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ALBERTA ROYALTY REVIEW PANEL

Before Board Panel:

- Bill Hunter - Board Chairman
- Judith Dwarkin - Board Member
- Andre Plourde - Board Member
- Evan Chrapko - Board Member
- Ken McKenzie (np) - Board Member
- Sam Spanglet (np) - Board Member

HELD AT:

Quality Hotel
Grande Prairie, Alberta
April 24th, 2007
Volume II

APPEARANCES

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Richard Harpe

)County of Grande
Prairie

Jerry Bauer

) Private citizen

Bryan Metkowski

) Private citizen

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1 --- Upon commencing at 9:00 a.m.

2

3 THE CHAIRPERSON: Good morning, everyone.
4 Welcome, and on behalf of the Alberta Royalty Review
5 Panel thank you for your interest in our work and the
6 Alberta's Royalty Regime and Tax Regime.

7 Your input is extremely important to our
8 analysis as we go forward and we appreciate your time and
9 effort in coming, and listening, and making a
10 contribution. I would like to introduce the panel.

11 To my far right is Andre Plourde; next to
12 me is Judith Dwarokin; my name is Bill Hunter; and to my
13 left is Evan Chrapko. We're four (4) of six (6) panel
14 members. Two (2) of our members were not able to attend;
15 Ken McKenzie had a family emergency he had deal with and
16 Sam Spanglet is out of country.

17 A couple of housekeeping items for us this
18 morning. Just a reminder that individual presenters will
19 have five (5) minutes to make a contribution to the panel
20 followed by an opportunity for the panel to ask
21 questions. Each organization will be allotted ten (10)
22 minutes to make a presentation and, again, followed by a
23 question period from the panel.

24 We do have a timekeeper to my far left.
25 He has a pretty exotic timing system, which is some

1 coloured cards that will help you to count down towards
2 the end of your presentation to keep us on time.

3 If you have submissions with you today,
4 we'll gladly accept them. If you don't have them with
5 you, please feel free to send them in to us by mail,
6 through the internet, our website, emails, faxes,
7 whatever method is friendly to you.

8 A little bit on the emergency procedures.
9 Again, as indicated yesterday, I have to do my WestJet
10 promo. In the case of an emergency we have two (2) exits
11 at the back of the room and two (2) exits right behind
12 me, so, please make sure that you identify which door is
13 closest to you in case anything happens.

14 To enhance the opportunity of sharing and
15 listening to your contributions, we would really like it
16 if everyone could turn off their cell phones and their
17 Blackberrys. If you are -- out of critical or emergency
18 circumstances, at the very minimum, could you turn it
19 down to a vibration or something that is less intrusive
20 to our opportunity to listen this morning.

21 For the media here today, I will be
22 available to speak with you on behalf of the Chair right
23 after the proceedings, and I would ask that you respect
24 the space of the panel and the presenters during the
25 proceedings. And again, on behalf of the panel and on

1 behalf of the Albertans, thank you very much for
2 attending today.

3 We have one (1) registered presenter this
4 morning, it is Mr. Richard Harpe from the County of Grand
5 Prairie, so if Mr. Harpe is here and ready to go we're
6 willing to listen. Good morning, sir.

7

8 PRESENTATION BY COUNTY OF GRANDE PRAIRIE:

9 MR. RICHARD HARPE: Good morning. Thank
10 you very much. Just first of all, with just on my
11 opening remarks, you have the copy of my submission. The
12 -- the -- your time allotment is horrible. This is an
13 important issue. It's very, very complicated and in-depth
14 and to even make a small iota of sense of the whole
15 thing, I mean, five (5) minutes for individ -- individual
16 presentation you couldn't even begin to get anything
17 across.

18 This is a very public issue. It runs very
19 deep to the interests of the Province of Alberta and the
20 municipalities, of course, included. We're all -- we're
21 all stakeholders in this and so I just wanted to make
22 that -- I mean, it is a very complicated situation. I
23 don't know who can -- they really understand it.

24 So anyway, carry on to my presentation and
25 start it. Just some background information. I am

1 presenting on behalf of the County of Grande Prairie. So
2 in the county we have in excess of three thousand (3000)
3 oil and gas wells and they're drilling at a rate of three
4 hundred (300) to three hundred and fifty (350) new wells
5 per year. And I know you all have all this information
6 this morning for the public.

7 Last year we drilled just over three
8 hundred (300) and just -- we didn't -- there was just
9 over three hundred and fifty (350) new wells drilled in
10 the county. We have six (6) major gas plants and over
11 ten (10) minor plants and countless batteries and I mean
12 countless.

13 Our linear mill rate is about ten point
14 nine (10.9) and in order to cover the costs of doing
15 business with industry, that mill rate is hard to raise
16 because the Province has tied the industrial mill rate to
17 the commercial mill rate and we can't separate the two
18 (2) so what we do for industry, we do for commercial.

