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Standing Committee on The Alberta Heritage Savings Trust Fund Act

Tuesday, September 5, 1978

Chairman: Dr. McCrimmon

2:00 p.m.

MR. CHAIRMAN: I think we'll call the meeting to order. This is the first regular meeting of the Alberta heritage trust fund, and as the Alberta heritage trust fund is under the portfolio of the Provincial Treasurer, we have with us today the Hon. Merv Leitch, Provincial Treasurer. It's under Mr. Leitch's jurisdiction that the report which you all have before you is put out each year giving the background for the year, to March 31, 1978, in this particular report. From this report, Mr. Leitch will be prepared to answer any questions the committee has to put to him with respect to the funds spent over this period.

Now, Mr. Leitch, do you have any opening remarks to the committee?

MR. LEITCH: Thank you, Mr. Chairman. As this is the second occasion that we've gone through the annual report, I don't believe I have opening remarks comparable to those I made last year.

I do want to respond to one of the recommendations contained in last year's report of this committee, and that was recommendation number 4 under the heading Procedural Recommendations, appearing on page 21, which reads:

At the beginning of each fiscal year the Provincial Treasurer be called upon to explain to the Committee any changes in the accounting procedures from the previous . . . year.

Mr. Chairman and members of the committee, there have been no changes in the accounting procedures from last year.

MR. CHAIRMAN: Thank you, Mr. Leitch.

Now, there are several sections that come under Mr. Leitch's jurisdiction. Do you want to cover this section by section, or just general questions? It's up to the committee itself.

MR. NOTLEY: Perhaps we could deal with some general questions first, Mr. Chairman. Could we do that?

MR. CHAIRMAN: The Chair is open for general questions to Mr. Leitch.

MR. NOTLEY: Mr. Chairman, I wonder if I might lead off by asking the Provincial Treasurer, because I notice that as the person in charge of the fund and responsible to the Assembly . . . There were a number of recommendations made last year, and the Treasurer indicated one recommendation. Just to start the proceeding, do you have a summary, Mr. Minister, of the recommendations before you? Because I'd like your response to a number of them.

MR. LEITCH: Mr. Chairman, I have a copy of this committee's report of last year and have the recommendations.

MR. NOTLEY: So you'd be in a position now, under general questions, to respond as to how the investment committee reacted to our specific recommendations?

MR. LEITCH: I would say that's true, save for those recommendations dealing with the capital projects division, which really are not investment committee decisions. As you would know, they are decisions made by the House, and I would anticipate having estimates in the House at the fall session which would be a response in the sense that it deals with the capital projects division.

MR. NOTLEY: What I'm really getting at is: with respect to some of the recommendations we can obviously ask the appropriate ministers, but it would seem to me that the decisions made on some of these projects would not be looked at only in isolation, department by department, but would in fact be decisions made by the investment committee, taking into account the investment committee's total strategy, if you like, for investing the fund in any given year. So one of my concerns, while we have you here, is that those questions that relate to an overview of the investment committee's work, I'd like to get them discussed today rather than getting bogged down to specific items which we will ask at the appropriate time. But those specific items might have been affected by the overall investment strategy of the investment committee.

MR. LEITCH: Mr. Chairman, I have a little difficulty responding, because the question opened with a reference to the recommendations. Perhaps we can make progress by going through the recommendations. If you have particular questions relating to them, I'll certainly try to respond to them.

MR. NOTLEY: Mr. Chairman, perhaps we could begin then by the recommendation on page 20, recommendation number one, under the Alberta investment division:

Consideration should be given to investment in the Alberta portion of the proposed Alcan gas pipeline. This would be in the form of loan capital -- probably bonds.

Perhaps the treasurer could start, Mr. Chairman, by advising the committee just where things stand with respect to that particular recommendation -- what the considerations have been during the last year in terms of evaluating that recommendation.

MR. LEITCH: Mr. Chairman, there have been considerations, but only in a very general sense, of that recommendation; and frankly, I think it is too early for the investment committee to be giving detailed consideration to that recommendation. I think the project would have to move along a bit farther than it now is, before we could usefully have a detailed consideration of that recommendation. I think I can reflect the investment committee's general feeling, which is that an investment of that nature would be a sound one. In short, I believe they agree with the philosophy expressed by this committee in its recommendation.

MR. NOTLEY: Would you be in a position, Mr. Minister, to indicate to what extent there has been preliminary consideration: to be a little more specific in terms of meetings? Have there been any meetings, for example, with the principals of the pipeline company or any people involved in it to assess the possibility of Alberta investment?

MR. LEITCH: No. There have been no such meetings, Mr. Chairman.

MR. NOTLEY: Has the department engaged any consultants or has there been any assessment there?

MR. LEITCH: No. I think those are the kinds of things I meant when I was referring to detailed consideration. I think the project needs to move forward, beyond where it now is, before such detailed considerations would be useful.

MR. NOTLEY: There has, however, been some general discussion of it in the context of the investment committee as a whole, without nailing you down to specifics?

MR. LEITCH: That is right.

MR. NOTLEY: And it would be fair to say that in general the investment committee feels that such an investment would be a sound proposal?

MR. LEITCH: Yes. They philosophically agree with the recommendation, and at the appropriate time I would expect a detailed consideration of it.

MR. NOTLEY: What steps are now being taken to further explore this particular proposal in view of the government's favoring it in principle or at least feeling that it's a sound investment? What are the next steps you see over the coming year?

MR. LEITCH: I don't think I can really answer that, Mr. Chairman. I think there has to be some progress made with the project. As members of the committee would know, there is legislation now before the United States Houses, and I would think that that legislation would have a significant bearing on the future of the project. Until that's dealt with, it would seem to me that it would be premature for us to do anything other than to keep a watching brief on the project.

MR. NOTLEY: Mr. Chairman, I just have one additional question. Maybe other members would want to follow this up. To what extent has the investment committee considered Alberta having to backstop this major project in view of some of the difficulties encountered in the United States? I gather there have been problems with certain legislative moves, as the Treasurer mentioned; also problems as to the principals being able to get contracts for sale of gas. To what extent -- or has there been any assessment at all at this point in time? To what extent will it be necessary for Alberta to make a substantial investment -- in a debenture way, I hasten to add -- to possibly facilitate the coming together of the rest of the capital structure?

MR. LEITCH: Mr. Chairman, there has been no discussion of that nature at all by the investment committee.

MR. NOTLEY: Has there been any discussion of that by the cabinet, apart from the investment committee?

MR. LEITCH: Mr. Chairman, I would think that would be an appropriate question to perhaps ask some other ministers who may be here, because they may have

more personal knowledge of the matter than I. But even with a minister here with more personal knowledge than I, I doubt that it's an appropriate question arising out of the report being considered by this committee. It's a general government matter as opposed to an investment committee matter.

MR. CHAIRMAN: Are there any further question on this particular topic from any of the other committee members? Are there any other questions with respect to the recommendations of the committee from last year?

MR. NOTLEY: Do all members have copies of the recommendations? I happen to have them here, but I don't want to monopolize the . . . Because I have a number of other questions.

MR. CHAIRMAN: Well, go ahead, Mr. Notley, if you have a further question.

