only in this country but for North America, those reserves are important.

Natural gas royalties: we have made some changes there. In anticipation of further revisions there's \$1.2 million built into the budget for possible changes that would come about there required for a data processing system and the revamping of mineral revenue systems.

Funds have also been allocated for the encouragement of nonoil energy alternatives: \$1 million for a couple of research projects, one of which is the coal oil slurry pipeline project where \$1 million has been set aside, along with private-sector capital, to look at how we might make use of our pipeline systems in this country in a way in which we could move oil and coal at the same time eastward to supply the needs of Ontario Hydro and others and, by using this technique, to reduce transportation costs. So research is being done in that area. As well, \$400,000 has been budgeted for hydrogen utilization catalyst research. With the importance of the future use of hydrogen, this is an important research initiative. As well, we continue to pursue the solar and wind renewable energy initiative in the Pincher Creek area. We've established an advisory committee from the community in that area to guide the development of that particular initiative.

A number of projects in oil sands and heavy oil development are under consideration, as I indicated a few seconds ago. Some of these projects include the Husky biprovincial upgrader project in Lloydminster, which will be a 46,000 barrel per day stand-alone upgrader; the so-called OSLO project a 75,000 barrel per day integrated oil sands mining project; and a number of in situ projects as well.

Also, I think hon. members should note that in the budget there has been some downsizing, primarily due to the phaseout of the Alberta petroleum incentives program. There were 100 employees that we had at the end of the year in that particular program, and those numbers will be phased out this year as a result of the program ending. Also, there's the elimination of the Small Producers Assistance Commission for the 1988-89 budget, a savings of about \$2.2 million. That small producers commission, if hon. members would remember, was there to help restore the financial viability of small producers in the oil and gas sector. However, oil prices recovered and the services of that agency were not required, so fortunately we don't need it anymore, so it was phased out.

Mr. Chairman, the different agencies -- AOSTRA -- are doing very important work in the research development of the oil sands and heavy oil and enhanced oil recovery areas. That group is doing an excellent job. Because of budgetary restraint and putting an emphasis on people programs, we had to reduce the expenditures of the grants to that particular agency, and that's noted in the estimates as well. Alberta Petroleum Marketing Commission: not much of a change there in the budget, I think about a 3 percent change, if I remember correctly; and the Energy Resources Conservation Board, I think, have done a marvelous job in the last year in terms of being efficient and keeping within their budget.

Mr. Chairman, hon. members, the budget that's before you tonight represents the sincere efforts of the Department of Energy to respond effectively to the challenges in this province in the energy sector. At this point I would conclude my remarks

and then would be prepared to answer any questions from hon. members.

MR. CHAIRMAN: Thank you, Mr. Minister.

Hon. Member for Calgary-Forest Lawn.

MR. PASHAK: Well, Mr. Chairman, earlier today the Minister of Energy complained about not getting enough questions. Well, I hope tonight I'll be able to leave him with enough questions to keep him busy for the rest of the session.

Mr. Chairman, I'd like to begin by turning to the Report of the Auditor General for 1986-87. My basic questions have to do with: are we getting the resource revenue to which we're entitled in this province? The Auditor General pointed out:

The Department lacks an adequate system for determining the royalty status of gas that is injected into, and [later] recovered from

oil and gas wells. The Auditor General recommended improvement in procedures. My first question, then, to the minister: has this been done, and what action has he taken to deal with this recommendation of the Auditor?

Secondly, the Auditor talked about deregulation of gas prices. He pointed out that producers could

structure marketing arrangements in ways that are designed to reduce . . . the royalty they pay,

and that there's a system of desk auditing in place, but it's not working. As a consequence, the Auditor General recommended that the department review the methods used to verify the selling prices on which gas royalties are paid. Again, I noticed that there is an increase in the budget allocation, I believe, for the department that does that, and I wonder if that is a reflection that the department is beginning to take some action on the Auditor's recommendation.

With deregulation Alberta developed some very difficult problems in terms of calculating the price on which royalty is calculated. There's some real concern that producers were able to enter into arrangements in which they'd be able to indicate that the prices they were actually selling their gas at were less than what they were really selling the gas at with a consequent reduction in royalty to the province. So the province introduced for this year a concept of an Alberta average market price for royalty purposes. That's an average price for all gas that's sold, and for royalty calculations the selling price is calculated at 80 percent of that.

Well, this has caused some real difficulties for smaller producers. First of all, it's an accountant's nightmare. Well, that's only one of the problems. The second major problem associated with that is that again, the smaller producers find it difficult to keep alive at those prices when they're having to pay those royalties. They're already selling their gas at distressed prices; this means that they're actually paying a higher percentage rate of royalty. I wondered if the minister is paying any attention to those particular problems of the small producers and what he intends to do about it.

Another problem that the Auditor focused on was the fact that the Energy Resources Conservation Board uses unreliable statistical methods to verify oil and gas production figures. He also recommended that these procedures should be reviewed, and I wondered again if the minister could tell us what action he's taking in this regard.

Further, the Auditor recommended that operators of gas processing facilities be required to report volumes of gas available for sale to be reported more timely. There is some delay in

the time in which they report these sales, and he asked for action there.

Apparently, the Oil Sands Technology and Research Authority cannot legally receive money from the province's General Revenue Fund, and this happened. So what steps are contemplated by the minister to deal with this problem?

Finally, my last point with respect to the Report of the Auditor General: he draws attention to abuses associated with various funding programs of the government to the energy sector. He's concerned about lack of control procedures, especially under the Alberta petroleum incentive programs, and he draws attention to some irregularities that have been brought to the attention of the Mounted Police.

I'd also like to ask him a question about that fund. He pointed out in his remarks that the program is now essentially phased out, although I guess there are some grandfathered programs that still may be receiving some funding during this term. But that program from 1981 to 1986 cost the people of the province of Alberta \$2.2 billion. Was it worth it? Or could funding have come into those same companies from the federal government through their petroleum incentive program? Why did the province get into the business of establishing a duplicate program in that regard, and did we get a big enough bang for our dollar? Two point two billion dollars is a lot of money to hand back to the oil industry in incentive grants.

But those, of course, weren't the only incentive grants. The minister drew attention to a number of other grant programs that he's instituted during his term of office. Now, most of these are being phased out, with the exception of the royalty relief program, but let's just look at some of the sums of money that were paid out during this last few years. The exploratory drilling program cost the province some \$300 million. The development drilling assistance program was budgeted for \$100 million, the well servicing program for \$50 million, and the geophysical assistance program for another \$50 million. So that adds up to about \$500 million in addition to the \$2.2 billion. Then we had the five-year royalty holiday, whose time has expired, and now we're into a three-year royalty holiday and then at the end of this year a one-year royalty holiday. Again, what kind of performance did we get for those sums of money? Was it worth it to the province, or did it just lead to a concentration of drilling activity that might have otherwise occurred?

The minister in his remarks pointed to 350 rigs that were drilling last winter. I've just got the latest *Oilweek* here, and the number of rigs that are currently drilling in the province is only 103. I know it's spring and it's not winter, and we're down by some 351 in terms of the rig count.

I'd like to go back for a few minutes to the Alberta royalty tax credit program. Some of these sums are staggering. In 1986-87, through a royalty relief, we actually remitted \$425 million to the oil industry. The forecast for 1987-88 is \$436 million, and the estimate for the current fiscal year is \$380 million. Now, the way that worked in the last year was that firms were entitled to receive a remission of 90 percent of all the royalty they paid, up to a total of \$3 million. For this year, as I understand it, it's been reduced. Firms will receive a rebate of 75 percent of the royalties they pay, up to a maximum of \$3 million. Now, this money goes to all firms reporting oil and gas revenues. It doesn't discriminate between small firms and large firms, and one wonders why major oil companies, especially the 70 largest oil companies, would get that full remission of \$3 million. What if we even reduced the remission to \$2 million? It would mean that at least 70 companies wouldn't get that final

million dollars, and the Treasury would be saved another \$70 million. I think that's something the minister should look at, and I'd like to hear his comments on that.

When we're looking at the Alberta royalty tax credit program, we might want to look at what the purpose of that program is. I think it serves a very legitimate and valid purpose; it's obviously there to keep small oil companies in business. I think that can be justified on a lot of grounds. First of all, the majors are increasingly showing a lack of interest in wanting to develop conventional oil reserves in the Western Sedimentary Basin. They're more interested in larger deposits of oil like the offshore deposits and the tar sands and that kind of thing.

But on the other hand, we know that there's a fair amount of oil left in the Western Sedimentary Basin; we know that we have about nine years of discovered, produceable oil. But that's not all the oil that's out there. There's a lot more oil to be found. In fact, the Geological Survey of Canada just pointed that out recently, yet said that there's potential to drill as many wells yet in that basin as we've drilled in the last 30 years. So there's obviously lots of room for conventional drilling activity to take place, and that should be encouraged.

One way to encourage that is to use the Alberta royalty tax credit program. I'm not speaking out against that. I just think that other formulas could be derived for passing on those credits. Perhaps the minister could look at restoring the 95 percent remission of royalty up to the first half million dollars and then reduce it to 75 percent for the next half million, and so on. That would provide the bonuses to the small companies where they're needed and wouldn't represent a big handout to the larger companies that have no real need for these funds.