19 The only problem with that is the Province
20 regulates industrial mill rate, in other words,
21 assessment, and the plant that's assessed at 100 hundred
22 million years -- \$100 million, the Province has a
23 convoluted formula where in the end, the first year they
24 only pay 57 percent on -- on the assessment of the 100
25 million. In other words they paid -- the mill rates

1 attached to ten point nine (10.9) is attached to 57
2 million instead of 100 million. Then there's a
3 depreciating factor every year, linear M&E, so after five
4 (5) to ten (10) years it's almost depreciated.

5 The commercial is market value and then,
6 like, in 2006 we -- we finished our budget of course and
7 -- and the commercial property increased over 25 percent.
8 So if we raise industrial by 5 percent, commercial is
9 raised by 5 percent so they now see a tax increase of 30
10 percent. So the Province uses this to protect industry
11 because they -- we've been lobbying for years to try and
12 change that; they won't change it. So the mom and pops
13 that own welding shops, construction companies, they are
14 hit hard. Industry gets a depreciated value and
15 assessment every year.

16 The average municipal taxes on a
17 depreciate -- depreciated pump jack and tank -- and I --
18 I pulled one that's about fifteen (15) years old, it's on
19 -- it's on our land, it's -- the municipal tax is ninety-
20 eight dollars (\$98). There's a Super B hauling out of
21 there every other day which causes huge damage to the
22 roads. It doesn't even begin to cover any of their costs
23 and -- and industry does not pay taxes on the land
24 because it's leased. So I'm the owner -- in this case I
25 own the land. It's agriculture tax, it's about five

1 hundred dollars (\$500) a quarter.

2 The -- the drilling tax is -- is regulated
3 by the Province and for a 2,800 metre hold - which is
4 about the average depth in the county - it's seventeen
5 hundred and twenty dollars (\$1,720). That's a one (1)
6 shot deal and -- and the -- the drilling tax is quite --
7 quite complicated but there's a full page of regulations
8 for equipment and tax regulations for drilling and -- and
9 it's so much per foot after so many metre -- so many
10 feet.

11 And I mean it -- and -- and when -- when
12 somebody comes and drills a gas well, an oil well, on --
13 on the property it attracts about a hundred and seventy-
14 five (175) heavy truckloads. The seventeen hundred and
15 twenty dollars (\$1,720) doesn't even cover gravelling for
16 1 mile and quite often it's -- it's anywhere from 5 to 10
17 miles off the pavement and they normally try and take the
18 shortest route so it's probably not a truck route. The
19 road isn't made for that.

20 So the -- the taxpayer's in for at least
21 ten (10) to fifteen (15) to twenty thousand dollars
22 (\$20,000) for -- for damages. And it costs us anywhere
23 up to four thousand dollars (\$4,000) a mile to gravel a
24 road and this is done every year to every other year
25 rotation depending upon the traffic on there and this is

1 strictly for industry.

2 We receive resource funding on occasion
3 and this year we received quite a bit but some years
4 we've been blanked out but it's only at 50 percent. So
5 when we apply for resource road into major activity --
6 say it's a \$2 million upgrade job -- the Province
7 supplies a million, the municipality has to supply a
8 million; the Province pays out general revenue; we paid
9 out general revenue. Industry walks. And they should at
10 least be paying our half but, of course, that -- that
11 never -- never happens.

12 And -- and on -- on busy resource roads --
13 and I had a film on dust and it didn't turn out very good
14 but -- but the area between Bahall and Last (phonetic)
15 which is northwest of here, there are days in the summer
16 where the whole valley is covered in dust, like you
17 literally can't see; that's from traffic. And the
18 farmers, they lose about two hundred dollars (\$200) per
19 acre in crop due the dust. And I've combined there.
20 When you go out straight combiner you can't see a thing.
21 You depend upon GPS to miss your oil wells, miss the
22 powerlines. It's -- it gets that dusty.

23 And there's about 400 feet usually on the
24 west side of the indust -- industrial road that's --
25 that's affected which is about 24 acres for a total year

1 loss of about forty-eight hundred dollars (\$4,800) per
2 half mile of road.

3 And I -- I realize you're pushing me but I
4 really got to go through this.

5 Cattle cannot be grazed on -- no pasture
6 adjacent to the resource roads because I mean what cow
7 can -- or steer can live on dirt? You know, respiratory
8 problems; they lose weight. So they try and make hay out
9 of that, poor quality hay, and the residents live in
10 constant dust in the summer causing numerous health and
11 nuisance problems.

12 And we live on one of them and we pay for
13 our own dust control. Industry will pay on major roads
14 to -- major installations, we forced them to do that, but
15 past residents on occasion on -- I shouldn't occasional
16 traffic but where there's two (2) or three (3) Super Bs
17 going by everyday, every other day, they don't pay. So
18 the landowner is stuck for that cost. Again it's -- it's
19 pushed down.

