

A D D R E S S

by

P R E M I E R P E T E R L O U G H E E D

of

A L B E R T A

to the EMPIRE and CANADIAN CLUBS
of Toronto

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ADDRESS by PREMIER PETER LOUGHEED of ALBERTA - to the Empire and
Canadian Clubs of Toronto - May 7, 1973

ESSENTIALS - FOR A NEW CANADIAN INDUSTRIAL POLICY

LET ME AT THE OUTSET EXPRESS MY APPRECIATION FOR YOUR PROVIDING ME
WITH AN OPPORTUNITY TO EXPRESS TO YOU IN THE HEART OF CENTRAL CANADA -
MY VIEWS ON SOME ESSENTIALS FOR A NEW CANADIAN INDUSTRIAL POLICY.

I MAKE NO APOLOGIES FOR THE FACT THAT MY VIEWS REFLECT A VERY STRONG -
WESTERN CANADIAN POINT OF VIEW. THE BASIC PURPOSE OF MY REMARKS
IS AN ATTEMPT TO COMMUNICATE TO YOU THAT NEW AND NATIONAL INDUSTRIAL
POLICIES ARE URGENTLY REQUIRED NOW TO TAKE ADVANTAGE OF CERTAIN
IMPORTANT POTENTIALS IN WESTERN CANADA - WHICH POLICIES WOULD BENEFIT
ALL CANADIANS.

THE MAIN THRUSTS OF MY REMARKS ARE NOT NEW - THEY ARE SUBSTANTIALLY
IN ACCORD WITH THE TENOR OF MY REMARKS MADE HERE TO THE EMPIRE CLUB
OVER SIX YEARS AGO - AT WHICH TIME I HAD JUST BEEN ELECTED LEADER OF
MY PARTY IN ALBERTA AND HAD NO SEATS IN THE ALBERTA LEGISLATURE.

I SAID THEN THAT ALBERTA'S FUTURE DEPENDED UPON A THIRD STAGE - AFTER
AGRICULTURE AND PETROLEUM - OF INDUSTRIAL AND TOURIST DEVELOPMENT.
AND, I SAID THEN, THAT BECAUSE OF ALBERTA'S RESOURCES AND GEOGRAPHY -
ALBERTA'S DIRECTION AND MOOD COULD BECOME MOST SIGNIFICANT IN THE
TOTAL CANADIAN PICTURE. THIS HAS PROVED TO BE TRUE.

SINCE THAT OCCASION OVER SIX YEARS AGO A NUMBER OF IMPORTANT DEVELOPMENTS HAVE OCCURRED :

(a) A WORLD ENERGY CRISIS HAS DEVELOPED WITH MAJOR RAMIFICATIONS FOR CANADA AND FOR THE ENERGY PROVINCE OF CANADA - ALBERTA - AND PARTICULARLY FOR THE ATHABASCA TAR SANDS WITHIN ALBERTA.

(b) INCREASED TENSION AND DIFFICULTIES HAVE OCCURRED IN WORLD TRADE AND MONETARY ARRANGEMENTS WHICH HAVE PARTICULAR SIGNIFICANCE FOR A NATION SUCH AS CANADA WHERE OUR PROSPERITY IS SO DEPENDENT UPON WORLD TRADE FACTORS.

(c) OUR PERIOD OF COMFORTABLE AND SPECIAL TRADE RELATIONS WITH THE UNITED STATES APPEARS TO BE SUBSIDING.

(d) MILLIONS OF DOLLARS HAVE BEEN SPENT BY THE FEDERAL GOVERNMENT IN AN ATTEMPT TO OFFSET REGIONAL ECONOMIC DISPARITIES.

(e) THE NORTHERN HALF OF OUR NATION IS BEGINNING TO PROVIDE ECONOMIC POTENTIAL OF A MAGNITUDE ONLY BARELY HOPED FOR SIX YEARS AGO AND THE BASIC GATEWAY TO SUCH NORTHERN DEVELOPMENT IS THROUGH THE PROVINCE OF ALBERTA.

(f) THERE HAS BEEN A SHIFT OF DECISION MAKING FROM THE FEDERAL GOVERNMENT TO PROVINCIAL GOVERNMENTS AND -AS REFLECTED BY A

A RECENT GALLUP POLL - SUCH A SHIFT HAS THE SUPPORT GENERALLY OF THE PEOPLE OF CANADA ON A TWO TO ONE MARGIN.

(g) FOREIGN INVESTMENT AND LARGE CORPORATIONS ARE BEING EVEN MORE VIGOROUSLY AND EMOTIONALLY ATTACKED THROUGH THE MEDIA AND OTHER GROUPS.

(h) A BELATED RECOGNITION OF THE SIGNIFICANCE OF WESTERN CANADA IN THE TOTAL CANADIAN ECONOMIC PICTURE IS GRADUALLY EMERGING.

WITHIN THE PERSPECTIVE OF THESE MORE RECENT DEVELOPMENTS - I WOULD LIKE TO EXPAND UPON MY VIEWS REGARDING NEW CANADIAN INDUSTRIAL POLICIES AND SPECIFICALLY DEAL WITH THE TWO AREAS OF NEW TRANSPORTATION POLICIES AND THE GAS PRICING POSITION OF ALBERTA.

I NOTE THAT THE FEDERAL MINISTER OF INDUSTRY, TRADE AND COMMERCE IN SPEAKING TO THE CANADIAN CLUB OF TORONTO A FEW WEEKS AGO STATED THAT DEVELOPING AN INDUSTRIAL STRATEGY WOULD BE IMPOSSIBLE BUT DEVELOPING A COHERENT SET OF INDUSTRIAL POLICIES WOULD BE MORE POSSIBLE. I SUBMIT HE IS SOMEWHAT PESSIMISTIC AND THAT IN BROAD TERMS THE PROVINCES OF CANADA SHOULD BE ABLE - BOTH TOGETHER AND WITH THE FEDERAL GOVERNMENT - TO REACH SOME BASIC UNDERSTANDINGS AS TO REALISTIC ECONOMIC GOALS AND OBJECTIVES AND A POSSIBLE INDUSTRIAL STRATEGY THAT WOULD INCREASE THE PROBABILITIES OF OUR PROGRESSING TOWARDS SUCH GOALS AND OBJECTIVES.