Another problem that's associated with the Alberta royalty tax credit program -- and I would like to get the minister's comments on this -- is that there is what the industry calls a double dipping going on. That's where a company will set up a number of subsidiaries, and as long as at least 10 percent of the ownership of those companies is in public hands, then those subsidiaries of those parent companies are entitled to get the Alberta royalty tax credit. So some of these companies have set up two, three, and, in some cases, five or six subsidiary companies to pyramid the amount of royalty relief they're able to attract. I think that's grossly unfair. If we dealt with that problem, it would mean there'd be more money available, in effect, for the smaller producers. I wondered if the minister is taking that situation into account.

Now, the minister I think quite properly drew attention to programs and research activity that's going on in the heavy oil sector. There's been a lot of talk about an upgrader at Lloydminster. Husky probably has already spent over \$100 million doing research on that project. In talking to people in the industry, it seems that for that project to be viable, we'd need at least \$25 a barrel oil or else we'd need some form of subsidy or support. Even at \$25 a barrel, if we control for inflation, it probably means that Husky would only receive about a 6 percent return on its equity. But the question then becomes one of: do we need this upgrader? Certainly in the United States they're moving towards upgrading more of their oil. We should be well placed to do the same thing in this country. The president of Husky Oil had suggested a bidding proposal whereby governments would take into account our security of supply needs and perhaps suggest to companies like Husky that they could provide a long-term supply of oil at higher prices.

It's quite correct that the price of oil becomes really critical, and I'm pleased as an Albertan to note that the price of oil has

gone up to the \$18-plus a barrel level in U.S. dollars. That's welcome news. We're not gloom and doomers on this side of the House. In fact, I'd like to see it go much higher. My informants in the energy industry are quite confident that we'll soon see \$20 a barrel, probably by the third quarter of this year, certainly into the fourth quarter. OPEC seems to be stabilizing its organization, and as much as you can project the future and project what might happen in the Middle East and that kind of thing, \$20 a barrel does seem to be a realistic price for oil in the not too distant future, and I think that in the mid-90s we're probably going to be looking at \$25 a barrel oil.

So projects like the Husky upgrader become economical then. It may also be in our economic interest to build a project like the upgrader now because labour costs are low, material costs are low, and it might be a good investment. But it would certainly need the encouragement and support of probably not just the Alberta government but also the federal government, and I'd like to know if the minister could tell us what kinds of negotiations are going on there. Where is the province at? What would they like to see happen with respect to the upgrader?

AN HON. MEMBER: What about U.S. investors?

MR. PASHAK: Oh, gentlemen, one of the members just said, "What about U.S. investors?" That is an important question, because I think it's really critical here that Canadians control their supply and their future as far as energy, especially oil and gas are concerned. I think that encouragement should be there for Canadian participation in this project either through some kind of equity support by the provincial government or even by the federal government or by Canadian taxpayers and Canadian companies. I think Petro-Canada would be a welcome partner in a project like that.

The other major project that's really of considerable interest -- and I agree here with the minister that the future of the energy industry in this country really lies in our tar sands and our heavy oil deposits, and any addition to our ability to produce oil from those sources is to be very welcome. The OSLO project looks like it's eminently feasible. One of the key attractions of that plant is that I think they're going to be able to produce oil from there much more economically than they've been able to obtain oil from other tar sands in that area, and it's because they're moving towards a dredging process as opposed to kind of a bucketing and trucking process for recovering oil. I would like the minister to comment on that if he has any information.

There is, of course, a major problem that my colleague from Edmonton-Glengarry would be interested in, associated with these tar sands projects: what do you do with the sludge? There are huge lakes of sludge in Fort McMurray that look like they're permanent additions to the landscape. They haven't found the process yet to separate the sand from the clay, and highly toxic water sits on top of those beds with always the possibility that you can get leaks, as has occurred, into the surrounding riverways. There are processes that have been developed in other countries, notably Germany. I know there are some Canadian engineers that are experimenting with ways of mixing the sand and clay together in a process that would also neutralize the water at the same time, that would permit plant growth to occur in the deposits that are left. So what research is being done in that direction is another question I'd like to put to the minister.

With respect to natural gas . . .

MR. CHAIRMAN: Excuse me, hon. member. Order in the committee, please.

Calgary-Forest Lawn.

MR. PASHAK: With respect to natural gas, giving up the Alberta border price, as we've seen, has created some real difficulties for our producers in terms of being able to calculate their royalties. But more than that, it's represented a real loss in revenues to the province of Alberta because the price at which gas is leaving Alberta has declined rather awesomely and with it have declined our revenues. It's true that we've managed to keep them up somewhat by exporting even greater volumes of gas at those low prices, but I must point out that that gas that's leaving the province is relatively cheap gas to find, and the processed gas to replace those reserves is going to be found at much greater depths. It's going to be much more difficult to recover.

Now, the minister drew attention to the Shell find at Caroline. That's about three million cubic feet which really isn't that much gas. I must also point out that it's the only major gas find that this province has experienced in the last 20 years. We've only got somewhere in the neighbourhood of 60 million to 70 million cubic feet of provable, deliverable gas in this province. There are gas pools in the Soviet Union that have as much as 200 trillion cubic feet in them. So we've got a very limited amount of natural gas here, and I think we should really be looking at our long-term consumption needs before we export it at these ridiculously low prices.

Speaking of consumers, our consumers are really getting hammered pricewise. Even residential consumers in the United States are getting the commodity portion of their gas at \$1.10 a gigajoule, whereas our Alberta consumers are paying a buck 86 for their natural gas. Where's the justice or fairness in that? By the way, I just heard today that a lot of our producers are still selling gas in the spot market at prices in the \$1.05 to \$1.10 range. So we're not getting a good return on this resource, which really belongs to all Albertans.

Finally, Mr. Chairman, I'd like to just briefly look at the implications of the free trade agreement for our energy situation here. I pointed out already that there's an importance to Canadians' retaining some control over their resource which belongs to them, and I think that on other occasions I've pointed out that there's a real danger that we'll lose this control through the free trade agreement. We won't be able to, for example, re-establish a border price, so that control we fought for and the former Premier of this province fought for so diligently through the 1970s is lost.

During the debate on Bill 13 I pointed out that we may not even be able to provide subsidies to our primary agricultural producers, let alone our residential consumers, for natural gas. There's further evidence for that in remarks that are contained here in today's *Edmonton Journal* in an article that deals with concerns that a lot of American producers have about programs in Alberta that provide subsidies to our gas producers, like the Alberta royalty tax credit. I just conclude with quoting the last two paragraphs from this article.

"This (free-trade) agreement is about as welcome as another OPEC crisis," said . . . the Republican Senator from New Mexico . . .

He [then] listed a string of Canadian programs, ranging from an Alberta tax-credit program for small producers to a price-sensitive royalty rate structure in Saskatchewan, to support his call for "catch-up incentives" for the U.S. oil and gas industry.

So, Mr. Chairman, I'd really be pleased to hear from the

minister with respect to the questions I've posed this evening.

MR. CHAIRMAN: Hon. Member for Pincher Creek-Crowsnest.

MR. BRADLEY: Thank you, Mr. Chairman. I'd like to commend the minister for his excellent overview in terms of the activities of his department and the involvement he's had in the last year in a number of very exciting initiatives.

I'd like to compliment him on the investment that's going to be made in coal slurry pipeline technology. I wanted to ask him if he could update the committee with regard to the process in terms of the action committee report of the intergovernmental secretariat on low sulphur western coal to Ontario. He might be able to comment on the process, where that is at this point in time, what action he expects to happen on that report in the very near future.

I also was pleased that the minister made reference to the solar and wind research initiative in the Pincher Creek area. He might be able to elaborate more on that in terms of his comments here this evening.

Also, he might be able to give us an update as to exactly the timing with regard to the OSLO project. I think that's going to be an incredibly dynamic project for Alberta and Canada in the future. He could give us some idea as to timing, with regard to when he would see that project being finalized with the federal government and private industry.

I'd like to compliment him on the work that is being done in AOSTRA, on the research that is being done there -- it's a very active program that's been very important to the province of Alberta -- and would like to offer my support for strong continued support for the initiatives of AOSTRA.

With that, Mr. Chairman, I will pass to another member.

MR. CHAIRMAN: Hon. Member for Calgary-Buffalo. [some applause]

MR. CHUMIR: Thank you. Thank you for the applause.

The first question I have for the minister is whether or not he is commencing a new tradition of getting a haircut on the day on which he is to do his budget estimates. My compliments to the barber.

The first area I would like to talk about Mr. Chairman, is that of the free trade agreement with the United States. I'd like to make it clear that I'm in favour of free trade, open access to the United States borders for Canadian resources and the elimination of tariff barriers, particularly those relating to our petrochemical industry. What I am concerned about and would like to hear some comments from the minister with respect to is the concern that I have and that I have heard expressed by members of the industry: that access to United States markets is in fact not guaranteed for our natural gas.