20 Royalty Issues. And this is a complex
21 issue and I don't know. You all probably know about it.
22 I mean, you go on the Government website and there's
23 pages and pages of royalty regulations, formula and, I
24 mean, really it's -- if anybody can understand it,
25 they're doing good.

1 Anyway, our problem is, royalty has to
2 cover the cost of doing the business and it's not. This
3 is the only industry in Alberta which is heavily
4 subsidized by both levels of taxpayer and -- the
5 provincial and municipal, and there's infrastructure cost
6 dependant on the largest of the taxpayer. And I'm going
7 back to resource roads; the Government pays half, we pay
8 half, or we pay all.

9 In the Green Zone, industry, they pay for
10 the roads, they develop the roads, they maintain them,
11 gravel them, everything. In the White Zone, we pay.

12 And they do more for wildlife in the Green
13 Zone than they do for residents. They won't move a rig
14 out if it's going to be too noisy for the elk or the
15 caribou. And they have noise abatement better in the
16 Green Zone than they have in the White zone. In other
17 words, I've got to listen to the dumb compressor banging
18 away and the elk and the deer and the moose in the Green
19 Zone, they don't have to listen to that because it's
20 quiet. It's less than 40 dB off -- off-lease.

21 And -- and going on to the royalty thing,
22 with vintage oil before '74 attracts little or no
23 royalty. Heavy old -- and -- and old non-heavy oil
24 royalty multiplied for months and -- and they have a
25 multiplier for old non-heavy, heavy and heavy, and non-

1 heavy differential is 900 kilograms and less per cube, I
2 think, for non-heavy and lower. So it's not Tar Sands,
3 this is oil that we have here.

4 And -- and quite often because they have a
5 -- after producing so much a month -- they have monthly
6 format and a yearly format -- industry puts these wells
7 on timers so after twenty-eight (28) days it's -- it's
8 done for the production, the timer shuts the well off,
9 starts again the first of the next month; royalty zero.

10 If the production is less than 20 cubic
11 metres there is no royalty payable, period. And -- and
12 these wells are the ones that should be paying. I know
13 I've only got two (2) minutes but these -- these wells
14 should be paying because they've long since been paid for
15 and they are just a cash cow for industry and an expense
16 for municipalities.

17 And -- and they -- they really -- there's
18 another real kink in the system. On the free-flowing oil
19 well there's a different royalty rate, a higher royalty
20 rate, than a well that -- that has to have a pump jack on
21 it; in other words, to lift it manually.

22 And I know Sunrise County to the north for
23 three (3) years had been going on with Municipal Affairs
24 appealing some free-flowing wells where industry has put
25 pump jacks on them to lower the M&E in the linear rate

1 and -- and I mean -- and so far they've been
2 unsuccessful.

3 Lifting costs range from three fifteen
4 (3.15) a barrel to fourteen sixty-seven (14.67) a barrel
5 and the -- the rest is profitable -- profit for the
6 shareholders leaving the taxpayer to pay for our economic
7 bliss.

8 And this -- and I know I've only got a
9 minute but I mean I'm going to carry on. You're going to
10 have to kick me out. It's going be three (3) minutes
11 here.

12 Just a little -- we're -- we're in a major
13 oil and gas development area; in the County where we live
14 it's probably been the heaviest. And Petro-Canada in
15 1975 or whatever developed the Doe Creek Field. It was
16 really shallow and their lifting costs were less than two
17 dollars (\$2) a barrel and at that time oil was between
18 nine (9) and eleven (\$11) dollars a barrel. And it was
19 the biggest bottom line factor to Petro-Canada in Canada
20 at the time, this oil field, and they were getting
21 grants. They paid no royalties. They were getting --
22 they were getting all kinds of benefits from governments.

23 So I mean it has to change. And the
24 solution or -- one (1) -- one (1) of our proposed
25 solutions, there are lots of them -- and when -- when you

1 compare Alberta to Norway and we have about the same --
2 stop. You have to kick me out, please.

3 THE CHAIRPERSON: Just, if you could
4 consolidate --

5 MR. RICHARD HARPE: This is only, like,
6 one (1) minute left.

7 THE CHAIRPERSON: -- consolidate your
8 thoughts and --

9 MR. RICHARD HARPE: Okay. I'll
10 consolidate myself.

11 When -- when you look at Norway which has
12 about the same daily equivalent production, gas and oil,
13 whether it's -- whether it's coni (phonetic) or crude or
14 gas as Alberta does. It's within a hundred thousand
15 (100,000) barrels or so. And in Norway they have three
16 hundred thirty-six (336) Canadian billion in government
17 pension fund, which used to be called the Formulated
18 Government Petroleum Fund. All revenues comprise 36
19 percent of Norway's budget.

20 Alberta has about the same daily
21 production, which I said, and our fund; what is it: 5
22 billion, 6 billion? Premier Stelmach said the other day
23 laughing, Well, we're not broke. We are broke, folks.
24 When this stops we're going to keep on paying. We're
25 broke.