I'VE NOTED IN MY SHORT EXPERIENCE AS A PREMIER THAT WHEN IT COMES DOWN TO THE CRUNCH - CANADIAN PREMIERS ARE PREPARED TO PLACE THE NATIONAL INTEREST AHEAD OF ANY NARROW PROVINCIAL INTERESTS ON SUCH OCCASIONS.

BUT PERHAPS THE PHRASE "INDUSTRIAL STRATEGY" IS A MATTER OF SEMANTICS AND IF MR. GILLESPIE AND HIS COLLEAGUES WOULD PREFER TO STRIVE FOR A COHERENT SET OF INDUSTRIAL POLICIES WE SHOULD PERHAPS ACCEPT THAT APPROACH AND WORK WITH THE FEDERAL GOVERNMENT TO ATTAIN SUCH POLICIES:

OBVIOUSLY IN OUR FEDERAL STATE THE PROVINCIAL GOVERNMENTS WILL HAVE TO CONCUR ON THE VALIDITY OF SUCH NATIONAL INDUSTRIAL POLICIES FOR THEM TO BE MEANINGFUL AND EFFECTIVE. IT MAY BE THAT WE CAN AGREE ON ONLY A FEW AND NOT ON A BROAD RANGE OF SUCH POLICIES - BUT WE HAVE A RESPONSIBILITY IN THE NEXT FEW YEARS TO STRIVE FOR SOME AGREEMENT ON SOME NATIONAL INDUSTRIAL POLICIES.

AS A PRELUDE - OUR PROVINCE LIKE OTHERS - IS IN THE PROCESS OF DEVELOPING OUR OWN PROVINCIAL INDUSTRIAL STRATEGY TO SERVE AS AN UMBRELLA FOR OUR ECONOMIC, FISCAL AND SOCIAL POLICY FRAMEWORK. WE HAVE MADE SOME CONSIDERABLE PROGRESS TOWARDS THAT OBJECTIVE IN TWENTY SHORT MONTHS IN GOVERNMENT BUT WE NATURALLY HAVE MUCH MORE WORK TO DO.

IN SUMMARY FORM, OUR ALBERTA PROVINCIAL INDUSTRIAL STRATEGY AT THIS POINT OF FORMULATION CONSISTS OF THE FOLLOWING :

- I. THE UTILIZATION OF THE DEMANDS FOR AND RETURN FROM OUR DEPLETING NATURAL RESOURCES TO BUILD A MUCH MORE INDUSTRIALIZED ECONOMY IN ALBERTA.

2. THE MAXIMUM POSSIBLE DEGREE OF PROCESSING OF OUR AGRICULTURE AND OTHER RAW RESOURCES WITHIN ALBERTA TO PROVIDE JOBS FOR OUR CITIZENS.

3. AN ATTEMPT TO DIVERSIFY GEOGRAPHICALLY THROUGHOUT THE PROVINCE BY SPREADING ECONOMIC GROWTH TO THE SMALLER CENTRES.

4. A TAXATION SYSTEM BASED UPON ABILITY TO PAY AND INCENTIVES TO JOB-CREATING ENTERPRISES.

FOR CANADA IT WOULD SEEM THAT PROGRESS MIGHT BE ACHIEVED IN STRIVING FOR INDUSTRIAL POLICIES IN THE FOLLOWING MAJOR AREAS :

(a) NEW TRANSPORTATION APPROACHES TO TAKE ADVANTAGE OF REGIONAL POTENTIAL.

(b) THE SPREADING OF JOB-CREATING ENTERPRISES AWAY FROM HEAVILY CONCENTRATED INDUSTRIAL AREAS.

(c) A BALANCE BETWEEN OFFSETTING REGIONAL DISPARITIES AND BUILDING UPON NEW GROWTH CENTRES LIKE FORT McMURRAY.

(d) A CLIMATE WHICH ENCOURAGES WORLDWIDE INVESTMENT BUT PROVIDES INCENTIVES FOR INCREASING CANADIAN EQUITY PARTICIPATION.

THERE MAY BE MANY OTHER AREAS FOR INDUSTRIAL POLICY FORMULATION BUT I SENSE AN EMPHASIS IN THESE FOUR AREAS AT THIS STAGE WOULD PROVE TO BE THE MOST PRODUCTIVE.

LET ME THEN EXPAND UPON THE FIRST AREA - WHICH IS AN ENTIRELY NEW APPROACH TO NATIONAL TRANSPORTATION POLICIES TO TAKE ADVANTAGE OF REGIONAL POTENTIAL.

AS YOU ARE AWARE, THE FEDERAL GOVERNMENT IN THEIR SPEECH FROM THE THRONE LAST JANUARY PROPOSED A WESTERN ECONOMIC OPPORTUNITIES CONFERENCE WITH THE FOUR PROVINCIAL GOVERNMENTS IN WESTERN CANADA. THE CONFERENCE IS SCHEDULED FOR CALGARY IN LATE JULY AND HAS BEEN TERMED BY THE FEDERAL GOVERNMENT AS A UNIQUE VENTURE IN THE HISTORY OF FEDERAL-PROVINCIAL RELATIONS IN CANADA. IN PROPOSING THE CONFERENCE, THE FEDERAL GOVERNMENT SUGGESTED SPECIFICALLY THAT IMPROVEMENT IN THE TOTAL TRANSPORTATION SYSTEM SHOULD BE CONSIDERED AND NOTED THAT THIS WAS BASIC TO OVERCOMING THE PROBLEM OF DISTANCE IN THE REGION AND HENCE STIMULATING AND BROADENING THE ECONOMIC AND INDUSTRIAL BASE OF WESTERN CANADA. THE PREMIERS OF THE FOUR WESTERN PROVINCES MET IN WINNIPEG A FEW WEEKS AGO AND WE ALL AGREED THAT THE ISSUE OF THE NEED FOR A TOTAL NEW TRANSPORTATION POLICY FOR CANADA SHOULD BE ONE OF THE KEY ITEMS ON THE AGENDA AT THIS CRITICAL CONFERENCE.