MR. NOTLEY: Mr. Chairman, when we get to the Minister of Agriculture and also the Associate Minister of Energy, I'll be going into this in some detail. But recommendation number four on page 19, "That a 'New Pioneer' program be considered for the provision of infrastructure, loans and assistance to the opening up of new homestead agricultural land", I think is one of the more important recommendations we made last year, because it recognizes that we do have about 5 million arable acres of land and that we should be undertaking a planned approach to opening this up and getting people on that land. I think this is even more important now in view of the fact that we do have a substantial increase in land cost throughout the province. We should be speeding up the process of making public land available so that we can get young people into agriculture. Knowing some of the areas that would be potential land for opening, I think this recommendation is a good one. Unlike the past one we discussed, I think this is a very good one. I'd like to have a report from you as to as to how the investment committee as a whole saw the recommendation, what context you feel it fits in the total investment procedures of the investment committee.

MR. LEITCH: Mr. Chairman, I think the hon. member is perhaps under a misapprehension, but at least misdirecting his questions here.

First of all on the policy, I think the question is appropriately directed to the Minister of Agriculture, and I take it he will be appearing before your committee, Mr. Chairman.

Then when you phrase the question in terms of the investment committee, as I commented earlier, this is not an investment committee matter in the same way that the other investments are investment committee matters, because the investment committee doesn't make a decision here. They are for the funding of capital projects. They are made by the House as a result of estimates presented to the House in the way that estimates are ordinarily presented to the House. So I think the question is not properly framed as an investment committee decision question.

MR. NOTLEY: Would there not be discussion, though, in the investment committee of the proposals that the government will be presenting to the Legislature in the form of capital works investments?

MR. LEITCH: I wouldn't regard them as discussions of an investment committee. They would be discussions by the Executive Council. But I would regard those

as Executive Council discussions as opposed to investment committee discussions.

MR. NOTLEY: You are presuming, of course, that recommendation four would automatically fall under the capital section. It may not necessarily.

MR. LEITCH: It's under that heading in your report.

MR. NOTLEY: Yes. It would normally be that, but I'm not saying that it's absolutely necessary that it be that way.

MR. LEITCH: Well, we've certainly not given any consideration to investments that would fall within recommendation number four under either the Alberta investment division, nor have I as Provincial Treasurer under Section 9 (inaudible).

MR. NOTLEY: What I'm really getting at, Mr. Minister, is that rather than talking about the specifics of this -- and we'll be getting into that when the Minister of Agriculture comes, and also the Associate Minister, tomorrow -- but the question of the general philosophy of the committee; because it would seem to me that when one looks at the question of renewable resource development and non-renewable resource development, when you look at the criteria of attempting to diversify the economy of Alberta, one of the things you would be looking at is a recommendation such as recommendation four on page 19. And we spent some time last year -- you know, the deliberation that resulted in this committee passing it was a recognition that it certainly fit the category: diversifying the economy of Alberta. So, what I'm getting at is not how the department has dealt with it, but whether or not the committee as a whole, looking at that criterion, has assessed it, and what importance you place on the direction proposed in recommendation four.

MR. LEITCH: In response to the general question, Mr. Chairman, I think it's clear that we have given significant weight to the argument that there should be funds provided in the agricultural sector as part of the strengthening of that very important sector of the Alberta economy. It's a diversification in the sense of increasing the capacity to produce, and appreciable sums are now being provided for through the capital projects division, in irrigation, for example, and in the grazing lease program. So, our general philosophy is that significant financial support in that area is appropriate and has been provided. With respect to detailed ways in which that should be done, whether it should be done through the "new pioneer" program and the parameters of such a program, if it were adopted, or through some other program, I think are appropriate questions for the Minister of Agriculture. He is going to be here and obviously he is going to be much more knowledgeable in this area than I am.

MR. TAYLOR: My question is not on the recommendations, but I have a question. I'd like to deal with the loans we've made to New Brunswick, I think \$46.8 million, and to Newfoundland of \$50 million.

First of all, are the interest payments being kept up to date by the two provinces?

MR. LEITCH: Yes, they are.

MR. TAYLOR: Are these paid by the month, or by the half-year, or . . .

MR. LEITCH: Mr. Taylor, I would have to check the details of the instruments. I can't answer from memory.

MR. TAYLOR: I wonder if I could also find out if the repayment of capital -- were these 20-year loans?

MR. LEITCH: Yes.

MR. TAYLOR: And the repayment of capital will all take place at the twentieth year?

MR. LEITCH: Well, again I'd want to check that. My memory is that they are paid over the course of time. But I'd want to check that.

MR. TAYLOR: I was asked this by a chap from New Brunswick. He was very happy that the government had borrowed this money from Alberta, but he was wondering what effect it was going to have on his annual taxes in regard to the repayment. My only comment at the time was that I felt it would be less than if we had borrowed it from the American market or from any of the other markets; and secondly, the money was staying within our own country. But I felt a little uneasy because I didn't have all the details in regard to just how that was being handled.

One other question in connection with this type of loan. Have there been any overtures from other provinces seeking loans from this fund?

MR. LEITCH: Yes, there have been some additional overtures. I'd be hesitant to give the committee particulars of them, because on occasion provinces may wish to discuss the possibility of borrowing privately, without its becoming public knowledge. But I can answer the question: yes, we've had additional discussions.

MR. CHAIRMAN: Any further questions?

MR. CLARK: Mr. Chairman, with regard to the recommendation on page 21: At the beginning of each fiscal year the Provincial Treasurer be called upon to explain to the Committee any changes in the accounting procedures from the previous fiscal year.

If you've done this, I can get the question in the records. Are there any substantive changes in the accounting procedures?

MR. CHAIRMAN: I think that question was answered before you came in, Mr. Clark. I believe the answer was that there have been no substantial changes. Is that not correct, Mr. Minister?

MR. LEITCH: There have been no changes.

MR. CLARK: And any anticipated?

MR. LEITCH: No, I don't anticipate any. You mean in the current year?

MR. CLARK: Yes.

MR. LEITCH: No, I don't anticipate any in the current year.

MR. NOTLEY: Mr. Chairman, just going back to the Canadian investment division for a moment. Has the government or the investment committee considered recommending the expansion of the Canadian investment division? I gather now it's the government of Canada and other provincial governments. Has there been any consideration of the feasibility of expanding that to, perhaps, municipalities we may have in other provinces, that for one reason or another would be able to make a valid case? You might have utilities, for example, in other provinces, that might make a valid case. To what extent has the committee set any guidelines or adjusted the guidelines since we first passed the act in 1976?

MR. LEITCH: Mr. Notley, we could now, under the existing legislation, invest in the debt instruments of, certainly, some utilities in the other provinces, because the legislation provides that investments could be made in the debt instruments of other governments or agencies whose indebtednesses are guaranteed by those governments. In some provinces the utilities debt would be guaranteed by the province. So, it's a little wider than as framed in your question. To extend it beyond that would require change in the legislation, so the investment committee would not have the capacity to extend that on its own. The idea certainly merits consideration, but I have no reason to think we would be proposing amendments to the legislation in the immediate future.

MR. NOTLEY: Where would things stand, Mr. Minister, with respect to the two territories?

MR. LEITCH: Well, again, that's a question of interpreting the legislation, but I'm not sure that the governments in the two territories have a capacity to borrow on their own. I simply don't know. If their indebtedness is guaranteed by the federal government, and I would suspect that's the case, then such borrowings would fall within the legislation, because it would be a borrowing either directly by the federal government or by an agency or entity whose indebtednesses are guaranteed by the federal government.