1 And I think the time is now to change the
2 system and I think -- I would suggest -- and there be
3 lots of them.

4 In addition to industries paying current
5 provincial tax, a further tax of 50 percent based on
6 production of these resources be levelled to account for
7 extraordinary profitability. I mean, the profitability
8 is huge. And this would limit the -- and eliminate this
9 royalty regime which nobody can understand and put it --
10 in place a fair and simple system for both Alberta and
11 industry and be subst -- sustainable for the future
12 generations of Albertans.

13 So and -- I just -- I have one (1) last
14 comment. It -- it's very interesting to note, when a --
15 when a landlord crop-shares to another operator, he gets
16 up to 30/33 percent of the crop. It doesn't matter what
17 the price is, it doesn't matter profit, that's what he
18 gets; up and down.

19 What does the Province do? They try and
20 put a profitably foreman in there. You produce so much
21 you get nothing. Anyway --

22 THE CHAIRPERSON: Thank you, Mr. Harpe.

23 MR RICHARD HARPE: -- that's my thoughts.

24 THE CHAIRPERSON: Andre...?

25

1 QUESTIONS BY BOARD:

2 MR. ANDRE PLOURDE: Thank you. Indeed,
3 when you were talking about the -- the linear mill rate
4 kind of being tied -- tax -- ability to tax is tied
5 essentially from between industrial and commercial, it --
6 would changing that system be, in your mind, the best way
7 of allowing municipalities the kind of flexibility they
8 need to address the -- the cost of service issue?

9 MR. RICHARD HARPE: It's probably not
10 only the best way, but the only way that's the fairest
11 way, because then, I mean, instead of getting a rear -- I
12 mean, so the Government decides to depreciate the values
13 every year, at least you can tax them accordingly,
14 because our costs never go down, but the tax through --
15 derived from industry keeps going down every year. Our
16 costs go up. Our construction costs are almost double
17 from two (2) years ago.

18 THE CHAIRPERSON: Judith...?

19 MS. JUDITH DWARKIN: Thank you. You
20 mentioned that -- well, you suggest that we'd have a 50
21 percent on corporate profit to account for the, you know,
22 extraordinary profitability. Do you have in mind a price
23 trigger maybe for oil that -- or is this 50 percent
24 across the board regardless of the price of oil?

25 MR. RICHARD HARPE: It's -- it should be

1 across the board and I know politics, it never works that
2 way. But when oil was eleven (\$11) dollars a barrel and
3 the lifting costs were less than three (3), we're around
4 two (\$2) dollars a barrel, if you take 50 percent of the
5 difference of that and there's -- I mean, the companies
6 are still making a huge amount of money. And if they're
7 not making money, enough money, they'll shut the bloody
8 production down and guess what happens to the price of
9 oil, you know. Right now they're encouraged to produce
10 and that's what wrong with our system; no matter what,
11 they're encouraged to produce.

12 THE CHAIRPERSON: Evan...?

13 MR EVAN CHRAPKO: Yes. Do you -- do you
14 think that there would be an economic consequence to
15 having those shut-downs happen to the -- the
16 municipalities revenue base if they're not operating
17 here, based on what you just said?

18 MR. RICHARD HARPE: Well, there's no
19 doubt, you know, if -- if you look at it in the short-
20 term. And there might be in a long-term, there won't be,
21 because of what's happening to revenues anyway; they keep
22 going down every year because of the depreciating factor
23 to the assessment.

24 So whether you do it over a period of ten
25 (10) years or do it over a period of two (2) years, I

1 mean, then we can manage the traffic, because if they
2 shut the wells down, traffic goes, so our costs go;
3 direct proportion and maybe greater proportion.

4 THE CHAIRPERSON: Thank you, Mr. Harpe.

5 On your introductions you shared with us
6 your frustration on the logistics of how we conduct the
7 panel in the way of timing on trying to get your point
8 across.

9 What is really important for us is the
10 written scriptures so that we can take that away and
11 include it in our analysis. The briefing or the ability
12 to make the presentation is to give us those one (1) or
13 two (2) or three (3) bullets that you think are
14 incredibly important on behalf of your representations.

15 So we appreciate your comments and we will
16 consider that going forward. So again, thank you very
17 much for coming out this morning and making your
18 presentation.

19 MR. RICHARD HARPE: Thank you very --
20 very much for time and we will be -- this -- this was my
21 surface bullets, by the way, and we are -- we are doing
22 an in -- in-depth prep -- prepara -- presentation. I'd
23 like to follow up with this information --

24 THE CHAIRPERSON: Okay.

25 MR. RICHARD HARPE: -- because our

1 assessment department has to be involved and, like, our
2 Public Works and everything for costs and everything. So
3 this is, kind of, just a basic overview. The in-depth
4 stuff that will be coming, probably within two (2) weeks.