I SUGGEST THAT IF SUCH A CONFERENCE TURNS OUT TO BE MERELY TALK AND THERE ARE NOT CONCRETE RESULTS FROM THE CONFERENCE, IT WILL BE A SIGNIFICANT SETBACK FOR CANADA AS A WHOLE. IN SOCIAL AND UNITY TERMS - A WESTERN REGION CHARGING FORTH ON ALL CYLINDERS AND FEELING WE ARE A FULL PARTICIPANT IN THE CANADIAN SCENE HAS TO BE A POWERFUL POSITIVE FACTOR FOR CANADA. IN ECONOMIC TERMS - THE REALIZATION BY WESTERN CANADIANS OF THEIR FULL POTENTIAL IS OBVIOUSLY OF BENEFIT TO ALL CANADA.

THIS JULY CONFERENCE IN CALGARY DOES PROVIDE A UNIQUE OPPORTUNITY TO MAKE HISTORIC CHANGES. ALL OF CANADA, AND CENTRAL CANADA IN PARTICULAR, SHOULD BE SUPPORTING THE NATIONAL GOVERNMENT IN POLICY COMMITMENT WHICH WILL MAKE THE CONFERENCE A SUCCESS. IT WILL ONLY BE A SUCCESS IF THERE IS A COMMITMENT TO ACTION. IT WILL BE A FAILURE IF THERE IS MERE AGREEMENT TO CONSIDER. THE GOVERNMENT LEGALLY RESPONSIBLE FOR REPRESENTING ALL CANADIANS - THE FEDERAL GOVERNMENT - HAS INITIATED THE CONFERENCE - IT HENCE HAS UNDERTAKEN AN OBLIGATION TO ASSURE THAT - UNLIKE THE CONSTITUTIONAL CONFERENCES - IT IS A SUCCESS NOT A FAILURE. IF IT FAILS - SIMILAR CONFERENCES CALLED BY THE FEDERAL GOVERNMENT WILL BE APPROACHED WITH SCEPTICISM AND SUSPICION.

THERE IS ONE CLEAR WAY TO MAKE THE CONFERENCE A SUCCESS. A COMMITMENT BY THE FEDERAL GOVERNMENT TO MAJOR CHANGES IN NATIONAL TRANSPORTATION POLICY. THIS WOULD REDUCE THE HISTORIC GRIEVANCE OF WESTERN CANADA IN THE NATURE OF CONFEDERATION. THERE IS PROBABLY NO BETTER TIME THAN NOW TO DO SO. THERE IS A GROWING RECOGNITION IN CENTRAL CANADA THAT FURTHER CONCENTRATION OF INDUSTRY IN THE TORONTO-HAMILTON AREA AND UPON THE SHORES OF THE ST. LAWRENCE WOULD NOT BE IN THE PUBLIC INTEREST - THAT THE QUALITY OF LIFE WILL BE ADVERSELY AFFECTED BY SUCH FURTHER CONCENTRATION. SECONDLY, THE WEST HAS PROBABLY NEVER BEEN IN A BETTER POSITION TO CAPITALIZE UPON NEW TRANSPORTATION POLICIES IN AN EFFECTIVE WAY. THE DEMAND FOR THE PETROLEUM, AGRICULTURE AND FOREST PRODUCT RESOURCES OF

THE WEST IS VERY STRONG. THE MANAGERIAL AND ENTREPRENEURIAL TALENTS ARE CLEARLY IN ABUNDANCE. THE TECHNICAL SCHOOLS THROUGHOUT ALL OF CANADA ARE STARTING TO PRODUCE SUBSTANTIAL NUMBERS FOR THE REQUIRED SKILLED-LABOUR FORCE. THE NORTHERN DEVELOPMENT FACTOR HAS NEVER BEEN SO SIGNIFICANT. WHAT BETTER TIME IN THE HISTORY OF CONFEDERATION TO CAPITALIZE UPON THE JOB POTENTIAL - RESOURCE BASE OF WESTERN CANADA - BUT IT WILL NOT HAPPEN WITHOUT SUBSTANTIAL CHANGES IN NATIONAL TRANSPORTATION POLICIES DIRECTED PARTICULARLY TO THE TWO RAILROADS BY THE FEDERAL GOVERNMENT.

THE LUDICROUS NATURE OF THE EXISTING FREIGHT RATE STRUCTURE IN CANADA IS OF SUCH A NATURE TO BE CALLED A FARCE. A PRODUCT SHIPPED FROM ONTARIO TO BRITISH COLUMBIA AND BACK TO ALBERTA IS CHARGED LESS THAN IF THE SAME PRODUCT ON THE SAME TRAIN HAD BEEN DROPPED OFF IN ALBERTA ON THE WAY THROUGH. SKELP IS CHARGED \$2.11 PER HUNDRED POUNDS WHEN SHIPPED FROM HAMILTON TO EDMONTON, BUT IF SENT TO TIDEWATER AT VANCOUVER, THE COST IS \$1.35 PER HUNDRED POUNDS. STRUCTURAL STEEL FROM HAMILTON TO CALGARY AT \$2.46 PER HUNDRED POUNDS - FROM HAMILTON TO VANCOUVER AT \$1.64 PER HUNDRED POUNDS. I'VE HEARD THE RAILWAYS' ARGUMENT - AND THEY MAKE NO ECONOMIC OR POLICY SENSE AT ALL. WESTERN CANADA REQUIRES A BASIC STEEL OPERATION IN THE NATIONAL PUBLIC INTEREST TO ASSURE BALANCED ECONOMIC GROWTH THROUGHOUT CANADA.