MR. NOTLEY: What consideration has been given by the investment committee to reaching the full potential of the Canadian investment division? Because right now it's a relatively small percentage: it would be approximately, what, 20 per cent of what could be invested as things presently stand. Has any assessment been given by the committee as to an optimum amount or is it just going to be on the basis of proposals that are brought to you by respective provinces, then you'll consider those proposals and it may well be that \$97 million or \$98 million will be our investment in the Canadian investment division for several years?

MR. LEITCH: I wouldn't expect that to be the case, but the policy we have followed to date is to react to proposals rather than try to solicit business. Of course, I'd be interested in a recommendation from the committee on that point, Mr. Chairman, if they feel that we ought to change that philosophy or practice and actively solicit borrowings within that division. It's my feeling that that's not an appropriate thing for us to do. All other governments in Canada are aware of the fund. I think the better practice for us is to respond to their approaches.

MR. NOTLEY: I, by and large, agree with that. Without giving away the details or the provinces that have made overtures, could you tell us, Mr. Minister, how many overtures have been made by other governments -- plural -- assuming the federal government, with its current deficit, might be interested in coming to Alberta to borrow some of our capital fund here? But, how many overtures have been made to date?

MR. LEITCH: There have been a few conversations that I've had with representatives of other governments, of a very preliminary nature. I would regard all of them as overtures, but there are only one or two that are proceeding with more detailed discussions.

MR. CLARK: Mr. Chairman, two areas. One of the recommendations that were made, at least by some members, dealing with the procedure last year, was that the heritage savings trust fund report -- when the Provincial Treasurer has it prepared and made available -- would include total estimated costs of projects. I'm thinking in terms of i.e. the southern Alberta cancer centre, ventures like that, and also anticipated operating costs. Now I recognize, Mr. Minister, that that recommendation didn't carry the weight of the members of the committee, but was put forward in a minority report. My question to the minister is: has the government given any consideration to including in the report itself the total estimated costs of projects, and also the anticipated operating costs, or have them at least be made available to the members of the committee?

MR. LEITCH: I do not contemplate any changes in the format of the report to include those items, and merely call to members' attention that those matters are, of course, subject to questions when the individual ministers appear before the committee. But perhaps more importantly, they are subject to those questions during the time the estimates are going through the Assembly, which may even be a more appropriate time to deal with the total costs of the projects and the anticipated operating costs. I think they can then be dealt with in great detail.

MR. CLARK: Mr. Chairman, following that up to the Treasurer. The reason I asked the question, Mr. Treasurer, is that last year the committee found out that ministers either didn't have that information or couldn't make it available -- the anticipated operating costs -- and I refer to the health science centre here in Edmonton and the southern Alberta cancer centre in Calgary. From the standpoint of the Provincial Treasurer, it would seem to me that the anticipated operating costs of those projects would be a matter that the Treasurer and the Treasury department would certainly be on top of; and having regard to the fact that that information was not available in the past, either in the House or in the committee, that's really why I put the question to you at this time. Is that information available to your department, then, and could the committee have it?

MR. LEITCH: Well, I guess it's inevitable, Mr. Chairman, that we get a sort of mixture of financial issues here, between the heritage fund and the province's operating budget, because the heritage fund through the capital projects division is funding various capital projects, some of which will have significant operating costs. But they will appear on the operating side of the provincial budget as opposed to the heritage fund. Now as Provincial Treasurer, and having overall responsibility with respect to the province's

finances. I am of course conscious of the increase in operating costs created as a result of capital projects funded through the capital projects division, and do keep that in mind when involved in discussions in respect to capital projects. But the capital projects here, of course, are no different, in that respect, from capital projects funded through the regular provincial budget.

MR. CLARK: Mr. Chairman, then my question to the Treasurer: is it possible for us to get the anticipated operating costs for both the southern Alberta cancer centre and the . . . Is it possible to get that information? Is the information available? Let's put it that way to start with.

MR. LEITCH: I would think the best information on that would be available from the individual ministers as they appear, similarly to the way in which that information would be gotten if the matter were going through the House as estimates.

MR. CHAIRMAN: I have a spare copy of the committee's report if anybody would like to check over the recommendations and hasn't got a copy.

MR. SHABEN: The report indicates, Mr. Leitch, that the average weighted yield of the fund is 8.6 per cent as opposed to last year's slightly in excess of 9, if I recall correctly. I was wondering if you could give the committee an idea of the reason for the change, and also speculate on the future markets in our short-term marketable securities?

MR. LEITCH: When we relate the 8.6 per cent number used to the 9.3, I believe, last year, I'm not sure you're relating the same numbers -- perhaps you are -- because the weighted average yield of all of the investments, I think, was 8.8 per cent as opposed to 8.6. I think 8.6 was the marketable securities and 8.8 was the total, so there may be .2 per cent of a difference between the comparison you were making, and that we'd just need to check.

Coming to the reasons for the lower yield this year as compared with last year, I think you can answer that in one phrase really, and that is: lower interest rates have prevailed during the period under review as compared with the preceding year. That is the whole explanation, really, for the reduced rate of return.

Now, to speculate on what might occur in the future, that's a difficult thing for one to do with any great degree of confidence, because it involves two things. It involves an estimate of the future interest rate and then an estimate of what percentage of the portfolio will be in the various possible investments. For example, if we had more of the funds in longer-term securities, we would tend to have, in a falling interest rate market, a higher rate of return than if we had a larger percentage of the investments in short-term securities. The general advice I'm receiving now is that we ought to be moving more of the funds into longer-term securities, and that's what I anticipate we will be doing in the immediate future. But there is always the question of how rapidly you can do that and make sound investments. So I'd hesitate to predict what the return might be in the year, because it involves those two uncertainties.

MR. SHABEN: Is there a detrimental effect on the fund as a result of the situation with the Canadian dollar's weakness, as well as the relationship of the Canadian dollar to the American dollar and the weakening Canadian and American currency in terms of European currency?

MR. LEITCH: Mr. Shaben, you're in areas where I by no means regard myself as an expert. But one effect of the dropping Canadian dollar in relation to the American dollar may well be an increase in interest rates, because that's action that is sometimes taken by the federal government in an effort to strengthen the Canadian dollar: to increase the interest rate. So there is always the possibility that if the Canadian dollar was dropping or showed a tendency to drop further the federal administration might feel that appropriate action to be taken would be to increase the interest rate in an effort to stop that. If that occurred, of course the yield would improve; the converse would be the case if the Canadian dollar strengthened and the federal authorities felt that then would be an appropriate time to reduce the interest rate. I'm talking about the Bank of Canada prime rate, of course.

MR. MUSGREAVE: Mr. Chairman, I wanted to go back, and perhaps Mr. Leitch can lead me out of this dilemma I'm in. As I understand the Canadian investment division, we wait for people to approach us for investments. Now, have we used up all the allocated amounts, or are there more requests for funds than we have available?

MR. LEITCH: I'm sorry, I missed your question, Mr. Musgreave.

MR. CHAIRMAN: Speak up a little louder, it's difficult to hear in this particular space here.

MR. MUSGREAVE: On the Canadian investment division, you advised us that you wait for people to make application rather than go out and seek borrowers. Have there been more requests for money than there is money available?

MR. LEITCH: No.

MR. MUSGREAVE: From this Canadian investment division, do we loan money to, say, Quebec Hydro, or Ontario Hydro, B.C. electric, these kinds of people? Would we consider that?

MR. LEITCH: We could to any of those entities if their indebtedness was guaranteed by their provincial government.