5 THE CHAIRPERSON: Okay.

6 MR. RICHARD HARPE: I hope that's soon
7 enough, Mr. Chair. Thank you very much.

8 THE CHAIRPERSON: The public submissions
9 close June 22nd so you have lots of time.

10 MR. RICHARD HARPE: Oh, yeah, there's
11 lots of time to finish up our --

12 THE CHAIRPERSON: Yes. Thanks again.

13 MR. RICHARD HARPE: -- but this is an
14 overview from our point of view.

15 THE CHAIRPERSON: You betcha.

16 MR. RICHARD HARPE: Yeah. Thank you.

17 THE CHAIRPERSON: Do we have another
18 registered presenter this morning? No, we don't.

19 So that concludes for now this morning.
20 As we saw yesterday there was a slow buildup of walk-in
21 registered presenters. We ended up with nine (9) for the
22 day. We expect the same thing to happen today, so we
23 will be working vigorously while we're anticipating those
24 folks to show up.

25 So at this juncture we're going to

1 reconvene at 1:30 and then we will also be starting a
2 night session at 7:30 tonight.

3

4 So on behalf of the panel thank you very
5 much for attending this morning.

6

7 --- Upon recessing at 9:22 a.m.

8 --- Upon resuming at 3:30 p.m.

9

10 THE CHAIRPERSON: Good afternoon, ladies
11 and gentlemen. Welcome back for some of you. On behalf
12 of the Royalty Review Panel thank you for your interest
13 in our work in looking at the Alberta Royalty Regime and
14 Tax Regime.

15 Introducing the panel, to my right at the
16 far end is Andre Plourde; next is Judith Dwarkin; my name
17 is Bill Hunter, and to my left is Evan Chrapko. We're
18 four (4) of six (6) panel members. Two (2) unfortunately
19 couldn't be with us, a family emergency, plus the other
20 is out of country.

21 Your input to our process is extremely
22 important to do what we've been asked to do, and we
23 really appreciate you taking the time and effort to come
24 out and speak with us.

25 A little bit of housekeeping before we

1 start. Each individual presenter has been allotted five
2 (5) minutes to present and then that will be followed by
3 questions from the panel. Each organization will be
4 allotted ten (10) minutes and then followed by a question
5 period by the panel.

6 If you have submissions that you want to
7 leave with us today, that's fine, we'll take them. If
8 you want to send them to us by any mechanism, the
9 website, e-mail, mail system, fax, it's all available and
10 it's listed on our website www.albertaroyaltyreview.ca.

11 We have a timekeeper here that's got a
12 very sophisticated technical support mechanism for your
13 presentation. He'll help you with the countdown towards
14 the end of your presentation. Please take advantage of
15 that support.

16 Our public submissions close on June 22nd
17 so you still have time to provide written submissions or
18 register for some of our other provincial tour
19 opportunities which is Edmonton, Calgary, Fort McMurray
20 and Medicine Hat.

21 On a personal care point of view, as I've
22 said in other parts of our public forum I have to do My
23 WestJet opportunity and that's, in the case of emergency
24 we have two (2) exits at the back of the room, two (2)
25 exits right behind us, and please make sure that you

1 identify the exit nearest to you so that if there is a
2 problem you know how to get out of the room.

3 To enhance the opportunity of the exchange
4 in this presentation, we would ask all of the folks here
5 to please turn off your cell phones and your Blackberrys.
6 If you need to leave it on because of an emergency
7 condition, please turn it to vibrate or something that's
8 less intrusive on the process.

9 For the media present today, on behalf of
10 the panel I would be glad to take your questions after
11 the process is finished, but I do ask that you respect
12 the space of the panel and the presenters during the
13 proceedings. And again on behalf of the panel and
14 Albertans, we really appreciate you taking the time and
15 look forward to your contributions.

16 This afternoon we have two (2)
17 presentations from individuals and at the conclusion of
18 those presentations, we are going to reconvene at 7:30
19 tonight.

20 So first on the docket, if you will, is
21 Mr. Bauer, if you're present.

22

23 PRESENTATION BY JERRY BAUER:

24 MR. JERRY BAUER: Thanks for the
25 opportunity. I'm just a private citizen. I have no

1 connection to the energy sector.

2 I'm not unhappy with the energy sector so
3 -- but I do have concerns about what's happening in
4 Alberta. Booms are nice but they also create lots of
5 problems and obviously in Grande Prairie -- I've been
6 here since '73 and -- and the changes are -- a lot of
7 them are good but some of them are not so good.

8 And most of the boom in Alberta I think is
9 related to the energy sector, so I think this might be an
10 opportunity to get some feedback from people who live and
11 work here.

12 So I guess my concern is that we're moving
13 too quickly; we're -- we're -- we're drilling and
14 producing too much oil and gas too quickly. And I know
15 from a world point of view that may not seem correct, but
16 I say that because the impact it's having on our
17 infrastructure and our quality of life. Money is nice,
18 but it's not everything.