SOME ARGUE ABOUT A "SUBSIDY" FOR CROWSNEST PASS GRAIN RATES AS BEING A PUBLIC CONTRIBUTION FOR THE WEST. THESE RATES ARE SPECIAL RATES TO SHIP WHEAT FROM WESTERN CANADA TO THE LAKEHEAD. CALL IT A SUBSIDY FOR WESTERN CANADA ? WHAT DO YOU CALL TARIFFS

WHICH ASSIST CENTRAL CANADIAN MANUFACTURERS ? WHAT DO YOU CALL SPECIAL TAX PROVISIONS FOR SECONDARY MANUFACTURING ? WHICH PARTS OF CANADA PARTICULARLY BENEFIT FROM SUCH MEASURES ?

IN TERMS OF AGRICULTURAL PROCESSING - EDMONTON TO VANCOUVER - LIVESTOCK - COST CENTS PER HUNDRED POUNDS - 119 - BUT FROZEN MEAT - 139 !
RAPESEED FROM LETHBRIDGE TO MONTREAL - 70 1/2 CENTS PER HUNDRED POUNDS - BUT PROCESS IT IN ALBERTA AND IT COSTS \$1.22 PER HUNDRED POUNDS TO SHIP IT EAST. THE RESULT - YOU EXPORT JOBS FROM THE AGRICULTURAL HEARTLAND OF CANADA TO CONCENTRATE MORE PEOPLE IN THE SAME CROWDED PARTS OF CANADA. IT MAKES NO SENSE AT ALL !

ONE OF THE CATEGORIES OF FREIGHT RATES IS AGREED CHARGES OR COMMODITY RATES. IT'S SUPPOSED TO DEPEND UPON COMPETITIVE CONDITIONS. WHAT SORT OF COMPETITION ? - TRUCKS ? - WHO OWNS THE TRUCKS ? WHERE IS THE COMPETITION SUPPOSEDLY THE GREATEST - BETWEEN MONTREAL AND TORONTO. BETWEEN 1967 AND 1972 THE NON-COMPETITIVE RATES INCREASED AN AVERAGE FROM \$2.50 PER HUNDRED POUNDS TO \$3.32. DURING THE SAME PERIOD, THE COMPETITIVE RATES EITHER REMAINED AT THE SAME LEVEL OR INCREASED TO A MUCH LESSER DEGREE.

ALL OF THIS RAISES THIS IMPORTANT QUESTION - SHOULD IN A NATION OF CANADA'S SIZE AND THINLY SPREAD POPULATION - WE HAVE FREIGHT RATES BASED ON SO-CALLED COMPETITION ? - OR SHOULD THE RATES BE A CRITICAL FACTOR IN NATIONAL INDUSTRIAL STRATEGY - ESTABLISHED ON THE BASIS

OF WHAT'S GOOD FOR CANADA - WHERE NEW JOBS COULD BE LINKED WITH RESOURCE PROCESSING UP-STREAM ?

LET'S LOOK AT THE COAL SITUATION - ONTARIO IMPORTS THIRTEEN MILLION TONS A YEAR FROM PENNSYLVANIA AND WEST VIRGINIA - THAT AMOUNTS TO MANY JOBS IN THE UNITED STATES. THE SAME QUALITY COAL IS LYING IN THE COAL FIELDS OF ALBERTA. WHY WOULD ONTARIO BUSINESS USE THE UNITED STATES COAL IN PREFERENCE? - BECAUSE OF THE DISTANCE - BUT ALSO BECAUSE THE CANADIAN RAILWAYS HAVE FREIGHT RATES FROM ALBERTA FOR COAL THAT MAKE IT SUBSTANTIALLY CHEAPER FOR ONTARIO BUSINESS TO BUY IT FROM THE UNITED STATES. SURELY, THIS SHOULD BE REVIEWED IN THE NATIONAL PUBLIC INTEREST. IS NOT THE BASIC THINKING BEHIND SUCH A SITUATION COMPLETELY CONTRARY TO THE ENTIRE LOGIC OF THE TRADITIONAL TARIFF STRUCTURE OF CANADA ?

NOW SOME SAY - MR. LOUGHEED - WE'VE HEARD THIS STORY BEFORE BUT WHEN WE HEAR THE RAILROADS' SIDE OF THE ARGUMENT, THEY ATTEMPT TO JUSTIFY THEIR ACTIONS ON A COST BASIS - FAIR ENOUGH - I ENJOY A GOOD DEBATE ANYTIME OR ANYPLACE. BUT, FIRST, I WANT FULL AND COMPLETE DISCLOSURE BY THE RAILROADS OF ALL THE COST DATA THAT THEY PROVIDE THE CANADIAN TRANSPORT COMMISSION. I WANT TO KNOW THE EXTENT OF FIXED - AS COMPARED TO VARIABLE - COSTS. I WANT TO KNOW THE ECONOMIC BENEFIT OF TERMINALS AND LOADING FACILITIES TO MAJOR CENTRES IN CANADA. I WANT TO KNOW THE RELATIVE TAXPAYER CONTRIBUTIONS TO OTHER TRANSPORTATION FACILITIES - SUCH AS AIRPORT TERMINALS. IN SHORT - FULL DISCLOSURE BY THE RAILROADS OF THEIR COST DATA. SECOND - PUBLIC JUSTIFICATION OF EVERY MAJOR FREIGHT RATE IN TERMS OF COST-

BENEFIT FOR THE CANADIAN PUBLIC INTEREST - NOT THE RAILROADS' FINANCIAL INTEREST. THE RAILROADS ARE COMMON CARRIERS. THEY WERE ESTABLISHED HISTORICALLY TO PULL CANADA TOGETHER - HOW ? PRIMARILY BY BUILDING THROUGH WESTERN CANADA - IN FACT, TO REALLY CREATE CONFEDERATION AS WE KNOW IT TODAY. ARE THEY FULFILLING THEIR ORIGINAL PURPOSE IN 1973 ? MOST WESTERNERS DO NOT THINK SO !