The greatest impediment to access over recent years has been the Federal Energy Regulatory Commission, which has made a number of rulings which have hampered access to Canadian natural gas into the United States. The reality is that the power of the Federal Energy Regulatory Commission remains in force under the Canada/U.S. free trade agreement. There is, in fact, no dispute mechanism whatsoever with respect to resolving differences of opinion. Rather, the only recourse we have as Canadians and Albertans is the strong power of what is described as, and I quote, direct "consultation." Well, that is hardly any security of supply or guarantee of access, Mr. Minis-

ter, and I'm wondering whether the minister might explain why it is that we have entered into an agreement which does not afford us the protection that we should have for access for our natural gas if we are to have free trade.

In particular, why is it that we have had no action? Why is there no provision under the Canada/United States free trade agreement to relieve our producers from the \$200 million dollars per annum penalty arising from the Federal Energy Regulatory Commission decision disallowing pipeline transportation costs in the price of natural gas sold in the United States, a decision which was made about a year ago?

Now I'd like to move on to make some general comments with respect to the natural gas industry in this province. I have been saying in this House since 1986 that the government has done a disservice to the industry and to the people of this province by deregulating oil and natural gas at the worst possible time. The prices, particularly in the natural gas field, have been in free fall, and the result has been that masses of our natural gas are leaving the country at fire-sale prices, leaving future generations of Canadians, and indeed Albertans, with the deeper pools of more expensive gas for the future.

Now, I argued in 1986 that while the price of gas for industry in central Canada would have to go down because it was competing with fuel oil and fuel oil prices were going down, I pointed out that nevertheless residential and light commercial users in central Canada were competing with electricity, which was over \$6 an mcf and that that market was protected by the National Energy Board reserve formulas and by export limitations.

[Mr. Musgreave in the Chair]

I argued that there was room for maintenance of a higher price for our natural gas for those residential and light commercial markets and that we should do our best to see that those prices were kept up; firstly, in recognition of the reality that there were restrictions upon the free market in the form of the National Energy Board reserve formulas and the export limitations; and secondly, in recompense for the \$56 billion that we had benefited central Canadians by selling our oil and gas for below free market prices in the previous 10 years.

I'm happy to note that the government did in fact accept this advice; they did move to attempt to keep prices up in the residential and light commercial areas. The first mechanism was that of refusing export permits unless the price exceeded \$1.30 per mcf. The second mechanism, on which I wish to comment now, relates to presenting a base royalty rate, a royalty price based on 80 percent of the average sales prices for natural gas.

I have been supportive of a mechanism to protect our revenues, and particularly our royalty share of revenues, seeing as we are owners of that royalty share and also to conserve our resources. However, any mechanism that we do use has to be fair and has to be manageable in an administrative manner by the industry. There have been problems that have been brought to my attention with respect to the current system. These are matters of some notoriety, and I believe representations have been made to the minister.

The first concern is that the system has been made retroactive and applies to contracts which were entered into before the new royalty rules came into effect. This is simply retroactive taxation. It's not fair. There is, to be realistic, some degree of amelioration through the impact of the Alberta royalty tax credit rebate, but I find a very compelling case being made that there

should be some grandfathering of contracts that were entered into before this system was implemented. I wonder whether the minister could tell this House why his government has not taken the fair and equitable step of grandfathering those contracts.

A second major concern is an anticipatory one, and that relates to the proposal which the government has on the table for implementing a system of corporate average pricing sometime this summer. What I am hearing is that we are about to move into an administrative jungle and nightmare, and I would ask the minister if he would do a great service to the industry, particularly the smaller companies and specifically to nonoperators, by dropping this idea and undertaking to go back to the drawing board for some alternate way to accomplish his substantive goal, which I have indicated I in general support. The industry, I know, is more than willing to help and co-operate in figuring out some mechanism that is workable and manageable, and I hope we will see the minister moving in that direction.

Finally in terms of natural gas, I am wondering whether the minister could tell this House what average natural gas price was used in the budget estimates for predicting revenue. We know that the oil price was \$18.50 a barrel, but I don't believe that I have yet heard a public statement as to the average anticipated price of natural gas.

I'd like to say a few words, Mr. Chairman, about the Alberta royalty tax credit program. It's a very expensive program. It's been beneficial to small companies. It was intended to help such small companies and has done so, but I believe it's time we entered into a thorough review of the operation and philosophy of this credit. The reality is that in many ways the credit has become and is more valuable to medium and large companies in the sense that few small companies get for example, the full \$3 million under the current program. Next year the proposal of the government is to reduce the program to 50 percent of royalties, up to a maximum of \$2 million.

Quite frankly, I'm not sure of the bottom-line answer to what we should be doing in this area. I know that small explorers have been expressing the view that the alleged philosophical goals would be accomplished by providing for a lower dollar ceiling but a higher proportion of the royalties; for example, a million or a million and a half dollars of rebate, based on 75 percent of royalties. Now, I can see some economic and philosophical reasons for such a change. We want to keep our small oil and gas sector happy in this era of deregulation which gives larger companies such strategic benefits. However, the matter needs an open and a thorough debate with respect to the pros and cons. I would like to hear the minister tell us why, for example, he sees the proposed limits of \$2 million, up to 50 percent for the next year as more appropriate than, say, a lower dollar limit with a higher percentage of royalties. What are, indeed, his thoughts with respect to the premium that should be placed in this community, the value of maintaining a small oil and gas industry, and the commensurate need for such a program in order to make it possible for small companies to get established?

Now, a second concern that I have with respect to the Alberta royalty tax credit is one that is broadly shared in the oil and gas industry; that is, that there is a tremendous amount of gamesmanship going on at the present time, the effect of which is to double, triple, quadruple, and even beyond that, the claims to the Alberta royalty tax credit by companies taking over other companies and leaving the 10 percent independent ownership, which qualifies the cumulative entity for the pyramiding of these credits. It has gone beyond the point of abuse, I believe,

Mr. Minister, and requires some attention, in the interests of the Treasury. Now, it is clear that this system was set up for the understandable goal of enhancing the marketability of companies, but I think that at this point in time there's some serious question whether the way in which it operates is serving the public interest. I would appreciate if the minister is able to divulge what his government's plans are in this regard. Is it looking at tougher arm's-length rules and/or the elimination of the 10 percent exemption rule?

Now, in terms of oil markets, Mr. Chairman, a report was released a few days ago by the Department of Energy, Mines and Resources of the federal government advising that recoverable reserves of light and medium crude oil have increased significantly to 3.6 billion barrels. We have noted happily that in the last year the discovery rate of conventional oil has exceeded that which has been produced. This raises fundamental questions of the competition between conventional and nonconventional oil. Now, this is not only an economic issue; it is a supply issue for our nation, and it is also an issue which has an important dimension of social policy in terms of balancing development around the province. These are all important and in particular it brings us to the issue of the Husky upgrader. This is a development which is clearly not economical at this time. It is obvious that it is going to take heavy support through tax regimes and government economic assistance to make that development, which has been announced so many times, become a reality.

I'm wondering whether the minister would confirm in that regard, for example, that the key to the economic viability of that development is the differential in prices between heavy oil and the upgraded conventional oil -- the differential between those two grades of oil and not an absolute price of \$25 per barrel, as my friend seems to be under the impression, perhaps correctly. I look for correction, but I think it's the differential, and I would appreciate a definitive clarification from the minister because I am tired of hearing that same \$25 a barrel oil price being utilized as gospel.

I wonder whether the minister will also assure this House that we won't be taking economic risks and dealing with projects of this nature without receiving a commensurate piece of the action. We want some upside for the public Treasury as well as downsides. I make this comment in respect to our proposed investments in support not only for the upgrader but for the megaprojects such as OSLO and others. There have been reports that at a recent meeting Husky has indicated that it wouldn't accept the government equity position. I'm wondering whether that is true, whether it simply relates to the form of the offer or the proposal at that time -- in what way is that a reflection of the position of Husky? -- and where we are in negotiations at this time. Also, minister, I wonder whether we might hear from you about the relative economic returns and costs to the province of supporting upgraders versus allowing conventional oil to be developed first. Finally, what other thoughts would the minister have for economic development in the Lloydminster area if the upgrader does not fly at the present time?

I would like to move on, Mr. Chairman. How am I doing for time? Ten minutes?

I would like to move on now to a very important and contentious issue relating to the government's ethane policy. We've recently been moving in the direction of setting out a broad policy requiring ethane to be made available for the NOVA polyethylene plants. Concern has been expressed by oil and gas

producers -- in fact, in this instance, gas producers -- that the price being proposed is less than fair market value for the ethane. They wonder why an open market should not prevail in this instance. Concern has been expressed with respect to interference by the government with the property rights of owners of the gas stream. Concern has been expressed with respect to the special treatment being accorded one company. The game plan for petrochemicals appears not to anticipate any competition. Concern has been expressed with respect to the impact of the free trade agreement on polyethylene sales to the United States if ethane is sold to the polyethylene plants at less than fair market value, as seems to be the goal of the government's anticipated policy. This underpricing would clearly be a subsidy.