19 And again, most of the boom in Alberta is
20 related to the energy sector, so this is the right time
21 to talk about this.

22 So that leads me to the point that I -- to
23 me, royalty fees are too low in Alberta. If they were at
24 the right level, that would slow down maybe some of the
25 new production, especially in -- in the oil sands and

1 that would give us a chance to catch up on things.

2 And -- and I say there are too -- there
3 are too -- they are low for two (2) reasons. Number 1,
4 this boom has gone on for years and it's not our first
5 one, but we still have not managed to build up a -- a
6 fund for the future like they have, say, in Norway or
7 other parts of the world. So therefore, it's obvious
8 that not enough of the oil fees are going into the future
9 for a non-renewable resource.

10 And secondly, we have a huge
11 infrastructure deficit. And again, most of the deficit
12 is created to the boom related to the energy sector, and
13 it's a real problem. All you have to do is drive around
14 Grande Prairie and -- or try to drive around Grande
15 Prairie, you'll see some of the problems.

16 So if our royalty fees were at the right
17 level, I think we would have a fund for the future
18 already built, say a \$100 million plus, or we would have
19 less of an infa -- infrastructure problem.

20 So I -- my -- that leads to a conclusion
21 that either our government has mismanaged the current
22 royalty fees or not used those funds wisely or they're
23 too low; and I think maybe some of both is the right
24 answer.

25 So I think we need to address this quickly

1 and I suggest that maybe some type of -- and I know and
2 I'm not an expert on this. I think the royalties are
3 char -- are connected somewhat to the price of oil and
4 gas, but I think there needs to be a better -- better
5 connection where in these high prices they would pay a
6 whole lot more. When prices are low, at the bottom of
7 the cycle, they would pay a whole lot less.

8 So I think there needs to be a better
9 relationship between price and what the companies are
10 paying. And secondly, I think a percentage of the
11 royalty fees -- and I don't know what the right number
12 is, it'd be a small percentage -- should go into some
13 type of fund that the energy companies could -- to access
14 to get -- to -- to do research in areas of, say,
15 environmental low impact, to reduce the impact on the
16 landscape, maybe to make better use of the oil and gas we
17 have, to solve some of the problems that are created on
18 the land base over all this activity.

19 So -- and Bill probably knows. I'm
20 speaking from the point of view of the forest industry,
21 that's my background, and -- and we have such funds in
22 place already.

23 So I know lots of research is being done
24 in the energy sector, but I also know they could use a
25 lot more funds and do more research to reduce some of

1 this impact. So that's about all I have. Thank you.

2 THE CHAIRPERSON: Thank you, Mr. Bauer.

3 MR. JERRY BAUER: Thanks, Bill.

4 THE CHAIRPERSON: If you could entertain
5 a couple questions from the panel that would be
6 beneficial.

7 MR. JERRY BAUER: I'll try.

8 THE CHAIRPERSON: Andre...?

9

10 QUESTIONS BY BOARD:

11 MR. ANDRE PLOURDE: Thank you. You were
12 mentioning about the boom aspects and you see this as lar
13 -- largely or in -- in an important way driven by energy
14 issues.

15 Do you see as kind of -- if you think of -
16 - of conventional, sort of, oil and gas activities, oil
17 sands, one (1) more than the other, one -- or -- or about
18 the same for both?

19 MR. JERRY BAUER: Probably both. Now I
20 haven't been to Fort McMurray. I live here in Grande
21 Prairie which is mostly conventional oil and gas and the
22 impact has been -- I said, been lot of negative impact
23 due to that boom. And everything I read, it's even worse
24 in Fort McMurray, so yeah.

25 MR. ANDRE PLOURDE: Okay. And I guess

1 the point of my question, just -- just so it's clear, if
2 -- if that's the case, you think royalty rates should be
3 adjusted on bot -- it's not just an issue of oil sands,
4 it's --

5 MR. JERRY BAUER: Absolutely.
6 Absolutely.

7 MR. ANDRE PLOURDE: Okay. Thank you.
8 Thanks. Sorry, I wasn't clear enough the first time
9 around. Thank you.

10 MR. JERRY BAUER: No, no problem. I
11 wasn't clear either, so no problem.

12 THE CHAIRPERSON: Judith...?

13 MS. JUDITH DWARKIN: Thank you. Thank
14 you for your presentation. My question is more on, you
15 advocate that we should increase the royalty on oil and
16 gas, conventional or otherwise, in order to slow the pace
17 of development and in the meantime sort of skim off some
18 of that and put it in a -- a special fund for R&D.

19 Going back a step, your concern is -- is
20 with pace, not that the industry is acquiring too large
21 of a share of the resource revenues?

22 MR. JERRY BAUER: No, I'm not against
23 profits, if that's where you're leading to. I just know
24 there's been some talk about trying to put a cap on
25 development, especially in Fort McMurray. Well, I think

1 if the Government tries to put an artificial cap on that,
2 it would probably screw it up, to be honest.