TO REITERATE - THERE IS NO BETTER TIME THAN NOW - FOR A NEW TRANSPORTATION POLICY FOR CANADA TO PRODUCE A STRONGER CONFEDERATION.

LET ME NOW SHIFT TO THE THIRD AND FINAL MATTER I WOULD LIKE TO ATTEMPT TO COMMUNICATE TO YOU - THE LOGIC OF ALBERTA'S NEW NATURAL GAS PRICING POLICIES IN THE CANADIAN PUBLIC INTEREST.

LET ME FIRST SET FORTH SOME RELEVANT BACKGROUND FACTS :

- (1) NATURAL GAS IS A DEPLETING, NON-RECURRING NATURAL RESOURCE.
- (2) ALBERTA PROVIDES IN EXCESS OF EIGHTY PERCENT OF CANADA'S NATURAL GAS SUPPLY.
- (3) THE VAST MAJORITY OF ALBERTA'S PRODUCTION AND RESERVES ARE OWNED BY THE PEOPLE OF ALBERTA THROUGH THEIR GOVERNMENT.

(4) THE GROWTH RATE IN NATURAL GAS SALES IN THE PERIOD 1968 TO 1971 AVERAGED OVER 16.3 PERCENT EACH YEAR.

(5) THE LARGEST DOMESTIC MARKET AREA FOR ALBERTA NATURAL GAS IS ONTARIO WHICH ACCOUNTS FOR 27 PERCENT OF THE PRODUCTION FROM ALBERTA.

THE ALBERTA GOVERNMENT OVER A YEAR AGO REQUESTED ITS INDEPENDENT AND HIGHLY RESPECTED ENERGY RESOURCES CONSERVATION BOARD TO HOLD HEARINGS AND MAKE A SPECIAL REVIEW ON THE MATTER OF FIELD PRICING OF GAS IN THE PROVINCE. THE BOARD REPORTED LAST AUGUST THAT THE CURRENT AVERAGE FIELD PRICE FOR GAS IN ALBERTA WAS BEING SOLD AT ONLY ABOUT SIXTY PERCENT OF ITS FAIR VALUE.

IN NOVEMBER OF LAST YEAR THE ALBERTA GOVERNMENT ANNOUNCED NEW NATURAL GAS POLICIES FOR ALBERTA WHICH INCLUDED THE DIRECTIVE THAT THERE WOULD BE NO FURTHER REMOVAL OF GAS BY PERMIT FROM THE PROVINCE UNLESS AND UNTIL ALL THE GAS PURCHASED IN ALBERTA WAS BEING PURCHASED AT FAIR MARKET VALUE.

SINCE THAT TIME THERE HAS BEEN EXTENSIVE INCREASES IN THE COST OF COMPETITIVE FUEL, PARTICULARLY CRUDE OIL - AND THE PRESENT VALUE OF ALBERTA NATURAL GAS CONTRACTS MAY NOW BE SUBSTANTIALLY LESS THAN EVEN THE SIXTY PERCENT OF FAIR VALUE OF LAST AUGUST.

IN UNDERSTANDING ALBERTA'S POSITION IT IS FUNDAMENTAL TO KEEP IN MIND THAT WE ARE DEALING WITH A DEPLETING RESOURCE - OWNED ESSENTIALLY BY

THE PEOPLE OF ALBERTA. OUR POSITION HAS RAISED A NUMBER OF QUESTIONS - PARTICULARLY IN CENTRAL CANADA - WHICH I WOULD LIKE TO RESPOND TO HERE IN TORONTO TODAY.

FIRST, THERE HAS BEEN CONCERN EXPRESSED ABOUT OUR COMPLEMENTARY PLAN TO REBATE TO ALBERTA CONSUMERS FROM THE TREASURY OF THE ALBERTA GOVERNMENT AS A PROVINCIAL FISCAL GOVERNMENT MEASURE, SUCH AMOUNTS AS WILL ASSURE THAT ALBERTA USERS OF GAS WILL HAVE A NET COST LOWER THAN IN OTHER PARTS OF CANADA. IN OTHER WORDS - IT'S NOT A TWO PRICE SYSTEM IN THE STRICT SENSE OF THE WORD BUT A ONE PRICE SYSTEM WITH A PROVINCIAL GOVERNMENT REBATE, NOT UNLIKE A HOMEOWNERS' TAX DISCOUNT OR A PROPERTY TAX CREDIT USED BY SOME PROVINCIAL GOVERNMENTS. IT CAN HARDLY BE CONSIDERED A RESTRAINT ON INTERPROVINCIAL TRADE WHEN CARRIED OUT IN THIS FASHION. IN ACTUAL FACT - THE FISCAL PURPOSE IS TWO-FOLD - TO USE THE ADVANTAGE OF LOW COST ENERGY TO STIMULATE INDUSTRIAL DEVELOPMENT TO REPLACE ALBERTA'S RELIANCE UPON DEPLETING RESOURCES - AND SECONDLY, TO PROVIDE A DIVIDEND FOR THE PEOPLE OF ALBERTA AS A RETURN FOR THEIR OWNERSHIP INTEREST IN THE RESOURCE ITSELF.