So these are concerns that I hear expressed. I'm sure there is some very simple and straightforward answer that the minister will be able to give in order to allay the concerns of the industry, and I look forward to receiving such answers so that I can pass them on to the many Albertans who have expressed these concerns and can't quite grasp the rationale for this policy direction.

In terms of tar sands, Mr. Chairman, I am wondering why it is that with a such a large investment in our tar sands and with such a significant production of oil from the tar sands we receive so little in the way of royalty revenue. In 1986-87 we received \$11.96 million in royalties. In 1987-88 we doubled, up to \$22 million, and in this current fiscal period we are anticipating the receipt of \$36 million. Now, we're getting much more proportionately, it would appear, from our conventional production. We're anticipating crude oil royalties from conventional production for the 1988-89 fiscal year of \$1.16 billion, which is a tremendously greater proportion of royalties than we are getting from the tar sands.

Now, another detailed question I have in terms of understanding this imbalance, Mr. Chairman, is whether the \$36 million we're anticipating receiving this year includes royalties from such projects as the Esso project at Cold Lake, the BP and Petro-Canada projects at Wolf Lake, the Shell project in Peace River, and similar projects. Do these come within the concept of the synthetic crude and bitumen royalty category under the budget, or are they within the conventional oil? I see the minister shaking his head. That means they are under the conventional oil. They're under the crude oil bitumen? They're under the crude oil bitumen.

Also, another energy area that is of concern to Albertans at the present time, Mr. Chairman, relates to that of production of electrical energy by small power producers. This form of energy we could produce and is produced in other parts of the world through the use of wind through windmills, through use of water flowing through irrigation projects, through the biomass projects burning garbage. There are significant benefits, particularly to rural areas, from this form of power development in the form of employment, jobs, economic diversification, in general revenues being brought into these rural areas in the day of the shrinking agricultural market, and of course there are overall environmental benefits to the whole community.

Now, I find the proposals to develop small independent sources of electrical energy both intriguing and appealing. I understand that in California 33 percent of electrical energy is produced in this manner. The issue is one of economics, of viability, of the sensible development of an energy sector in this province. A recent decision by the Energy Resources Conservation Board was such that the incremental price of bringing on new sources of electrical power in the conventional way would

justify only a very low price being paid to small power producers, and the price that has been proposed by the Energy Resources Conservation Board would make it uneconomic for the production of electrical energy by these small power projects. The small power producers group has indicated their view that in fact the incremental cost of new power coming on at projects such as Genesee would be in the range of 6.7 cents for a kilowatt-hour rather than a much lower number stated by the ERCB. This number of 6.7 cents per kilowatt-hour would, in fact, allow for these small electrical energy power projects to go ahead, and I'm wondering whether the minister has been made aware by his department whether the 6.7-cent figure is an accurate figure and whether he could further advise the members of this House as to his department's plans with respect to this very important issue of small electrical power generation.

Finally, Mr. Chairman, I would just like to address some questions to the minister with respect to the issue of coal production. I would appreciate if perhaps he might give us a more enhanced update on the prospects for our coal industry, particularly relating to sales of coal to Ontario. What kinds of programs does the minister find most promising? I'm wondering perhaps whether he might give us some opinion with respect to whether or not the free trade agreement would have an impact on any form of subsidized transportation or other programs we might wish to consider in terms of economic development in this country for promoting the sale of coal to Ontario.

Normally a free trade agreement or any form of counter-measure in the United States would relate only to the export of a resource. I'm wondering whether through the Canada/U.S. trade agreement, we've gotten ourselves into a situation where we might find valid objections being made by the United States to the payment of subsidies and assistance for transporting or any other form of assistance to sale of coal to Ontario which might undercut the sale of their Pennsylvania coal to that same market.

With that, I retire from the field of debate before the hook gets me. Thank you.

MR. DEPUTY CHAIRMAN: I'd like to point out to the hon. Member for Calgary-Buffalo that there has been a comment by one of the members of the House that he's unhappy because you're more comfortable than he is because he has his tie on. According to *Erskine May*, page 441, a male member of the House is supposed to have his tie on whether we're in committee or in full Assembly.

MR. CHUMIR: I'll trade him then.

MR. DEPUTY CHAIRMAN: I have a note here from the Speaker, an announcement. New Jersey has eliminated the Islanders, Boston has eliminated Buffalo, Detroit has eliminated Toronto, and Washington beat Philadelphia and the series is tied at 3-3.

The hon. Member for Edmonton-Kingsway.

MR. McEACHERN: Thank you, Mr. Chairman. I'm pleased to rise and join the debate on the energy estimates. I want to back up some of the things my colleague said and go a little bit further in terms of analysis and looking at the energy revenues because they're such an important part of the budget of this province, and of course as Treasury critic, the relationship there is very vital and one I want to spend some time on. I want to also go on and talk a little bit about the free trade deal and

deregulation and possible effects on the energy industry in this province.

First also, I'd like to say to the minister that I was glad to hear the government is doing some work on other sources of energy like wind and solar energy and coal. It's not a good idea to put all our eggs in one basket even though gas and oil have sort of tended to dominate this province over the last 15 or 20 years.

I want to take a look at the revenue situation. It's true that last year we were able to have a smaller deficit because oil revenues were up and the sale of leases was up, so our deficit dropped from a planned \$1.9 billion to less than \$1 billion. Of course, we're all cheered by that. It's good for the people of Alberta. It means that taxes didn't have to go up, and it means that the deficit won't be so long getting paid off and so on. So we would hope again that the prices reach at least \$18.50 a barrel or higher in the coming year.

However, having said those things, it does indicate the tremendous amount of reliance we still have on energy and the fact that we've not really been able to diversify our economy perhaps as much as we would like. I'd like to remind everybody that, for instance, back in 1985-86 about half the revenues of the province came from energy, and in this coming year we're planning the 1988-89 budget and it's planned that we'll get about 28 percent from energy sources. Another caution one must keep in mind is that although we increased our gas sales to the United States by some 30 percent last year over the year before -- and the Energy minister did brag about that -- unfortunately a lot of that gas went across the border at a fire-sale price, some of it at even less than a dollar per mcf. In fact, the revenues in the province related to gas show that we didn't gain very much from that.

For instance, if you were to look at page 32 of the budget, you would find that in 1986-87 the actual figure for the natural gas and by-products royalty was \$1,097,180,000. The 1987-88 estimate was down by \$90 million. However, it is now forecast that it'll be a little better than that to \$1.024 billion, being the present estimate for last year. The estimate for next year is only \$1.138 billion. So in spite of the fact that we're getting rid of a lot of our gas in a hurry to the United States, we're not really gaining very much from it. We seem to be selling a lot of cheap gas in a hurry, and the benefit does not seem to be all that great. So one must keep that in mind and wonder whether it's a great thing or not.

My colleague from Calgary-Forest Lawn talked about the cost of the royalty tax credit and other incentive programs. I guess that shows up in a way that is very disturbing to me. I did mention it in this House once before, but I'd like to mention it in the context of energy because it's so vital to our sources of revenue for the province. The royalty tax credit in fact has cost us a lot of money, and it shows up, I think, in the split between the amount of money raised by taxes on personal income in the province compared to the taxes of corporations in this province. I want to give you some figures that I did give you once before, but I don't think they can be repeated too often. This government really should take a serious look at them and see if they can't do something about it.

Starting in the first five years of Conservative rule in Alberta, individuals paid 63 percent of the income taxes and the corporations paid 37 percent. The second five years, individuals paid 71.5 percent and corporations paid 28.5 percent. The trend worsened in the third five-year period, so that personal income taxes rose to 87 percent and corporate taxes dropped to 13 per-

cent. Now then, the next three-year period, being namely the 1986-87 period, which we have the actual figures for on page 32 of the budget and the forecast figures for 1987-88, which are also in the budget, and the plans for next year, '88-89, or the year we're just entering, I should say: if you average those three sets of figures, you find that personal income taxes will account for 95.5 percent of the total take in this province, and corporate income taxes will account for only 4.5 percent. Now, that's scandalous, Mr. Chairman, and the Energy minister should take a second look at the way he is handling the royalty tax credit in this province.

He should also take a look at the other incentives and wonder if we are getting fair value for our money. My colleague from Calgary-Forest Lawn pointed out that the big corporations are getting a fairly large share of those incentives in the royalty tax credits. They really were geared or meant to be a help to the smaller companies. Perhaps a more specific targeting of those incentives would be a good idea.

Those tax figures I just read, Mr. Chairman, are also of a great deal of concern when you consider that the bigger corporations, most of which are integrated multinational corporations, have a large what's known as downstream side of the oil industry. They have the service stations and sell gas to people. Therefore, they did not suffer a loss in the last few years in the downturn of the oil industry. In fact some of them increased their profits because they were able to get gas at cheaper prices, buying it abroad or whatever. The price for the barrel went down, but they were able to make a bigger margin because they did not give us the subsequent drop or the consumers a break at the gas pumps. So when you consider that the profits of the big corporations were high in the last few years, I do not understand why we were not taxing them any more than we were. Four point five percent of the income tax in this province for corporations, given the kind of profits they were making, is just not on, and the minister had better take another look at that picture.