MR. MUSGREAVE: Do you not see a rather strange situation there where, I think, most of the hydro in Canada is generated by government-owned agencies or government-backed agencies, except in the province of Alberta? Is this correct?

MR. LEITCH: I'm not sure of the . . .

MR. MUSGREAVE: I think generally that is the situation, that most of the hydro in Canada is generated by Crown corporations or those that are effectively controlled by the Crown.

I was wondering if there is not a rather strange situation in the legislation that allows us, in effect, to loan money to those agencies outside of Alberta, but not within our province. We can't, as I understand it, lend money from this section to Calgary Power or NUL. Would this be correct? So that would mean, I would think, we would then put it into the Alberta investment division?

MR. LEITCH: I think we could, in the Alberta investment division, take the debt instruments of Alberta corporations of that nature. I can't think of any reason why we couldn't. The requirement is that they yield a reasonable rate of return to the fund -- and that would obviously be met -- and that they tend to strengthen or diversify the Canadian economy. While it's probably open to argument, I would think most of us would conclude that an expanding utility base tends to strengthen your economy. As a matter of fact, it's essential. You need the utility base in order to build the economy on it.

MR. MUSGREAVE: This brings me to my next question, Mr. Minister. I was wondering if we are not missing an opportunity in not pursuing that approach a little more strongly in the province of Alberta in that we are loaning, say, to AGT, or Alberta Energy, or, I would assume perhaps the city of Edmonton. I don't know if we would loan to them for their utilities.

MR. LEITCH: Did you say loans to the city of Edmonton?

MR. MUSGREAVE: Would you loan to them for their utility requirements?

MR. LEITCH: We wouldn't under . . . We haven't, I should put it that way. Now, I believe that they've borrowed from the Alberta Municipal Financing Corporation which in turn gets its financing from the heritage fund. So indirectly, or through the vehicle of the Alberta Municipal Financing Corporation, funds flow from the heritage fund to the city of Edmonton; and I think, subject to checking the loans from that corporation, that some of the funds have been used for the city's utilities.

MR. MUSGREAVE: Mr. Chairman, I could sum up the question in this way: do you think we are losing out on an investment opportunity in the private power sector in the province of Alberta because of the way the legislation is presently framed?

MR. LEITCH: Well, I certainly think it's an item that is under consideration and should be given very careful consideration; that is, whether we ought not to lend from the Alberta investment division funds on the debt instruments of corporations, particularly those doing business in Alberta. Certainly I think it's an item that should be very carefully considered.

Mr. Chairman, if I might interject in response to a question Mr. Clark asked when he first came in, and that was about changes in accounting policy and whether I contemplated any. I had overlooked the fact that we will likely go to a cash, as opposed to an accrual, system in the capital projects division. But that would appear in the quarterly reports that are coming up in the future. You asked about contemplated changes.

Just to add to that, I'm not sure that that would result in a change in the annual report, but it would show a change in the quarterly report. So the annual report may remain the same, but the quarterly reports will be slightly different.

MR. CLARK: To the Provincial Treasurer. In the course of the year that we're looking at, did the Treasurer have discussions, either at his initiation or the initiation of the federal finance minister, with regard to the heritage fund at all?

MR. LEITCH: If I had any discussions with the federal finance minister about the heritage fund, they would be very casual conversation as opposed to a formal meeting or discussion about it. I'm sure we had some words about it, but it would be just by way of conversation.

MR. CLARK: A follow-up question to that. Has the federal government ever expressed concern to the Provincial Treasurer with regard to the size of the fund itself and how Alberta is investing that fund?

MR. LEITCH: No.

MR. CLARK: Have there been discussions between yourself and federal officials with regard to the heritage saving investment portion in government of Canada bonds?

MR. LEITCH: No.

MR. CLARK: I should preface my next comment by saying that last year, Mr. Treasurer, you recall I asked a number of questions about the people you had doing the investment work in the department. In fairness, I should say I've heard some very good reports about those people and the job they are doing. But that really wasn't the question I had in mind.

The question deals with: could the Treasurer confirm that the government of Alberta is one of the largest holders as far as government of Canada bonds are concerned?

MR. LEITCH: No, I couldn't confirm it.

MR. CLARK: No. Then could we have a figure at the end of the year when this report was finalized, as to the volume of government of Canada bonds and the percentage they make up of the total investment portfolio? I'm thinking primarily, Mr. Treasurer, on the basis of the short-term -- 30-, 60-, and 90-day paper -- and the amount of, if I can put it this way, federal government paper that the heritage fund had, something close to the end of last year.

MR. LEITCH: I'm not sure the answer, Mr. Clark, to your question isn't contained on page 29. Yes, at the bottom of the page: "Marketable Securities and Deposits". It's a summary of the investment transactions for the year ended March 31, 1978. Under "Debentures and Notes" there: "Government of Canada bonds, direct and guaranteed". It appears that as of March 31, 1978, we held \$50.2 million of government of Canada bonds direct and guaranteed. Now whether that was the largest holding in Canada, I don't know. I'm not sure I can find that out, but I'll try.

MR. CLARK: Mr. Chairman, also could I ask Mr. Leitch: since then, has the heritage fund acquired larger portions of government of Canada bonds?

MR. LEITCH: I don't have any difficulty dealing with the question, Mr. Chairman, but I simply call to the committee's attention that we are straying into a time frame that's really not before the committee. We're dealing with an annual report, and we're into what's occurred since March 31, 1978. I don't have any difficulty with the question, but I think we should keep in mind what is really before the committee.

MR. CLARK: To respond to that, Mr. Chairman, I think the point the Treasurer makes is well taken. But I would just make this point: that as the heritage saving trust fund acquires or picks up more federal bonds and debentures, then whether it's consciously or unconsciously, the government of Alberta has more leverage as far as dealing with the government of Canada is concerned. That's really why I asked the first question about discussions between the Treasurer and the Minister of Finance, and that's really now why I ask the question: are we picking up more investment in this area? Is it a conscious practice of the fund to do this? Or is it really happening as a result of what appear to be the best investments on the horizon at this particular time? And despite what the Treasurer says about straying into this year -- and I appreciate that point -- if we could get some indication whether the 50.2 has increased substantially since the end of this year, it would give some indication of what trend is taking place.

MR. LEITCH: Well, Mr. Chairman, I can respond to the philosophical question or the investment practice question, which was whether we're buying government of Canada bonds, either direct or guaranteed, for any other motive than that they were an appropriate investment. The answer to that is no. We buy those bonds in such amounts and at such times as are normal as the investment practice or policy dictates it's a wise investment. That's the only reason for our investing in it.

MR. NOTLEY: I wonder if I could just go back to Mr. Musgreave's question for a moment. I have several others in a different area. But I take it we won't have the Minister of Utilities and Telephones here; he has no specific obligations under this fund, so therefore if we're going to . . .

MR. CHAIRMAN: His portfolio doesn't come under this fund.

MR. NOTLEY: Therefore, I think it probably would be appropriate to ask the Treasurer then: has there been any formal discussion in the committee on the question of making funds available to Alberta's two privately-owned investor utilities? Now one of the reasons I raise this is that during the question period last spring the Minister of Utilities and Telephones indicated that the government was going to look at this as an option. Obviously if you were going to look at it, one of the places to look at it would be an investment from the heritage trust fund.

With some of the major power generation investments that are required in the next seven or eight years, obviously we're going to have to make a decision quite soon. Either the private investor-owned utilities are going to have to do that in looking at their capital structure and hence the rate structure; or, if we're going to finance part of that through the heritage trust fund, then we'll have to be making a decision fairly soon too. So has there been any formal discussion at this point by the committee?