A SECOND CONCERN THAT HAS BEEN MENTIONED IS THAT THE MAJORITY OF THE BENEFIT OF THE INCREASED GAS PRICES WOULD GO TO THE GAS PRODUCING COMPANIES RATHER THAN TO THE PEOPLE THROUGH THEIR PROVINCIAL GOVERNMENT. THIS CONTENTION IS INVALID ON A NUMBER OF COUNTS. FIRSTLY, THE GOVERNMENT HAS CLEARLY ANNOUNCED THAT IT INTENDS SHORTLY TO SHARPLY INCREASE THE ROYALTY RATES FOR NATURAL GAS, AS IT HAS ALREADY DONE FOR CRUDE OIL. THE CRUDE OIL RATES WERE INCREASED BY APPROXIMATELY FIFTY PERCENT LAST

YEAR AND NOW AMOUNTS TO ABOUT TWENTY-TWO PERCENT OF THE GROSS VALUE OF PRODUCTION. IT IS IMPORTANT TO UNDERLINE THAT THAT'S A PERCENTAGE OF THE GROSS VALUE OF PRODUCTION - NOT OF THE NET VALUE OF PRODUCTION.

WITHOUT COMMITTING OURSELVES - BUT USING COMPARABLE ROYALTY RATES FOR NATURAL GAS PRODUCTION - THE FACT IS THAT THE PROVINCIAL GOVERNMENT WOULD RECEIVE OFF THE TOP - WITHOUT ANY RISK WHATSOEVER - MORE IN REVENUES ON AN AVERAGE BASIS THAT THE GAS-PRODUCING COMPANY WOULD MAKE IN PROFITS. THAT CAN HARDLY BE CONSIDERED OTHER THAN A GOOD DEAL FOR THE OWNERSHIP INTEREST. THE GOVERNMENT DOES NOT PARTICIPATE IN THE HUNDREDS OF DRY HOLES. IN ADDITION, THE PROVINCE RECEIVES SUBSTANTIAL REVENUES FOR LAND SALES AND RENTALS - WHICH ARE ESSENTIALLY RIGHTS TO EXPLORE. IN ADDITION, THE PROVINCE WOULD GAIN IN A VERY SUBSTANTIAL WAY WITH HIGHER GAS PRICES THROUGH A POSITIVE IMPACT UPON THE TOTAL PROVINCIAL ECONOMY AND IN PARTICULAR, EVEN GREATER DRILLING ACTIVITY. IN ADDITION, THE PROVINCE WOULD RECEIVE GREATER TAX REVENUES FROM THE HIGHER WAGES AND SALARIES WHICH WOULD ACCRUE TO THE MANY CITIZENS INVOLVED DIRECTLY OR INDIRECTLY WITH THE PETROLEUM INDUSTRY. ALL CANADIANS WOULD OF COURSE BENEFIT FROM THE INCOME TAXES PAID ON SUCH INCREASED WAGES AND SALARIES.

IT SHOULD BE NOTED THAT ALBERTA IS ONE OF ONLY THREE PROVINCES PAYING INTO THE EQUALIZATION POT FOR LESS FORTUNATE PROVINCES. THE STRONGER THE ALBERTA ECONOMY - THE MORE IT'S ABLE TO PARTICIPATE IN EQUALIZATION. THE SOURCE OF SUCH EQUALIZATION FUNDS IS SIGNIFICANTLY FROM INCOME TAXES ON EARNINGS OF CITIZENS. I COULD LIST NUMEROUS OTHER ECONOMIC BENEFITS.

A FURTHER QUESTION ARISES - WHAT HAPPENS TO THE PROFIT PORTION FROM THE HIGHER PRICES ACCRUING TO THE GAS-PRODUCING COMPANIES ? THE VAST MAJORITY IS RE-INVESTED IN FURTHER EXPLORATION EFFORTS, NOT JUST IN ALBERTA BUT IN FEDERAL LANDS IN THE NORTH AND OFF THE COAST OF NOVA SCOTIA. A HEALTHY PETROLEUM INDUSTRY IS A VERY POSITIVE PART OF THE CANADIAN ECONOMIC SITUATION. THERE IS ALSO THE IMPORTANT BALANCE-OF-PAYMENTS BENEFIT FROM THE REVENUES FROM THE SALE TO THE UNITED STATES OF OUR OIL AND GAS. AS I SAID - I COULD GO ON AND ON.

ANOTHER MATTER RAISED IS THE INTERPRETATION THAT SUCH A POLICY SATISFIES THE NARROW ALBERTA PUBLIC INTEREST BUT IS NOT IN THE BROADER NATIONAL PUBLIC INTEREST. THIS SIMPLY IS NOT SO. AT 16 CENTS PER M.c.f. A VERY LARGE PORTION OF POSSIBLE GAS RESERVES ARE BEYOND ECONOMIC REACH. THE PRESIDENT OF THE ALBERTA GAS TRUNK LINES RECENTLY SUGGESTED THAT OVER 5 TRILLION CUBIC FEET OF NEW RESERVES WOULD BECOME ECONOMIC IN THE EVENT PRICES ARE SUBSTANTIALLY INCREASED. AT 16 CENTS PER M.c.f. IT SIMPLY IS NOT ECONOMIC TO DRILL FOR GAS IN THE SOUR GAS FIELDS OF THE FOOTHILLS IN ALBERTA. UNLESS THE PRICES ARE INCREASED SUBSTANTIALLY THESE RESERVES WILL BE LOST AS ASSETS FOR CANADA. UNDER CURRENT LOW PRICE CONDITIONS THE PROVEN RESERVES OF NATURAL GAS IN CANADA ARE DECLINING - AND DECLINING FOR ONE REASON ONLY - TOO LOW AN AVERAGE PRICE !