One of the things we on this side of the House agree with the minister on is that Alberta must develop its heavy oil and its oil sands projects. He said that in fact we were doing that over the last two or three years, since the downturn in '86. He's encouraged, and I guess I am also, that we've had about a billion dollars invested in those kinds of projects. So that is encouraging. But I don't feel we can assume that the future will continue in that direction with the deregulation that has taken place and the free trade deal that is coming into force. I see no reason to assume that multinational corporations will be prepared to put a lot of money into megaprojects in the future in a deregulated market. They will buy gas and oil wherever they can get it the cheapest and if OPEC can't hold itself together and maintain an artificially high price, then they will buy it from Saudi Arabia where it's a lot cheaper, or can be a lot cheaper anyway, than we can produce it in, say, the Husky Oil upgrader, the OSLO project or any of our present projects. So to give away control of our energy industry does not seem to me to make very much sense.

For one thing, before the companies even really need the heavy oil and the tar sands oil, we still have this nine-year supply of light conventional crude and, according to the Canadian geophysical survey, some 3.6 billion more of light crude that can be discovered. While we're mentioning that I'd like to say that that light oil that is still there to be discovered and brought into production is more likely to be developed by the small oil companies than by the big players. I think that's another reason why the Energy minister should take another look at his incen-

tive programs and see to it that they're focused on the small players rather than the big players. The big players are not likely to need the help for one thing, but they are also not likely to get involved in that play, whereas the small companies will, I think, go ahead and do that.

The big companies will, instead of helping to develop the expensive tar sands and heavy oils, tend to buy their oil in other places, as I said. That means that the government of Alberta will have to put up a lot of incentives and take a lot of risks to get them involved, perhaps more than would be necessary if we had worked on a self-sufficiency policy for Canada whereby we encouraged all Canadians to take part in the cost of producing oil in this country. The Alberta government is very quick to scream and holler that the consumers of Canada got a big break when the prices of oil were high, and that's correct. I agree. Some \$60 billion or \$70 billion is usually bandied around as the benefit to the east. They like to say it wasn't just to the east; it was to all consumers in all of Canada -- that is, when the national government kept the prices lower than the world price in this country. But we have not seen an attendant reverse procedure whereby when the bottom dropped out of the oil industry, the consumers of Canada were willing to keep a reasonable price to help keep the energy industry alive, and it has fallen to the taxpayers of Alberta to carry that burden alone.

I think the minister and the government of Alberta have been very remiss in deregulating just at the wrong time and having to give the billions of dollars back to the oil industry that my colleague from Calgary-Forest Lawn enumerated so carefully. In fact, we still don't see the federal government willing to really get involved in the oil industry and help toward a national self-sufficiency program. But of course I suppose that's not surprising, considering that both they and the Alberta government have decided to totally deregulate and let somebody else control the energy market in this country. It would seem to me that the federal PCs are willing to put in a little bit of money up to now but seem to be balking at future developments like the Husky and the OSLO thing, unless -- we can hope -- they're saving some big announcement for the federal election. And maybe they will.

In any case, it's time that Canada worked seriously on developing a self-sufficiency policy. I want to take a minute on that term. The Premier used that term, and I think the energy minister should talk to him. Because when I talked to the energy minister and asked him questions -- not only myself, but actually it was a question from the Member for Little Bow in the heritage trust fund hearings; he was asking about self-sufficiency -- the minister talked instead about a secure supply. He seemed to think that to totally deregulate was the way to secure a supply of oil and gas in this province or in this country. I'm not so sure that's the case, particularly when we don't have the right to set a controlling price or a different price between Canada and the United States according to the free trade deal. Nor do we have the right to cut back production or the amount we sell to the United States if we start to run short. So it seems to me that the minister had better rethink whether he's talking about a secure supply for Albertans and Canadians or whether he's talking about some kind of self-sufficiency policy and how he might best achieve that. I was glad to hear the Premier use the term "self-sufficiency" rather than the rather ambiguous term "a secure supply," which I don't think the Minister of Energy has in any way established he can do under his present policies.

One of the ways to do that, of course, would have been to admit that it makes sense to shelter the consumers of this coun-

try from the really high prices we had a while back and also, on the other end of it, to protect Albertans' sources of income and our revenues from our natural resource and the industry in Alberta from the tremendous low we had in 1986. So of course the government should have been working with the federal government to see that all Canadians helped to pay for that kind of policy and make sure it worked. Instead we ended up with, as I said, the Alberta taxpayers paying for all the incentives and all the royalty tax credits. All we watched was the Canadian taxpayers in the hole and consumers benefit when the prices were high but we weren't allowed full world prices, and yet we had to pick up the problem when the prices were too low. I can't understand why, in view of that, the Minister of Energy of this government would go ahead and totally deregulate the oil and gas industry and compound that and give no chance of pulling back from that deregulation policy by signing a Mulroney trade deal that gives away control of both price and distribution.

I suppose one of the final ironies on that -- and maybe I should take a bit longer on that. I think the Conservatives all grant the point that the free trade deal says we can't set a different price for Canadian gas or oil compared to what we sell it to the Americans. The free trade deal does say that -- and I don't hear anybody over there denying that -- which I think is just absolutely stupid policy, quite frankly. Also as stupid, I heard a lot of Conservatives arguing that that wasn't the case about the second part of that policy, the part about the fact that we cannot cut back the proportion we sell the Americans if we find ourselves running short of energy. Let's suppose that nine years down the road when the conventional oil we now have starts to run out, unless we can develop that other 3.6 billion which will take us a few years further -- but in any case, suppose production drops about 20 percent in this country. If we are selling, as we are now, about one-third of our oil production to the United States over a three-year period before the shortage hits, we will have to continue to sell them one-third after the shortage hits.

I do not understand why anybody would give away control of one of their major industries. If you think about it, this government very often has been very prickly about defending provincial powers within Canada. Yet here we are giving away the power of control over the energy industry, supposedly to the free market conditions. But since when did OPEC represent free market conditions? It's a controlled and manipulated market to the extent that they are able to do so. You can't believe that OPEC are going to control the market for the benefit of the Alberta oil industry. I do not at all understand why -- and actually, some of the members on the other side of the House said that the free trade deal did not say we couldn't cut back on the proportion we sell to the Americans. So would the Minister of Energy please explain to all the Conservatives in this House that that is indeed the case in the free trade deal.

The other thing about the free trade deal that amazed me when I saw the budget -- and I think now is a good time to mention it, because we are talking about energy, which has been the main source of income, and I just indicated how important it is to our budget when I started this speech. The claim in the budget was that free trade will help to diversify the economy. I have known all along that there was a fundamental problem with the free trade deal. I have found a lot of individual things wrong with it, but I had a hard time putting my finger on the essence of what was wrong, because generally speaking, most of us are for enhanced trade throughout the world; in other words, the cutting back of tariffs, generally speaking -- not in all cases, but generally speaking -- and the removal of quotas and a certain amount

of specialization. The fundamental problem is this: that free trade is something that increases specialization, not diversification. That's something this government should think about very seriously. We will specialize more and more and have fewer products that we produce here, not a broader variety of products. So for this government to think they are going to diversify the economy by going into a free trade deal is absolutely living in fantasyland.

The other thing about the free trade deal that government should be aware of is that a lot of the American companies -- and some of the American companies, of course, are operating on both sides of the border, so they would like free trade because then they can manipulate workers and prices all the better. But all these incentives the minister has been giving to the oil industry in Alberta are viewed by Americans, as my colleague pointed out -- and there was an article in the paper tonight outlining some of the concerns -- as unfair subsidies, and they're scrambling to get their governments to give them the same kinds of tax breaks and incentives quickly before the free trade deal comes in. If they don't get them, you know what they are going to do? They are going to holler "unfair subsidies" the minute the free trade deal is in place. So again we lose control over our own energy resources.

If the government wants to put in place some kind of self-sufficiency policy and some kind of stabilizing policy in the energy industry, I suggest that they do not turn us over to the whims of OPEC but seriously consider taking a look at Bill 205, being put forward by the Member for Edmonton-Belmont, on the Alberta Economic Council Act. Our party has advocated for a long time that the Alberta government should set up an economic council in this province to look at our resources and make suggestions to the government how best we can diversify our economy and stabilize it. That would certainly make a lot more sense than going ahead with the Mulroney trade deal.

In summing up, Mr. Chairman, I would just like to say . . . [some applause] I know why you want me to finish. You don't like to hear the truth about what you're doing over there. You are making such a mess of the oil industry that you don't like to hear what's going on. You'd rather just close your ears and hide from the reality of the facts. The fact of the matter is that we in this province are still heavily dependent on oil. I just find it impossible to believe that a government would voluntarily give up control over an industry so important as oil and then find they have to throw dollars at the industry in hopes that they'll do what we want. Because that will be the inevitable effect. We will have no clout other than giving dollars to try to buy what we want, when we're the ones that have the energy and could, in fact, have a self-sufficient country if we so chose.