MR. LEITCH: There has been discussion; but it's, I think, part of the larger discussion that Mr. Musgreave was raising, which was making funds available to corporations doing business in Alberta, although he specifically mentioned utilities. But no decisions have been made on it.

MR. NOTLEY: Has there been any assessment by the committee or any effort by the committee to request the Electric Utility Planning Council, I believe it is, to submit an agenda for projects and the capital costs? I know the ERCB

did this in 1974, I believe, if I'm not mistaken, and the figures are pretty horrendous: \$5 billion or \$6 billion for some of the major projects. My question is: what have we done to follow that up, or has the committee made any definite moves at this time to update that?

MR. LEITCH: No, I would expect that information is updated and the government has it, but not as a result of a request from the investment committee. I think that information would be available to the Minister of Utilities and Telephones in the ordinary course of administration of that department. But as an investment committee, we have not considered that information or called for it.

MR. NOTLEY: Do you intend to call for it?

MR. LEITCH: Well, it's . . . Remember, I'm just one member of the investment committee, and I suppose if any other member asks for information we would provide it. But that would presumably be one of the items under consideration when we had under consideration, as I'm sure we will in the future, possible debt financing for business activity in Alberta.

MR. NOTLEY: Mr. Chairman, I'd like to just move on into a slightly different area, if I may. If there are any other questions on the power issue, then I'll defer, if there are supplementaries on that.

MR. PLANCHE: May I, Mr. Chairman? Just for clarification, you're talking about considering debt capital for the private utilities, based on competitive market considerations versus any equity investment. Is that what you're saying? You mean you're not considering equity investment, you're considering debt investment on a competitive basis?

MR. LEITCH: Yes. My comments have been related to debt instruments, to investing in the debt instruments of corporations carrying on business in Alberta.

MR. HORSMAN: Mr. Chairman, I wanted to ask a couple of questions about the sources of funds that are available to the investment committee, and while I don't want to stray too much into the realm of future projections, in view of the experience now of having the fund increase at 30 per cent share of non-renewable resource revenue in the amount of almost \$1 billion, I'm wondering if the Provincial Treasurer could advise us whether or not consideration is being given to increasing that percentage share of non-renewable resource revenues for future recommendation to the Assembly?

MR. LEITCH: Mr. Horsman, it's my memory there is a motion to that effect on our order paper. Am I not right about that?

MR. HORSMAN: I think that's correct.

MR. LEITCH: And if that memory is accurate, I would think we'd wait until the Assembly debated it and took into consideration the result of that debate. My memory is that the motion is framed in the way that the government consider altering the percentage.

MR. HORSMAN: I ask the question primarily because of reports that the Premier has given some indication that that matter had been under consideration. I was wondering as to whether or not there had been any further active consideration during the course of the interval since the adjournment of the spring session?

MR. LEITCH: No, the matter has been discussed but no decision reached. I'd look forward to the debate when it arrives.

MR. HORSMAN: Thank you.

MR. CLARK: I'd like to ask with regard to the Alberta investment division. What investments were made in the Alberta investment division in 1977-78?

MR. LEITCH: Mr. Clark, I believe they're all summarized in the report. There's another table on page 29, and that's the table at the top of the page. There is the Alberta Housing Corporation debentures, the Alberta Home Mortgage Corporation debentures, the Alberta Energy Company shares, equity in the Syncrude project, and the further advance of funds under the two debentures with Gulf Canada Limited and Canada-Cities Service. So all of the investments in that division are summarized in that table.

MR. CLARK: Supplementary question, Mr. Chairman, to Mr. Leitch. Mr. Leitch, which of these were really new initiatives during '77-78?

MR. LEITCH: These investments were all ones that were a continuation of investments made the preceding year. There are new investments in the sense of additional amounts in both of the corporations and the shares. But in respect to the debentures, they were a commitment. We were fulfilling the commitment by advancing funds during the year; and that's true also, of course, of the increase in the equity in the Syncrude project.

MR. CLARK: But as to any new initiatives in the Alberta investment division, there were none in '77-78, other than fulfilling the commitments that had been made previously?

MR. LEITCH: No, that's accurate as summarized in the table.

MR. CLARK: If I could refer to page 4 in your report, the third column, last paragraph under "Alberta Investment Division": "Alberta Investment Division investments are made or approved by the Investment Committee of the Heritage Fund." My question, Mr. Treasurer: were there submissions made to the government from sources outside the government for funds under the Alberta investment division during 1977-78?

MR. LEITCH: There would certainly be recommendations, because I receive a great number of them with respect to investments. I don't recall any formal submissions or anything of that nature with respect to the investments in the Alberta investment division. But I'm sure in all the range of investment recommendations or suggestions we receive as a government, there were some that would have fallen within the Alberta investment division.

MR. CLARK: Mr. Treasurer, then, what criterion is used to really in effect turn down every investment recommendation that the government got in the

Alberta investment division in '77-78? Were none of them considered to yield a reasonable rate of return and diversify the economy of Alberta?

MR. LEITCH: Mr. Chairman, I'd think it's more appropriate to respond to the question by looking at the tests set out in the legislation for investments under that division. They must be investments that will yield a reasonable rate of return or gain to the fund, and will tend to strengthen or diversify the Alberta economy. But I think it is quite wrong to say simply because there is an investment that will meet those tests, it should be made; because I'm sure there are many, many investments that would meet that test, but should not be made for a variety of reasons.

MR. CLARK: Would you like to elaborate on the reasons, then?

MR. LEITCH: Well, I can think of an investment, for example, in some form of business activity which would yield a return that would strengthen or diversify the economy, but it may not be the kind of business activity that you'd want to encourage.

MR. CLARK: Such as?

MR. LEITCH: Well, there might be all kinds of them. I don't know that there are any specific examples. I've heard a number of members of this Assembly and outside the Assembly speaking against turning Alberta into a Pittsburgh, and it may be a matter of debate whether that should or shouldn't be done in that form. So certainly, I think, we as members of the Assembly would want to look carefully at the . . .

MR. CLARK: That kind of recommendation of the Pittsburgh example would hardly meet the criterion where it says: tend to "strengthen and diversify the economy of Alberta".

MR. LEITCH: It would be a new form of business activity within the province, which I think most people would argue would be to strengthen and diversify. So it would meet that test. But it doesn't follow -- it certainly doesn't in my judgment -- that everything that meets the test of providing a reasonable yield and diversifying the economy is one that should be invested in.

MR. CLARK: Just one last question, or perhaps it's a comment, to the Treasurer. Really what I'm trying to extract, if that's the right term, from the Provincial Treasurer is some indication of the criteria that the cabinet uses, because when we look at the year we're looking at, '77-78, despite the fact there were several millions of dollars available in the Alberta investment division, there was no new investment made from the fund. The Treasurer himself said, I think, or implied, that there were several propositions which came forward. I would assume that if several propositions came forward, and there were no new investments, then these propositions were turned down for one of a variety of reasons. I think if the Treasurer could give now, or sometime in the future, a bit more definitive outline of the criteria the cabinet uses in the Alberta investment division, then the committee would be in a better position to make recommendations at the end of its hearings this fall as to how we might make the Alberta investment division be a bit more effective in trying to strengthen and diversify the economy of Alberta, and at the same time get a reasonable rate of return.