LET ME DISPOSE BRIEFLY OF ANOTHER POINT THAT HAS BEEN RAISED - THAT ALBERTA SHOULD USE ITS SOURCES OF SUPPLY TO PROVIDE BELOW VALUE GAS TO CENTRAL CANADA AND THAT IN DUE COURSE THE FEDERAL GOVERNMENT SHOULD USE ITS FEDERALLY-OWNED NORTHERN LAND TO PROVIDE HIGH COST GAS TO THE UNITED STATES. IF THAT'S EQUITY FOR ALBERTA, THEN CONFEDERATION IS REALLY IN TROUBLE.

A FURTHER RESPONSE HAS BEEN THAT THE INCREASE WOULD NOT BE SO BAD IF IT WAS NOT SO DRAMATIC AND ALL OF A SUDDEN. THE FACT IS, THAT THE PROPOSED INCREASE IS MERELY A CATCHING-UP PROCESS. STATISTICS CANADA REPORTS THAT THE PRICE INDEX FOR DOMESTIC GAS IN TORONTO ON THE BASIS OF 1961 AT 100 - AND THIS MAY SURPRISE YOU - HAS BEEN CONSTANT AT PRECISELY 99.1 FOR EACH YEAR DURING THE ENTIRE PERIOD BETWEEN 1962 THROUGH TO 1972. RESIDENTIAL CONSUMERS OF CANADIAN NATURAL GAS HAVE GENERALLY ENJOYED - AT THE EXPENSE OF ALBERTANS - A VERY REMARKABLE PRICE STABILITY RELATIVE TO OTHER CONSUMER PRICES. A MINIMAL 10 CENT PER M.C.F. INCREASE NOW WOULD REPRESENT A CATCHING-UP OF ONLY ABOUT ONE-FIFTH OF THE RATE OF PRICE INCREASES OF OTHER COMMODITIES TO CANADIAN CONSUMERS DURING THE LAST TEN YEARS.

ANOTHER RESPONSE HAS BEEN THAT SUCH PRICE INCREASES MIGHT JEOPARDIZE THE COMPETITIVE INDUSTRY POSITION IN ONTARIO WITH THE UNITED STATES. IT IS TRUE THAT THE VAST INCREASES IN DEMAND FOR ALBERTA GAS HAVE BEEN BY INDUSTRY, NOT RESIDENTIAL CONSUMERS. BETWEEN 1967 AND 1971, THE USE OF ALBERTA GAS BY ONTARIO RESIDENTIAL USERS INCREASED 22 PERCENT WHILE THE USE OF ALBERTA GAS BY ONTARIO INDUSTRIAL USERS INCREASED BY 90 PERCENT - SO, THE INDUSTRIAL ARGUMENT IS PROBABLY THE KEY ISSUE AND HAS TO BE LOOKED AT. BUT THE FACTS DO NOT BEAR OUT THE ARGUMENT. ASSUMING GAS CONSTITUTES ABOUT 25 PERCENT OF CANADIAN ENERGY CONSUMPTION THE PROPOSED GAS PRICE INCREASE WOULD PRODUCE A COST INCREASE TO INDUSTRIAL CONSUMERS OF ABOUT 15 PERCENT TO 35 PERCENT OF THEIR FUEL COST. BUT FUEL COSTS ARE A VERY SMALL PORTION OF TOTAL INDUSTRIAL COSTS - THUS THE CUMULATIVE INFLUENCE ON THE VALUE OF ALL GOODS

MANUFACTURED IN CANADA WOULD BE ABOUT SEVENTEEN ONE-HUNDREDTHS OF ONE PERCENT. I THINK CANADA IS STRONG ENOUGH TO HANDLE THAT ! FOR CERTAIN INDUSTRIES WHERE GAS COSTS ARE MORE OF A FACTOR, THE COST OF COMPETITIVE ENERGY SOURCES IS ALSO RISING DRAMATICALLY. NOTE THE RECENT 25 CENTS A BARREL INCREASE IN THE PRICE OF CRUDE OIL. AS FAR AS THE UNITED STATES COMPETITION IS CONCERNED FOR CENTRAL CANADIAN INDUSTRY, IT'S APPARENT THAT ALL ENERGY COSTS ARE GOING TO RISE DRAMATICALLY IN THE UNITED STATES. IT WILL NOT BE LIMITED TO MERELY NEW GAS. TO THE EXTENT ENERGY COSTS ARE A FACTOR IN INDUSTRY - EVEN WITH DOUBLING NATURAL GAS COSTS IN ALBERTA AT THE FIELD - OUR LONG TERM COMPETITIVE POSITION IN MY VIEW WILL BE STRONGER - NOT WEAKER COMPARED TO THE UNITED STATES. THE REAL ISSUE IS WHERE NEW INDUSTRY SHOULD BE LOCATED.

THESE ARE ALL REASONABLE RESPONSES TO OUR POSITION EVEN IF THEY ARE IN MY VIEW WITH LITTLE SUBSTANCE. THERE IS HOWEVER ANOTHER ONE THAT MAKES ALBERTANS ANGRY. IT IS THAT ONTARIO DID ALBERTA A GREAT BIG FAVOUR IN ACCEPTING THE NATIONAL OIL POLICY SOME TEN YEARS AGO AND USING ALBERTA'S CRUDE OIL RATHER THAN THE "STABLE SOURCES" SUCH AS VENEZUELA, IRAQ AND IRAN OVER THE PAST TEN YEARS SO THAT WE SHOULD CONTINUE NOW TO SELL OUR DEPLETING NATURAL GAS RESERVES UNDER VALUE TO BALANCE THE TRANSACTION. WELL, FOR A START, HOW ABOUT THE EXTRA COST OF CENTRAL-CANADIAN-CONSTRUCTED AGRICULTURE IMPLEMENTS SOLD TO THE FARMERS OF ALBERTA OVER THE PAST FEW DECADES. HOW ABOUT OTHER TARIFF-PROTECTED ITEMS ? HOW ABOUT THE FACT THAT WITHOUT THE NATIONAL OIL POLICY THERE WOULD NOT BE TODAY RESERVES OF CANADIAN GAS OR OIL FOR US TO TALK ABOUT OF ANY SIGNIFICANCE -