Another argument the government uses about the free trade deal that I want to disagree with is that the free trade deal with the United States is the forerunner of the kind of free trade deal we're going to get with all the other countries of the world. The Uruguay round of talks are to some extent bogging down. I hope they don't, but my guess is -- and I think if you look at the American economy and its difficulty with its deficit both on current account and its government deficit on its trade account, you're going to find that the Americans are going to move into a highly protectionist period in their history. The only question that we're debating right now, really, is whether we will be inside that protectionist bloc or outside of it. Quite frankly, either way we're in a lot of trouble. But to be inside it and to insulate ourselves from other countries of the world and to put all our eggs in the American basket particularly in a dying economy,

seems to me the height of folly.

DR. WEBBER: Mr. Chairman, I would like at this time to respond to some of the questions and comments that have been made. I'll make a serious attempt at responding. A number of them have been raised. However, the professor from Edmonton-Kingsway's comments in his lecture to us on economic theories I would find absolutely impossible to try to respond to. I think anyone in Alberta that would like to get a copy of *Hansard* and analyze those comments would recognize the gibberish that is there. So I find it totally ridiculous to try to even follow the lack of logic that was in his remarks. However, Mr. Chairman, there were some good points made by hon. members during the course of the discussions, and I'd like to try to respond to some of those questions now.

Natural gas deregulation was a process that had been agreed to by the federal government and the three governments of western Canada: Alberta, B.C., and Saskatchewan. Deregulation began just before the collapse in world oil prices, and obviously with the collapse of world oil prices there had to be a significant drop in the price of natural gas. Natural gas competing with fuel oil in markets -- certainly those prices had to lower. So the hon. Member for Calgary-Forest Lawn commented that we had the lower prices. Yes, we did. We had really no choice if we were going to sell any natural gas, in that we had to be competitive in the markets out there. Certainly natural gas deregulation has resulted in lower prices for consumers, not only in central Canada but here in Alberta as well. So natural gas deregulation with the oversupply that we have has been to the benefit of the consumers, whether they be industrial consumers or residential consumers in this country.

Now, the NDP policy, I gather, is to hold back the sale of natural gas at a time when prices are low. I am sure the industry would be very interested in that particular policy, along with the price controls that the hon. member -- I don't think the hon. member referred to them tonight. But as I have been reading recently from the federal NDP paper that I quoted in the Legislature here a few weeks ago, where the two-price system was favoured, where we would have a lower price in Canada and a higher price outside of Canada, I'm sure the industry would not take kindly to that, and they certainly haven't in the past. In fact they condemned the national energy program for the significant damage it has done to our economy here.

The hon. member has also indicated something that was not true. He's talking about lower prices into the U.S. and Canada. The National Energy Board has been monitoring prices since natural gas deregulation, and the average price of natural gas going into the United States, the netback to the Alberta border, has been higher than the average price of natural gas sold in this country. So if it had not been for our sales of natural gas into the United States, particularly into the California market the average price our producers would receive from natural gas would have been much lower in fact particularly in the California market where prices held up substantially higher than anywhere else in Canada or even in the United States.

So we are going through a time period when the natural gas supply in the United States is dwindling. In fact I guess the deliverability is the main problem at the moment and as prices start to rise we probably will see more natural gas come on stream in the United States. But still, the demand is there for future supplies of Canadian natural gas. We've heard about the bubble. Some claim that the bubble burst last winter. Others think it could maybe burst a couple of times, maybe this next

year and the following year, because as prices rise, more gas will come on until that supply is used up, and then there will be a shortage of supply again.

In a recent visit to California, they anticipate an increased demand for Canadian gas. Our supplies to California right now represent about 10 to 11 percent of the total use of natural gas in that state. For Pacific gas and electric it serves a great market in the northern part of the state; 50 percent of their purchases of natural gas are from Canada. With that increasing demand in that market, certainly the demand will be there in the future, and prices, as I said, are higher in that market than anywhere else where we sell our natural gas.

When we are talking about deregulation and selling our natural gas, we had a concern about our royalty share and that we weren't getting what we should for our royalty share of the natural gas. Yes, we had a phantom floor price of \$1.35 in place. And that created a dilemma, because the producers were saying, "Look, you're preventing us from selling our gas at a price that we want to by refusing to assign those gas removal permits because the price is not satisfactory to you." And we were saying, "Yes, that may be, but you're making a decision to sell the gas that belongs to the people of Alberta at a price below what is fair."

So we went from this phantom floor price to a situation where we based our calculations of royalty on an average market price. That average market price was determined on a monthly basis by the Alberta Petroleum Marketing Commission, on the information from the industry and from the markets, and the calculation of the royalties is based upon that market price. If a sale of gas is below 80 percent of that market price, then for royalty calculation purposes it wouldn't be 80 percent of the average market price. I emphasize that, because the hon. Member for Calgary-Forest Lawn -- at least the way I understood it -- indicated we were calculating all our royalties on the basis of 80 percent of the average market price. He's shaking his head, so I'm assuming I misinterpreted what he had to say on that. But in any case, the purpose of doing that was saying, "Okay, you as a producer now can sell your gas for whatever price you want, but as far as the people of Alberta are concerned and their share of the natural gas, 80 percent of the average market price is the lowest we would want to go."

That particular policy is reviewable one year after it went in place, and we certainly intend to do that, and hopefully prices will be coming up again. We had a good recovery of prices during the winter months. Spot market prices have dropped back since then. I expect a softness in those prices over the summer, but a firming up of those prices again in the fall, and the forecasts are for increasing prices into the future.

One of the hon. members indicated that the revenues from natural gas and by-product royalty for 1988-89 are not substantially higher than that for '87-88. In 1987-88, of course, the royalties there reflect a 30 percent increase in sales, even though they were at the lower prices. But I think an important point here is that contracts that were negotiated were generally negotiated from November 1 to the end of October the following year. Contract prices are in place until the end of October of this year, which cuts significantly into our fiscal year. So at that time I would expect that in the renegotiations we'll see increases in the price of natural gas. So there is an increase, and there's anticipated to be an increase in sales and volumes as well.

I haven't heard concerns about the calculation of an average market price in terms of the calculation of royalties there. Where we have concerns, as has been raised by a couple of

members, is if we move towards a corporate average price for determining the royalties of a given corporation. We have indicated that we are prepared to meet with the industry groups, and we have. We'll evaluate the significance of the concerns, as to whether it really will impact administratively on these companies, and make a decision as to whether we would want to proceed with that particular concept.

AN HON. MEMBER: We're confused.

DR. WEBBER: That's right; you are.

Now, with respect to a review of the royalty tax system, the hon. members have also made reference to the ARTC. We are putting an emphasis on the reviewing of the Alberta royalty tax credit program ahead of a review of some other aspects of the royalty system, because we want to thoroughly address the concerns that have been expressed -- some of them have been expressed here today -- before the end of the year. The ARTC was introduced a few years ago to primarily help the small companies and small producers, and it certainly has. We raised the value of that to the companies during the collapse of world oil prices up to 95 percent to the maximum of \$3 million. Now that prices are recovering, that ceiling will come down, as I expect the \$3 million ceiling might come down to \$2 million. There have been a number of suggestions as to how we might have this, whether it would have a value up to 50 percent with a maximum of \$2 million or whether it be 75 and three or 50 and three. There's all kinds of combinations, as to whether they should be for particularly small companies of greater value than for the larger ones. All these things will be taken into account in the review before making a decision in the fall.

I don't think there are very many people who would argue that the ARTC is one of the best programs we have in the industry for the small producers. There was reference made to the risks small producers take in this province in terms of exploration and development, and that's true. I don't believe we would have a viable small producer industry in this province if it weren't for programs like ARTC where we concentrated on providing significant help to the smaller companies. The ARTC certainly does apply across the board to all the companies. But a royalty maximum of \$3 million for a major integrated company is relatively insignificant compared to the total revenues that come to the province in terms of royalties from those companies, so we are reviewing that important program.

With respect to Husky, one member asked, "Do we need an upgrader?" Well, I think it probably was the member for Calgary-Forest Lawn that raised that question. He said, "Do we need an upgrader?"

MR. PASHAK: You misinterpreted that one too.

DR. WEBBER: I think the hon. member -- if he'd like to get into the debate I would like to hear if his comments are any more intelligent than some of the others I'm hearing over there.

"Do we need an upgrader?" the hon. member asked, and I think the answer to that question is obviously yes. Are we going to be shipping our crude down the pipeline to be upgraded in other parts of the continent? Plans have already been placed right today to . . .

AN HON. MEMBER: Four years ago that deal was set

DR. WEBBER: Mr. Chairman, I'd be happy to proceed when

the garbling stops across the way.

It is a policy of this government, Mr. Chairman, that we intend to have upgrading occur in this province and not have it done downstream. With respect to the Husky upgrader, as I indicated, negotiations are ongoing. We had some eight hours of meetings last Friday between the Husky people, the federal government, and the provincial governments of Alberta and Saskatchewan. And yes, the project is not economic at this time, as are -- the same comment could be made about oil sands projects. At today's prices they are not economic. But with increasing world oil prices expected in the future, by the time these projects come on stream it's expected they would be economic.