MR. LEITCH: Well, Mr. Chairman, I think the response to the question Mr. Clark's putting could be put this way. We'd be delighted to have your recommendations as to what investments should be made from this division. We'd be delighted to have them.

MR. CLARK: We're looking at things that have been done a year ago.

MR. LEITCH: But let me go on to say that I think that we need in Alberta -- certainly in recent years, and I'm sure this will be the case for some time in the future -- to be very careful about the kinds of investments that are made with respect to diversifying or strengthening the Alberta economy. I don't need to remind members of this committee of how buoyant the Alberta economy now is and has been for a number of years. There's certainly got to be a problem for a government of this province at this time about over-stimulation of the Alberta economy. We've discussed that on a number of occasions. Because if there is an over-stimulation of the Alberta economy, we have to deal with the probable consequences of an inflation rate in this province running higher than the national inflation rate, which is already too high.

I think we've been fortunate so far in the province to have managed a very buoyant, vibrant economy with an inflation rate that has been very close to the national average, compared to the national inflation rate. So one of the considerations that I think the investment committee would need to keep in mind now, and probably for some little while in the future, is what this investment will do by way of perhaps over-stimulation of the economy. Now that's certainly got to be one of the things that we need.

Remember, if we're talking about diversifying and strengthening by an investment from this division, we're presumably talking about an economic activity that is not going to take place without that investment. So we're adding an economic activity to all of the economic activity that's going on without that impetus. And I think that the Alberta economy is performing in such a way that we needed to be careful about that. We needed to be careful about over-stimulation, because that brings with it immense problems that the members of this committee, as members of the Assembly, have been grappling with. There are population growth problems; there are inflation problems; there are infrastructure problems. These are things that need to be kept in mind by the investment committee when considering those investments.

So it's not simply a question of saying this is an activity that will strengthen the economy and yield a good return. We're not looking at it within those narrow parameters. We have to look at it within the total provincial economy and what's happening at the time the investment's being considered.

MR. CLARK: Could I just ask one last question of the Treasurer on this issue. Mr. Treasurer, how does the investment committee balance off the legitimate concern that you just outlined as to the rate of inflation as opposed to broadening the base of the province now when we have resource development in preparation for the period of time down the road when we don't have resource development here? It seems to me that there has to be some balancing here, and that in addition to a concern about inflation in Alberta, which is valid -- fair ball -- but at the same time there are, I think, investment opportunities that are available and should be made in Alberta now. We won't have those opportunities if we wait until, you know, Imperial Oil's proposition at Cold Lake which the ERCB has now put back the hearing for two months, but then the Shell plant after that, and we keep, you know, saying,

well, we can't move on these projects or on other projects because of these on the platter. Fair ball. But how do you balance the two, between the stimulation of the economy itself, as opposed to broadening the economic base of the province?

MR. LEITCH: Mr. Chairman, how do you balance it is a judgment question. It's purely the exercise of judgment. I do want to repeat what I said earlier: namely that if you have any recommendations, Mr. Clark, as to what investments should be made from this division, we'd be delighted to receive them.

But I do want to call the committee's attention that there is, in my judgment, very, very significant diversification going on in the Alberta economy now without the extra stimulation that could come from major investments from this division. I have looked, for example, at the statistics on manufacturing, which was one of the areas in which Alberta needed to increase its business activity, and those numbers in recent times have been most encouraging. The agricultural processing that's increased in the past few years, I think, is appreciable. We've had a growing financial community in Alberta which is, in my judgment, a very important diversification. I regard Syncrude as a diversification of great importance. Obviously it's in the natural resource area, but the nature of the project, and the natural resource base on which it is founded, is so different from the other natural resources that it's simply got to be regarded as a diversification. The petrochemical project which is under way, a major, major project -- that's extensive diversification.

All of those things are going on, taking place in Alberta, a significant diversification. To say we should add to that at this stage, and in what areas and by how much, I think are very difficult questions. We're certainly delighted to receive your recommendations. They'll be very carefully considered.

In other areas we're working on diversification. There's been extensive work done to directly involve us in input into the federal government's actions in the current GATT negotiations. A very, very major piece of work is being done in that area, and I think very important work, and has led to significant offers being placed on the table by other nations, of great importance to Alberta. We don't know at this moment what the end results of all of those negotiations and discussions are going to be. Certainly some significant offers from Alberta's point of view have been put on the table.

The work that's been done in transportation: just a continuing, ongoing, massive amount of work, and changes in the transportation policies of this nation are among the most significant events that need to occur to bring about diversification and strengthening of the economy of Alberta and other areas in the nation. And those are policy decisions which we've been working extensively on.

The essence of what I'm saying is that we can't look merely at the provision of funds from this division as the strengthening and diversification policy. It's merely one part of an overall action by the provincial government with respect to diversification and strengthening of the Alberta economy.

MR. CHAIRMAN: Would you like to break now for five minutes for coffee?

MR. CHAIRMAN: Gentlemen, if you would take your places, we'll continue. The next question I have on my list is Mr. Notley.

MR. CLARK: Could if I just ask one further question of Mr. Leitch?

MR. CHAIRMAN: A follow-up on the last one?

MR. CLARK: Yes. We talked it over during the coffee break. But, Mr. Leitch, is it accurate to say that 65 per cent of the amount of money that's in the heritage savings trust fund is available for the Alberta investment division?

MR. LEITCH: It would be actually more than 65 per cent. I believe the legislation provides that the capital projects division cannot exceed 20 per cent, and that the Canada investment division cannot exceed 15 per cent; but there is no limitation of 65 per cent, as I recall, on the Alberta investment division, so that all funds that aren't committed in the other two divisions would, I believe, under the legislation be available for the Alberta investment division.

MR. CLARK: The money in the other two funds is available for the Alberta investment division?

MR. LEITCH: That's my memory of the legislation.

MR. CLARK: Good. Thank you.

MR. PLANCHE: In order to follow what Mr. Clark is saying, I wonder if he could clarify whether the incentives to diversify should follow in the form of equity or debt.

MR. LEITCH: You mean the impetus to diversify?

MR. PLANCHE: Yes. The incentive to.

MR. LEITCH: Well, we have both in the Alberta investment division. We have equity in the Alberta Energy Company and we have equity in Syncrude, and debt in the other investments; in one case debt convertible to equity if it appears to be advisable when the time arises.

MR. PLANCHE: I think my question was whether Mr. Clark wanted us to, wanted the incentives to be . . .

MR. LEITCH: Sorry. You asked me.

MR. PLANCHE: I'm highly appreciative of your point of view on the subject.

MR. LEITCH: I'm delighted that someone else is . . .

MR. PLANCHE: I just was curious, you know, so I can keep up with this thing. It's moving swiftly here.

MR. CLARK: If you want to get in the situation of answering questions, I'd be pleased to.

MR. PLANCHE: No, it's just clarification. When you were talking . . . (inaudible) I was wondering whether the incentives were intended to be in the form of debt or equity, because there's a great variety of difference both under the restrictions of the act and philosophically.

MR. CHAIRMAN: Do you wish to answer that question, Mr. Clark?

MR. CLARK: I would far prefer that the investments be in the debt area, rather than the equity area.

MR. NOTLEY: If I could just follow up. Someone asked, do I care to comment. I think that the host of proposals I made last year that were defeated one after another probably betrays my bias.

Mr. Minister, just to follow this question up. How often did the investment committee meet last year?

MR. LEITCH: I don't remember. Several times, but I don't recall.

MR. NOTLEY: Once a month?