OR EVEN PROSPECTS FOR NORTHERN DEVELOPMENT - BECAUSE WITHOUT THE NATIONAL OIL POLICY - INDUSTRY WOULD HAVE GONE ELSEWHERE IN THE WORLD. THEN THERE IS THE POSITION OF CERTAIN MINORITY GROUPS - THAT WE SHOULD USE SHORT-TERM SLIGHTLY-CHEAPER (MAYBE) INSECURE FOREIGN CRUDE FOR EAST OF THE OTTAWA VALLEY TO PROVIDE REVENUES TO THE GOVERNMENTS OF VENEZUELA, IRAQ AND IRAN - AND TO HOLD IN THE GROUND AND NOT SELL ANY ALBERTA OIL TO THE UNITED STATES - BUT STORE IT FOR THE TIME WHEN - NOT, IF - THESE FOREIGN SOURCES ARE CUT OFF OR BECOME EXORBITANT. CONFEDERATION ? NOT BY A LONG SHOT ! ECONOMIC SENSE ? - NO - ECONOMIC NONSENSE ? - YES !

FINALLY, THERE IS THE SUGGESTION - HARD TO CALL IT AN ARGUMENT - THAT ALBERTA SHOULD SELL ITS GAS ON A COST-OF-PRODUCTION BASIS - NOT AT WORLD MARKET OR COMMODITY VALUES. WELL, COME WITH ME TO TALK WITH THE FARMERS OF ALBERTA ABOUT THAT ONE - THEY'LL PROVIDE YOU WITH A BILL - OF DECADES OF DURATION - IT WILL BE LARGE AND HAVE TWO PARTS - THE FIRST PART WOULD BE THE DIFFERENCE BETWEEN THEIR ACTUAL COST OF PRODUCTION OVER THE YEARS AND THE WORLD GRAIN PRICES THEY HAVE RECEIVED - THE SECOND PART WOULD BE THE COST THEY ACTUALLY PAID FOR MANUFACTURED PRODUCTS BASED ON WORLD MARKET VALUES - AND WHAT THE COST OF BUYING SIMILAR PRODUCTS WOULD HAVE BEEN ON AN ACTUAL COST-OF-PRODUCTION BASIS. I DOUBT CANADA WOULD WANT TO PAY A BILL OF THAT MAGNITUDE.

IN CLOSING, LET ME RETURN TO THE POSITIVE. WE RECOGNIZE ALBERTA GAS PRICING POLICIES ARE SIGNIFICANT AND THAT THEY MERIT SERIOUS REVIEW AND DISCUSSION. BUT THOUGHTFUL CANADIANS WILL NOT EMOTIONALLY OR ILLOGICALLY RESPOND OR PLACE THE ISSUE OUT OF PERSPECTIVE. SIGNIFICANT

AS THE MATTER IS - IT'S NOT IN THE SAME CATEGORY AT ALL WITH MAJOR CANADIAN ECONOMIC QUESTIONS SUCH AS INTERNATIONAL MONETARY CHANGES, FEDERAL TAX POLICIES, THE DEVELOPMENT OF THE ATHABASCA TAR SANDS, WORLD GRAIN PRICES - OR OTHER SUCH MAJOR ECONOMIC ISSUES. IN SHORT, I SUBMIT, THERE HAS BEEN AN OVER-REACTION - AN EXAGGERATION OF THE ALBERTA GAS PRICING PROPOSAL AND ITS IMPACT UPON THE CONSUMING AREAS. I APPRECIATE THE OPPORTUNITY THOUGH TO ATTEMPT TO CLEAR UP SOME MISCONCEPTIONS - REFUTE SOME RIDICULOUS RESPONSES - AND REBUT SOME WORTHWHILE ARGUMENTS.

I TRUST OUR POSITION IS CLEAR. THE PEOPLE OF ALBERTA OWN THE GAS - IT IS A DEPLETING RESOURCE - FAIR PRICES WOULD BENEFIT THE PEOPLE OF ALBERTA, BUT ALSO THE ECONOMY OF ALL OF CANADA - AND CANADIANS SHOULD NOT REASONABLY EXPECT ALBERTANS TO SELL THEIR GAS BELOW FAIR VALUE.

IN CLOSING, LET ME LEAVE YOU WITH THIS THOUGHT. I MAKE NO APOLOGIES FOR EXPRESSING TO YOU TODAY SOME VERY STRONG WESTERN CANADIAN AND ALBERTA VIEWS - CONTEMPORARY 1973 VIEWS. I DOUBT VERY MANY OF YOU EXPECTED OTHERWISE. BUT, I ASK YOU TO THINK ABOUT THIS - WOULD IT NOT BE GOOD FOR CANADA - IF THE WEST - YES, AND ALBERTA WITH ITS ENERGY RESOURCES IN PARTICULAR - BECAME A MUCH STRONGER PART OF THE CANADIAN NATION - IN ECONOMIC - IN JOBS - IN POPULATION - AND IN SOCIAL TERMS ? I HOPE YOUR CONCLUSION IS YES.

BECAUSE - LIKE MOST ALBERTANS - I AM A CANADIAN, BEFORE ALBERTAN - I LOVE THIS COUNTRY AND MY ROOTS ARE VERY DEEP. I BELIEVE THAT WHAT I PROPOSE WOULD NOT HURT ANY OTHER PART OF CANADA - BUT IT WOULD MAKE THIS GREAT COUNTRY STRONGER IN ALL OF ITS PARTS !