The key factor as far as the upgrader is concerned is the differential between the price of heavy oil and the light synthetic crude that comes out of the upgrader. So today the differential is approximately \$4 a barrel, and to be economic it's anticipated the price should be \$6 or higher in that differential. Now, when will that occur? Some speculate at \$25 U.S. a barrel, others at \$30 U.S. a barrel, but it's the differential that is the key in the economics of the upgrader.

Government participation. Obviously, if governments are going to participate and share in the downside risk, they're going to want the upside benefit. So in any negotiations that aspect would have to be taken into account. The discussions at this stage are such that we want to see other private-sector equity investors in that project, and no one was going to invest in that project with an equity return of some 6 percent, a number that was mentioned here earlier. If the private sector is going to invest, then they're going to have to have a significantly higher rate of return, and governments, I think, can lever up that rate of return by sharing the downside risk. But when prices rise, then it's only fair that the government in return should get the upside benefits.

The oil sands, Mr. Chairman. The comment was made about the royalty revenues from the oil sands being lower than the revenues from conventional oil. Well, I think the answer to that is pretty obvious in that the oil sands developments have had to be levered over the years before they would be economic enough to proceed. They would be very costly to develop. In terms of in situ production, we've developed what is called the Cold Lake formula of 1 percent royalty for the first 18 months of production, going up to 2 percent for the next 18 months, and going on up by 1 percent intervals every 18 months until a maximum of 5. Then, when the project pays out, we would get as Crown revenues what would be 30 percent of revenues minus costs. So that's a formula that would be in place. And so again, in the early stages of production we would take a smaller return to the Crown, but in the latter stages, when the private sector has gotten a fair return, then the Crown would get significant revenues.

On the Syncrude project itself, we have received over \$1 billion in revenues in terms of royalties on the Syncrude project to date, and in addition to that, some \$400 million to \$500 million return, if my memory is correct, on our oil sands equity investment. Now, I don't remember the numbers; the hon. member referred to some numbers for the last couple of years. I will check this out but if my memory is correct with the capital addition project the companies are able to write off some of the capital expenditures against some of the royalties in order to encourage them to proceed with that investment. Of course, during the lower world oil prices we did lower the royalties for the Suncor operation at the time of the price collapse, and that has been changed recently as well, with their plans for

expansion.

The OSLO project has been mentioned by a number, a very exciting project. Some valid points were raised there as well with respect to the importance of dealing with the tailings ponds, making sure that environmental concerns are addressed. Certainly AOSTRA has been working for many years in this area. One area where they spent some time is in seeing how tailings ponds in the future can be eliminated, and their activities in that particular area will be identified separately in future annual reports to indicate the emphasis given to environmental considerations.

Another point that was raised, Mr. Chairman, was a kind of competition between conventional and nonconventional production. But we don't see any competition at all. The conventional industry is recovering, and more investment is occurring month by month. We don't think that there are requirements for any incentives. In fact, our incentive programs are being phased out and hopefully the market prices will be sufficient to spur on continued activity there.

One of the problems that was referred to in question period today was the capacity of the pipelines. Significant dollars were invested in expanding the interprovincial pipeline as one of the pipelines in the past couple of years. It has increased capacity significantly but has been filled to capacity for the last few months. As more nonconventional oil comes on stream, of course, it would result in shut-in production unless something is done to either increase that capacity, which would require major capital investments, or else do something about changing the quality of the heavy oil, and that would be to have upgrading occur in the province here so that the light oil would flow quickly through the pipelines, other than go through much slower as it is, even mixed with the condensate.

Free trade. Mr. Chairman, a number of comments have been made there, and we know the NDP position on free trade and hope that during the course of the next election they will re-emphasize their position over and over and over again for the public to hear, because I'd be happy in my constituency to discuss that concept with any of the opposition members on that particular point. With respect to energy, we were moving in the direction of essentially free trade even before the free trade agreement came along. We had deregulation of both oil and natural gas, so the free trade agreement will eliminate essentially some of the smaller annoying tariffs. But certainly it has many other benefits in terms of creating markets for our products in the future. And in the petrochemical industry, a significant reduction -- in fact, a reduction of 12 to 18 percent tariffs on petrochemicals should be a significant help to our petrochemical industry in this province.

Reference was also made to the Federal Energy Regulatory Commission and the process there. Certainly the FERC body made a ruling on the as-billed decision, decision 256, whereby costs came back to our producers and had a negative impact financially on them. We lobbied in Washington, as did the federal government and tried to get them to reverse the decision. We were partially successful, but not totally, and with the free trade agreement there would be a consultative process in place whereby we could deal with decisions such as that in a better way than has been the case in the past.

In fact one of the purposes of my visit to California in the last few days was to try to prevent this as-billed decision to be applied to natural gas moving through the Pacific gas transmission line moving into California. The California Public Utilities Commission and the Pacific Gas Transmission Company have

reached an agreement which would be a satisfactory one for our producers, and will take that common agreement to the FERC body for them to rule on. Hopefully FERC will recognize it as a suitable arrangement for the producers and consumers.

With respect to incentives for energy and free trade, reference was made to that earlier. There's no concern necessary at all in terms of providing incentives to bring on new production. That has been clarified totally as far as we're concerned. We do not need to worry about any free trade problems in terms of trying to bring more production on stream.

A couple of other points: the AOSTRA and the Auditor General's comment about the need for legislation. I'd have to check the Order Paper, but I thought we had already introduced the Bill that is necessary to make sure that the funds coming to AOSTRA out of the General Revenue Fund would be appropriate.

With respect to the Auditor General's report, there were a number of points made by the Auditor General with respect to a number of issues, some of them raised here this evening -- one with respect to the question of injection schemes and royalty revenue coming to the Crown from there. We have reviewed and improved our procedures and practices in that area, and have made modifications to our mineral revenues computer system. A number of changes to the gas royalty system have been announced -- on January 1 the 80 percent number that I had referred to -- and the administrative practices have been revised as well. So with respect to that particular issue we feel we're moving in the right direction and clearing up any difficulties.

I recognize that there's very little time left, Mr. Chairman. I would just say at this time that with respect to the other issues the hon. member raised with respect to the Auditor General, I would be happy to respond to him on another occasion. If I can't do it in the Legislature, I'd respond to him in writing.

MR. DEPUTY CHAIRMAN: The hon. Member for St. Albert.

MR. STRONG: Thank you, Mr. Chairman. I've heard the ramblings of idiots before, but this is something special -- and if that's unparliamentary, I apologize, Mr. Minister.

You know, this minister talks about consumers saving money. I love it. Where's this guy been? Where has he been? I can remember when oil was up over \$30 U.S. a barrel, and I know what I was paying for gasoline. I checked. It was about 47 cents a litre. Well, Mr. Chairman, oil now is about -- what? -- \$17, \$18 a barrel. It was down to \$16, \$15, \$12. What is the consumer paying for a litre of gasoline? Well, I bought some last night and it was 45 cents a litre. Who's saving the money? I mean, where have you been? Hey, go down to Montana; you can buy it cheaper down there. [interjections] You can.

AN HON. MEMBER: Why don't you go to Montana.

MR. STRONG: You'd like it if I went to Montana, but I'm not leaving. I like it here in Alberta. [interjections]

MR. DEPUTY CHAIRMAN: Order. Order please. If we have order in the Assembly, we can allow . . . [interjections] When we have order, we'll allow the hon. Member for St. Albert to continue.

MR. STRONG: Mr. Chairman, this so-called minister sits here tonight, you know, and wastes our time in this Legislative Assembly bragging about deregulation. I can't believe it. You

know, Mr. Minister, what I'll suggest to you is that you go out and brag it up amongst about 30,000 people that lost their jobs in the oil patch. You go out and brag it up with some of the business community that lost their businesses to receivership or bankruptcy. Go and talk to them about deregulation and what it's cost them. Go and ask them. Go and talk to them, and then brag it up about deregulation.

Do you think, Mr. Chairman, that this Canadian government is going to let Alberta enjoy \$60 or \$80 U.S. a barrel oil if it goes up in the free market as he suggests? That is ludicrous. There will never be a central government in Canada that will let Alberta enjoy \$60 or \$80 a barrel oil at the expense of the rest of Canada.

How can this minister brag it up about deregulation? Canada is still a net exporter, barely, of oil. Now, if we balance the scales -- and that's not going to be very far down the road -- don't you think, Mr. Chairman as well as a lot of Albertans, that we'd be better off in Canada if we had a floor price, some sort of bench price for oil in this country so we wouldn't have the Arabs telling us whether we could put gasoline in our cars or we couldn't? Wouldn't that make sense?

You know, I noticed the Speech from the Throne here, and it said this: conventional supplies of oil will be running out in the early 1990s. That was even in this government's throne speech. Yet four years ago, even when the Liberals were in power, Lloydminster was going to go. The deal was arranged; the deal was set. Where did it go when the Conservatives got in federally, along with this horde? Down the tube. Four years, Mr. Chairman, and these people can brag about their Western Accord, brag about deregulating oil and gas? And we've got one idiot over there clapping. I can't believe it. You go and clap in Red Deer . . .

MR. DAY: A point of order, Mr. Chairman.