MR. LEITCH: No, it wouldn't be as frequent as once a month.

MR. NOTLEY: Once every two months? Do we have any record of the number of meetings that took place?

MR. LEITCH: Well, I'm sure I could get the number of meetings that took place. I wouldn't want to guess.

MR. NOTLEY: Could you do that, and advise the committee as to the number of meetings of the investment committee?

MR. LEITCH: Yes, I'll do that.

MR. NOTLEY: I'd like just to get clear in my mind how the process works in terms of evaluating these projects. Now, I would gather that you're going to have a range of proposals all the way from somebody who writes: "Dear Mr. Provincial Treasurer, I have found a new invention, and all I need is a million dollars from the heritage fund and we'll make this the centre of production for the entire world," to firms that make fairly detailed submissions. My question is: how are those proposals funnelled through the system? Do they go first of all to you and do you ask your department to evaluate them? I would assume that they wouldn't just be plopped on the desk and discussed with the other 22 members of the investment committee holus-bolus. There must be some process of systematizing it. I wonder if you'd sort of let us take proposal A and follow proposal A through to a decision by the investment committee.

MR. LEITCH: The proposals would, in the ordinary course of events, come to me, and if I felt there was some likelihood of the proposal meeting the approval of the investment committee, I would report it to the investment committee for consideration by them. The majority of proposals that I have received involved some equity and investment, and didn't fall within the equity parameters that we have so far followed as an investment philosophy, so they would generally have not met the parameters that we followed up to date with respect to equity. We have not yet adopted a philosophy of investing in the debt instruments of Alberta businesses.

So again, a proposal to invest by way of a debt instrument would not be considered by the investment committee as a specific proposal. The investment committee will consider the investment philosophy question whether the fund

should invest in debt instruments of Alberta businesses, and so far we have not, save to the extent of the two Syncrude debentures which are a combination of debt with potential equity investment.

MR. NOTLEY: The \$341 million that were invested in the Alberta investment division during this particular year that we have before us today -- would those proposals have come from you? In other words, do you make the proposals or do other ministers sitting on the investment committee make the proposals? What I'd like to get clear in my mind is how the committee crystallizes its approach to investing. It must obviously have some procedure. I just can't imagine that you'd be sitting around the table and a minister says, I want X number of investment in the Home Mortgage Corporation here, and that you would be discussing that divorced from other considerations.

MR. LEITCH: Well, if you take the investments that appear on the bottom part of the table on the top of page 29, which is what I take it you're looking at, those are merely a continuation of commitments that had been made: the two debentures, the Syncrude equity; and with respect to the Alberta Energy Company shares we have a commitment to maintain our holding at 50 per cent, and hold those shares in the Energy Company. So those are merely decisions that are the implementation of investment decisions that were earlier made. They're brought to the investment committee by me when I have been advised by departmental officials that funds are needed, and if we need to purchase some shares of the Alberta Energy Company that information would come to me from the Minister of Energy and Natural Resources and it would be a mechanical matter of preparing the documents for approval by the investment committee and then making the purchase.

The investments in the debentures of the Alberta Housing Corporation and the Alberta Home Mortgage Corporation -- the Minister of Housing and Public Works would be given information as to the cash requirements of those two corporations. We have up till now purchased their debentures, so that's really a continuation of an investment decision that has been made. The documentation would be prepared by the personnel in that department and in Treasury, and then would be presented by me to the investment committee with a recommendation that the investment committee approve those investments.

MR. NOTLEY: Mr. Minister, those are the procedures we're using with the investments made last year which are really a continuation of decisions already made. What I would like some clarification on is just what the procedure would be with respect to new initiatives. Let's say that the Minister of Utilities and Telephones has a proposal to invest in a power plant at Dunvegan, or something like that -- without getting too parochial here -- but let's assume that a minister has a proposal for a new initiative. Does that come to you first, before it is presented to the investment committee in total? What procedure is followed? If it comes to you, then would you assign it to your deputy minister or two or three people in Treasury to assess it before it comes before the investment committee as a whole?

MR. LEITCH: Yes. Investment proposals would come to me. We would ask Treasury officials for comments on them, and they would be considered by the investment committee.

MR. NOTLEY: Comments you would ask for from your officials would be comments within their very tight purview of whether it's narrowly a good or a bad

investment, or would you ask them for the broader things that you were discussing in answering Mr. Clark's question about the impact on the economy, over-stimulus of the economy, inflation rate, what have you? Or are those kinds of considerations the purview of the investment committee, acting as a committee?

MR. LEITCH: I would expect the officials in Treasury, when they're considering any of these proposals, to make any comment that they feel is relevant. I wouldn't want in any way to restrict their range of comment to me. If they would comment whether it falls within the terms of the legislation, that's an area that I'd expect advice from them on. I would expect them to give pros and cons. I would expect them to give views on whether it meets the test of gain that's in the legislation, the test of diversification or strengthening. I'd expect them to make comments on any other aspect of the proposal that they felt would be relevant. These are people who have a wide range of experience, and I expect to make use of all that experience.

MR. NOTLEY: So the route for considering new initiatives is: minister, Treasurer, Treasury officials, Treasurer, committee. Would that be essentially the route that is followed?

MR. LEITCH: Yes. That's an administrative matter. There's nothing written in stone about the procedure. It's certainly my view there'd be nothing wrong with the minister or member of the investment committee raising it on his own with the investment committee. I just think as a matter of administration the other members of the committee are going to want the kind of advice that's available from the financial people in Treasury.

MR. NOTLEY: I can understand and appreciate that. That strikes me as being an obvious place to start. I just wanted the procedures clear in my mind so we know what route is taken.

Mr. Minister, last fall when the restraint program was announced for the coming year, or this year, you indicated that there would be an increase in some capital spending, and that also came through this year in the budget. What consideration was given by the investment committee to possibly increasing investments in the light of the statements you made when announcing the restraint program, and the need to beef up capital expenditures with the winding down of Syncrude and some uncertainty as to other major projects developing? I raise that, Mr. Minister, because it does seem to me that that is the obvious question that has to be put by this committee in response to your concerns about overheating the economy. Nobody wants to overheat the economy, but if there is going to be a slack -- and you indicated, as I recall your statement last December, that the government was somewhat concerned about that -- then it does seem to me that perhaps we should be investing more than \$341 million this year in the Alberta investment division.

MR. LEITCH: Mr. Notley, I think you're only taking part of my statement last fall with respect to increased capital spending, and only taking one of the reasons for doing it. What I said was that we saw a window in business activity in the province, particularly in the construction area, (between) the completion of the Syncrude project and the start-up of any other major projects which were then in the discussion stage, and that I thought we should take advantage of that window to accelerate certain capital works. But there were two tests for those capital works. They were ones that were necessary

and would have been done anyway. It's a question of when you were going to do them; and rather than do them two or three years down the road when you might be competing (for) personnel and equipment with other major projects under way, we should move those ahead and get them done now. That was an advantage to us in sort of filling that window, and of course it would be an advantage to the construction industry.

But I think we would have different tests, and I would argue for different tests in respect of the capital projects division here, and go back to the legislation in which we're talking of projects that meet the terms of the legislation. I would treat with considerable caution the argument that you're making, namely that we should put some capital projects items in here because of that window in the economy, particularly if there were any risk of our putting in place projects that didn't meet the overall intentions or tests of the legislation.

MR. NOTLEY: I don't think, Mr. Minister, anyone is asking you to put in place projects that don't meet the test of the legislation.