3 But one (1) way of putting a cap on it to
4 slow things down is increase the royalty. That huge
5 amount of investment up there is obviously being done for
6 a reason and that is people can make lots of money, and
7 that's fair. So all I'm suggesting is if you increase
8 the royalty fees, you would slow that down but still have
9 proper investment levels.

10 MS. JUDITH DWARKIN: Thank you.

11 THE CHAIRPERSON: Evan...?

12 MR. EVAN CHRAPKO: Your -- your phrase
13 was, "money is nice but isn't everything," so what's the
14 nice amount or how do you balance nice and everything?

15 MR. JERRY BAUER: That's a good question.
16 I don't know.

17 MR. EVAN CHRAPKO: So what's in the
18 "everything" category? What other things --

19 MR. JERRY BAUER: Well, quality of life.
20 I mean, again the quality of life is suffering in Grande
21 Prairie because of our poor infrastructure. We don't
22 have the facilities --

23 MR. EVAN CHRAPKO: So it's just an
24 infrastructure question?

25 MR. JERRY BAUER: Yeah.

1 MR. EVAN CHRAPKO: In your mind it's --
2 it's infrastructure?

3 MR. JERRY BAUER: Well, that creates a
4 quality of life. You know, if you have nice libraries
5 and art galleries and -- and gyms and the hockey arenas
6 and things for your kids to do, that creates a quality of
7 life in a community. A community -- Grande Prairie as a
8 community is suffering because we've lost some of those
9 things, you know, in relative terms, plus we don't have
10 enough facilities here to provide with this huge increase
11 in population.

12 And we're not the only community. I mean,
13 even the small, outlying communities are having the same
14 problem. And again I haven't been to Fort McMurray but I
15 think it's even multiplied there, eh?

16 So, yeah, it's nice to have all this
17 revenue. It's nice not to have a cash debt in the
18 Province, but we've traded a cash debt for a huge
19 infrastructure debt and in hindsight that was a huge
20 mistake. Now we're paying the price.

21 And, yeah, so, yeah, I think we need to
22 look at the dollars but also the quality of life for our
23 workers and for the people that live in these
24 communities.

25 MR. EVAN CHRAPKO: You weren't just

1 talking roads when you meant infrastructure?

2 MR. JERRY BAUER: That's -- well, roads
3 is just one (1) of many.

4 MR. EVAN CHRAPKO: Yeah, okay.

5 MR. JERRY BAUER: I mean, that's --
6 that's the obvious one because --

7 MR. EVAN CHRAPKO: Yeah.

8 MR. JERRY BAUER: -- again if you drove -
9 - if you drive around town it's pretty obvious.

10 THE CHAIRPERSON: Thank you, Mr. Bauer,
11 we really appreciate your inputs and your --

12 MR. JERRY BAUER: Yeah.

13 THE CHAIRPERSON: -- considerations.

14 MR. JERRY BAUER: Thanks for your time.

15 THE CHAIRPERSON: Thank you. Next, we
16 have the opportunity to hear from Mr. Metkowski; is that
17 right?

18 MR. BRYAN METKOWSKI: That's correct.

19 THE CHAIRPERSON: Please come and join
20 us, sir.

21

22 PRESENTATION BY MR. BRYAN METKOWSKI:

23 MR. BRYAN METKOWSKI: Good afternoon, Mr.
24 Hunter and the panel. I think my -- our previous speaker
25 summed a lot of it up, but I'm going to add -- maybe add

1 some to it.

2 I was born and raised in Alberta and I'm -
3 - I'm proud to be an Albertan. I was involved in the oil
4 patch for thirty-five (35) years and I do agree that the
5 oil royalties should increase if not double. And my
6 biggest concern is -- is the highways. And that takes in
7 -- in -- Grande Prairie is -- is a city and it's got its
8 own infrastructure.

9 And I think the highways in this country,
10 if you look at the past five (5) or ten (10) years have
11 deteriorated, especially in the northwest here, immensely
12 and I'd like to see more -- of course more done, and not
13 just south of Edmonton but up here where a lot of the
14 revenue is coming from.

15 And as the previous speaker said the --
16 you know, we could -- some of that money could be put
17 into campsites along the roads which we don't have hardly
18 anymore, swimming pools in -- in smaller centres and
19 stuff like that.

20 If you've driven on the highways, you
21 know, from Edmon -- I just came from Edmonton to here and
22 -- or you can go from Rycroft in either direction and
23 they're very rough. And I'd like to know what -- I guess
24 I should be talking to the politicians maybe, but I'd
25 like to know what's in the plan for the next four (4) or

1 five (5) years or five (5) to ten (10) years because
2 there -- there isn't going to be much left unless there's
3 a lot of money spent on these highways.

4 And I'd like to ask a question if I could,
5 please. Or can you say what are the -- what are the
6 royalties in Alberta now, or is there -- is there -- can
7 you answer that?