MR. DEPUTY CHAIRMAN: A point of order has been called.

MR. STRONG: Let's make it a good one.

MR. DEPUTY CHAIRMAN: The point of order.

MR. DAY: Thank you, Mr. Chairman. I was just enjoying a couple of minutes of silence there.

The member opposite continues to make a mockery of parliamentary procedure and also demonstrate his abysmal ignorance by continuing to address members directly rather than through the Chair, which is one of the most basic parliamentary procedures which even junior high students involved in the most basic parliamentary debates are well informed of. Could the Chair please not be intimidated by the buffoonery and inform the member opposite of proper procedure.

Thank you, Mr. Chairman.

MR. DEPUTY CHAIRMAN: I point out to the hon. Member for St. Albert that the use of the word "idiot" is unparliamentary, and I would request that he withdraw it.

MR. STRONG: I apologized already for that.

MR. DEPUTY CHAIRMAN: You withdraw the remark?

MR. STRONG: I withdraw my remark; I can think of a lot better ones. Buffoon is probably appropriate. [interjections]

You're right; I sure am. And you don't like it one little bit, but I guess that's just too bad.

MR. NELSON: You've got about as many brains as a dead fish.

MR. STRONG: Gee, you know, Stan, I should go down to Calgary next time you're running. You'd love it.

MR. DEPUTY CHAIRMAN: Hon. member, would you please address the Chair.

MR. STRONG: Mr. Chairman, where did the residential user of natural gas get a benefit? You know, I know my wife pays the utility bills around my house, but I sure haven't noticed them going down, not one little bit. As a matter of fact, I think this minister was out and about trying to prevent some of the major users from getting better prices for natural gas. Isn't that the truth, Mr. Chairman? Sure it is.

So let's talk about free market. He's in talking about free market, the illusion, while he's in the other door saying: "Pay me more. Don't do this to me." He talks about small producers selling, whether it's oil and gas, whatever it is. They have to sell it; they need the cash flow or they'd be bankrupt. Another Canadian firm going by the way, and you'd have the seven sisters walking in and picking it all up, where we've got even more of our energy industry owned by foreign ownership. Now, is that intelligent? That's just like walking in and saying: "Well, you know, I'll put 10 percent down on my house. You can buy the other 90 percent but please let me live here." That's not reality.

This minister talked about coal. We've been talking about coal in this party and selling western Canadian coal, Alberta coal, to Ontario for more than a decade, probably two, three, or four decades. -- What's happened? Has any government listened? They haven't listened. We're still buying it from the Americans. That makes good business sense too. You don't see the West Germans doing that. You don't see the Japanese doing that. They don't buy anything, Mr. Chairman, that they can produce at home. They don't do that. Yet here in Canada every time we run into some financial problems, we just kick out a few more resources, energy being one of them.

You know, they've got so many holes drilled in the province of Alberta, I'm just wondering whether there's going to be anything left before I'm dead. They're sucking it out so fast what's going to be left? To brag about increasing exports of natural gas by 30 percent -- what is going to be left? To kick out reserves and say, "Well, under free trade -- what is it five years? -- we only need five years' reserves, maybe 10 years' reserves." What are we going to do? Start burning coal? Is that what we're going to do?

We're not even smart enough, Mr. Chairman, to turn around when we allow a gas plant to be built to demand as Albertans -- demand -- that those firms, those corporations coming into this province, scrub every spot of sulphur, every residue of sulphur dioxide. The technology's here, but because it costs a few extra dollars, we're not even smart enough to do that. Now, is that intelligent? I sure don't think it is.

You know, we listen to the bragging about Lloydminster. And as I said, four years ago Lloydminster was a go. I can remember our Premier speaking to the public, to turn around and say: "Well, if we're not going to get funding out of Saskatchewan or out of the federal government we'll build it our-

selves. We'll build it with the money in our heritage trust fund." Where's this guy been? He's had that football helmet on for so many years, he just can't unplug his ears. Why would we as Albertans, why would an Alberta government build an upgrader in Saskatchewan with Alberta money? Does that make sense? That's what kind of negotiator this Conservative government is. It is unbelievable. Yet who's paying the cost? I think we could go to Albertans who got kicked for a billion dollars in tax increases last year to pay for the foolishness of this government and talk to them about all of these plans.

Last year we deregulated everything. This year we've got a new priority. I'm just wondering what it is, because I'm getting tired of paying; I can't afford them anymore.

Now, where are we going? Where is the long-term economic planning? Where's the common sense demonstrated by this government? Where is that common sense? It's not there. It's totally absent. You know, at least under the national energy program Alberta had a little bit of protection. But then when we got into that Western Accord, that's when they really blew it. They could have done something to set a floor price for oil in this country that would have speculated a few bucks out to get something that would have guaranteed the development of tar sands, heavy oil deposits, coal, coal liquefaction, all of those things. Where are we? No place; absolutely no place.

We talk about Esso Resources; seven, eight nine, 10 at Cold Lake . . .

AN HON. MEMBER: Give it away.

MR. STRONG: No, you're doing a good enough job giving it away. That's what we're trying to stop. We don't want to give it away. We want to get something in return, and we want that return shared not only by the corporate few and the few wealthy; we want that return shared by Albertans. And that's right across the board.

That return, Mr. Chairman, comes in a lot of ways. It comes through Albertans working, paying income tax right here in good old Alberta. That's where it comes: all those things. It pays for this government to start into some of these ventures, and they should have started years and years and years ago. But what did they do? Nothing.

Esso Resources, Cold Lake. That's great. I want to see that job built, and it's going to go ahead and get built. But I also want to see Albertans working on that job for decent wages, decent working conditions, decent benefit plans. I want some of those local natives employed on that site. I want some of the local residents employed on that site; all of them. But when I see labourers getting paid \$8 to \$11 an hour on some of those sites, is that fair to Albertans who have to make mortgage payments, pay for their utilities, pay their provincial income taxes and all those other things? Is that fair? I certainly don't think it is.

We want to talk about an expansion at the Suncor site. That's great that they're spending \$150 million here. That's good. But how much money did they get what a year ago, two years ago? What did they get? Let's see; it was 83 and about 26, 27, just for free, handed to them. Now, is it fair that when some of these oil companies are making major profits, we're turning around and handing \$85 million or \$83 million to Syncrude, to say, "Go ahead and do some design"? That's not fair. How many Albertan draftsmen did they employ on that site? How many did they employ? Or when they kicked in all the money for Lloydminster, where was all the engineering

done? Or when we put up loan guarantees for Millar Western, or equity positions, or loan guarantees for Champion Forest Products at Hinton?

Where are the jobs for the Albertans, Mr. Chairman? I know where the jobs are. I went up and had a little chat with George de Rappard. Manufacturing, pipe fabrication: all being done in British Columbia. We've got manufacturers in this province -- manufacturers, fabricating shops, metal shops, you name it -- hanging on by their fingernails, trying to keep the bank from dropping a lock on the door. And what is this government doing? They say it's fine; go and get the fabrication. Thirty-five thousand man-hours' worth of work on Millar Western to Corwest in Vancouver: is that good business for Alberta? Is it good business for Albertans? Is it good business for our Alberta businessman who's seeing locks put on his doors because he doesn't have any work?

You know, where is the reality? There isn't any reality with this government at all, and you people are the poorest negotiators I've ever seen.

AN HON. MEMBER: Of course. You're so wonderful.

MR. STRONG: You're right.

MR. TAYLOR: They are lousy, aren't they?

MR. STRONG: They sure are, Nick. They're terrible, absolutely pathetic.

MR. DEPUTY CHAIRMAN: Government House Leader.

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

MR. WRIGHT: Mr. Chairman, there are other people who wish to be heard on estimates. There's a quarter of an hour to go. I suggest we carry on.

MR. DEPUTY CHAIRMAN: I think a motion on adjournment is not debatable. It's been moved by the Government House Leader that the committee do now rise and report progress and request leave to sit again. All those in favour of the motion, please say aye.

SOME HON. MEMBERS: Aye.

MR. DEPUTY CHAIRMAN: Opposed?

SOME HON. MEMBERS: No.

MR. DEPUTY CHAIRMAN: Carried.

[Several members rose calling for a division. The division bell was rung]

[Eight minutes having elapsed, the House divided]

For the motion:

Ady	Drobot	Nelson
Bogle	Elliott	Oldring
Bradley	Fjordbotten	Pengelly
Brassard	Horsman	Shrake
Cassin	Isley	Stewart
Cherry	McClellan	Webber
Clegg	McCoy	West
Cripps	Mirosh	Young
Day	Moore, R.	Zaruský
Downey	Musgrove	

Against the motion:

McEachern	Sigurdson	Wright
Pashak	Strong	Younie
Roberts	Taylor	

Totals	Ayes	--	29	Noes --	8
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[Motion carried]

[Mr. Speaker in the Chair]

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

MR. SPEAKER: Having heard the report, those in favour, please say aye.

HON. MEMBERS: Aye.

MR. SPEAKER: Opposed, please say no. The motion carries.

[At 10:27 p.m. the House adjourned to Friday at 10 a.m.]