8 THE CHAIRPERSON: Yes, we can. Not to
9 take up your time because you're making a presentation --

10 MR. BRYAN METKOWSKI: No, that's fine.

11 THE CHAIRPERSON: -- but on our website
12 we have all that information for you.

13 MR. BRYAN METKOWSKI: Yes. Yes, okay.
14 Yeah. And I think that, you know, especially in the
15 northwest, I mean, I think somebody's getting the
16 goldmine and we're getting the shaft because -- and it
17 could be going -- you know the goldmine could be maybe
18 going south.

19 And my biggest concern is highways. And I
20 mean, like the previous speaker covered -- covered that
21 and -- and in Grande Prairie if you drive around here,
22 I'd be ashamed to ask tourists to come here, really, this
23 time of year. But that is probably the county and the
24 city infrastructure where I'm more concerned with the --
25 with the highways.

1 And you'd -- and you've driven on all the
2 highways and I think they're in -- in getting -- they --
3 they're wore out. I mean -- and with the heavy traffic
4 due to the oil field and due to the -- and I'm not sure
5 that the -- the boom and -- and bust thing is a -- is a
6 bad thing, I mean, the oil patch is overall is a -- is a
7 -- is great, but I'd like to know what the plan is for
8 the -- for the highways.

9 THE CHAIRPERSON: Okay. Is that it?

10 MR. BRYAN METKOWSKI: That's it. Thank
11 you.

12 THE CHAIRPERSON: Okay. If you'll allow
13 us a few questions?

14 MR. BRYAN METKOWSKI: Yes.

15

16 QUESTIONS BY BOARD:

17 THE CHAIRPERSON: We represent the
18 Royalty Regime and the Tax Regime, so when you talk about
19 the road infrastructures and utilities in the County of
20 Grande Prairie and the Grande Prairie proper, do you
21 think that's something that relates to the Royalty Regime
22 or the Tax Regime, in your mind?

23 MR. BRYAN METKOWSKI: Oh, I would say
24 each.

25 THE CHAIRPERSON: Hmm hmm. Okay.

1 MR. BRYAN METKOWSKI: Yeah.

2 THE CHAIRPERSON: Evan...?

3 MR. EVAN CHRAPKO: No further questions.

4 THE CHAIRPERSON: Judith...?

5 MS. JUDITH DWARKIN: I have a question.

6 Would you go so far as to want to link the -- the
7 incremental -- this increase in royalties that you
8 suggested, possibly doubling them and tagging some of
9 those extra funds specifically for highway projects?

10 MR. BRYAN METKOWSKI: Absolutely. Yes.

11 MS. JUDITH DWARKIN: Thank you.

12 THE CHAIRPERSON: Andre...?

13 MR. ANDRE PLOURDE: You -- you've raised
14 a theme that we've heard before in -- in the two (2) days
15 that we've spent here in terms of the -- the link
16 between, kind of, energy sector activity and highways or
17 roads in general.

18 MR. BRYAN METKOWSKI: Correct.

19 MR. ANDRE PLOURDE: So if -- kind of
20 listening to you, it was not clear to me whether part of
21 what you're suggesting -- or part of your argument, if I
22 can put it that way --

23 MR. BRYAN METKOWSKI: Hmm hmm. Hmm hmm.

24 MR. ANDRE PLOURDE: -- is that this
25 activity itself is responsible for the state of the

1 highways and hence why the linkage, or you're feeling
2 that just there's not enough highways? You can feel both
3 ways, but is the first bit a valid statement?

4 MR. BRYAN METKOWSKI: Absolute --
5 absolutely. To -- to sustain an -- this much oil
6 activity puts that much more strain on our highways with
7 the heavy loads whether it's moving oil or moving rigs
8 and, therefore, I think a lot more of the royalties
9 should be put back into the -- the highway system,
10 especially in the northwest. Because I mean if you --
11 in my opinion, if you go Edmonton south, I mean, they're
12 definitely better. In my opinion.

13 MR. ANDRE PLOURDE: Okay. Great. Thank
14 you.

15 MR. BRYAN METKOWSKI: Thank you, for your
16 time.

17 THE CHAIRPERSON: Thank you, Mr.
18 Metkowski. I really appreciate you coming in and sharing
19 your --

20 MR. BRYAN METKOWSKI: Yeah. There's a
21 little bit of frustration, of course, but the roads, you
22 know, I think are -- are getting fairly -- fairly bad.

23 THE CHAIRPERSON: You bet. Thank you.
24 We've heard you loud and clear. Thanks for coming, sir.

25 MR. BRYAN METKOWSKI: Yeah.

1 THE CHAIRPERSON: And that -- that
2 concludes our session for this afternoon. We will
3 reconvene at 7:30 p.m.

4

5 --- Upon recessing at 3:45 p.m.

6 --- Upon adjourning at 8:00 p.m.

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11 Certified Correct,

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16 Wendy Warnock, Ms.

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