MR. LEITCH: I was saying there is a danger of doing that.

MR. NOTLEY: If you do that, then I think we chuck you out. But that I don't think is really the issue. The issue is that as Treasurer you indicated that there was going to be a lessening of activity as a result of Syncrude coming to a conclusion, the construction phase, and that in that phase there may well be an argument for increasing expenditures in capital programs of one kind or another.

Mr. Clark had also made the point, and I think it's a valid one, that if we're going to move in meeting the test of diversification, even under the Alberta investment division as opposed to the capital division, now might be a better time to do that, Mr. Minister, than two years from now or three years from now, if we're into the Alcan pipeline and the Imperial Oil plant, where we then have that tremendous demand for goods and services, and it may not be possible. In other words, it's not only a window in capital projects. It strikes me that we may in fact be looking at a temporary time when even moving into the area of industrial diversification may be very prudent investment at this time.

MR. LEITCH: I hear your representations. I'm merely responding by saying that I think the members of the committee should keep in mind the distinction between capital projects here and capital works under our regular budget. Remember those were things that we were going to do anyway, and the question was when; so we weren't looking at an added operating cost. But remember, as has been pointed out earlier in this committee, to the extent that they have operating costs -- and nearly all of them have some associated with them -- the projects that we're putting in place here are of a little different nature than the ones we put in place in the capital works portion of our regular budget. We need to keep in mind that there are operating costs associated with them.

MR. NOTLEY: Just one final question or comment. I couldn't agree more. But, you see, that seems to me to be the rather crucial question here. If there is a pause in the economy as a result of these major capital projects winding down, then it strikes me from an investment strategy point of view it's not only necessary to move in areas that would be appropriate as far as the

Alberta investment division is concerned, but indeed beyond that -- areas that would meet the test of the capital works investment -- to bridge that gap, because two or three or four years from now, with these other major projects under way, it wouldn't be responsible to move, because we would then be competing with private dollars and just eating up extra funds in inflation.

MR. LEITCH: As I say, Mr. Chairman, I have heard the hon. member's comments, and the estimates will be presented to the Assembly in the fall session. It may be that what is there meets your views, or alternatively if you have different views I'm sure the Assembly would be pleased to hear them at that time.

MR. KROEGER: Well, this one is a little wider ranging, Mr. Chairman, to the minister. I hesitated asking except that I talked to him at coffee time and he said, sure, shoot. But my question is: using a figure of 8.6 and an inflation factor of 9.2, how long will it be before the fund is gone? I mean, we seem to be on a diminishing return factor here. Are we looking for something better down the road? Are we waiting for inflation to go down, or how are we coping with this thing?

MR. LEITCH: Mr. Chairman. Mr. Kroeger has raised a very interesting question. You've tied the rate of return to an inflation rate and used as the inflation rate the consumer price index. I take it that was the question. I appreciate the arguments that justify relating those two things, but I think we need to be a little cautious in relating a rate of return to CPI inflation rate. There are a number of people who would argue that you shouldn't relate a rate of return on money to the CPI inflation rate. They argue that there are other inflation indicators that are a better measuring-stick. For example, some have argued that you should use the WPI, the wholesale price index. The difference is that that index does not contain the service industry, and therefore is perhaps a better comparison in the sense that it's an alternative investment, because it's measuring the change in value of long-term assets much more than the CPI does.

Others would argue we should use the GNP deflator which, again, is a different number. Without pretending to be an expert in these areas, I just draw those arguments to the attention of the committee members and say that we shouldn't automatically relate yield to the consumer price index.

Historically, when you look at the real value of money, it is a relatively small number. I think it would surprise most of us here, who have lived our lifetimes paying interest rates that range, perhaps, from a low of 5 per cent or even a little lower, depending how old you are, to a high of 11 or 12 or so per cent. That's our experience, and we tend to think of money being worth that amount in real terms. Historically it's not been so. The actual value of money in real terms is quite a small number. You can get different figures, but it may be 3 per cent or under, as the actual value of money over a long period of time.

As to what might happen in the future, I think again there's a wide range of arguments. You've got a wide choice of arguments or theories you can pick from. Thinking of that, some argue that interest rates reflect current inflation. Others argue that they really reflect anticipated inflation. But certainly over any extended period of time the interest rates tend to be sufficiently above the real inflation rate to give you that long-term 2 or 3 per cent actual earnings on money.

I think you get the wrong impression, or you get a misleading impression, if you compare the CPI for one year with the rate of return on a fund of this nature. Obviously no one's happy when an inflation rate's running at a number above an interest yield, except perhaps those who are paying the loan. But over any appreciable period of time the interest rate tends to be 2 to 3 per cent or so above the inflation rate.

MR. KROEGER: We wouldn't be there now, though?

MR. LEITCH: Not on the CPI, not if you use the CPI as the accurate indicator of the inflation rate. But there's some question of whether that is an accurate indicator of an inflation rate when you're talking of an investment, when you're talking about the value of an asset over time. It's the accurate inflation rate for someone who's buying the things included in the CPI, but I'm not sure how much further one should use the CPI inflation rate.

MR. TAYLOR: I'd like to pursue the matter of the industries that you mentioned in reply to Mr. Clark that had come to you for capital and been turned down. Would all of these be in the category where they came to the Alberta heritage trust fund as a last resort, as a bank of last resort? Secondly, would you have any idea how many of them were able to get the money and go ahead anyhow through the regular banking channels?

MR. LEITCH: Mr. Taylor, there are probably three points I should make in response to your question. There has not been a very number of businesses approach us for funding. I think that's perhaps so because they heard very quickly that we were not involved in equity investments except in a limited extent in outline, and had not decided to invest in debt instruments. That becomes generally known throughout the financial community, and they would then no longer be submitting proposals.

Of the proposals that came, I don't have any knowledge of whether they came as a last resort or whether they were able to get financing elsewhere. But without having specific knowledge, I think I can safely say that very few, if any, of them came as a last resort, because they were normally proposals by businesses of some long standing and of some appreciable size. The money supply in North America and in Canada has been such in recent times that there is no difficulty about businesses that are credit-worthy, good credit risks, raising capital. In fact I think the tendency has been, if anything, that the supply of funds has exceeded the demand for businesses of the kind that we have in mind. So while I can't give particulars, that's certainly my impression.

MR. CLARK: Going back to the criteria that you used, Mr. Leitch, how does the investment committee and the government sort out what projects would be in the operating budget of the province? I'm talking of capital projects. What projects would be in the capital budget of the province, as opposed to funds that would be financed through the capital portion of the heritage savings trust fund?

MR. LEITCH: Well, Mr. Clark, there are obviously a lot of similarities between some capital projects in our regular budget and some in the capital projects division. But first of all, any projects here must meet the criteria of providing long-term social or economic benefits for the province of Alberta. There may be capital projects in the regular budget that wouldn't obviously

meet that test. They obviously are of benefit to the province or they wouldn't be done. But whether they would meet those specific tests is a somewhat different question.

I think, too, we look on capital projects within the capital projects division as being in the main those kinds of things that governments would like to do, should do, they're very beneficial to the people, but you wouldn't do unless you had an excess of funds. I'm thinking of parks, for example. We have the Capital City Park in Edmonton and Fish Creek Park in Calgary, very major parks. We also, as you would know, have a parks budget in Recreation, Parks and Wildlife which provides both the capital in some instances and operating budget for other provincial parks. But these two that are in the capital projects division are very major ones. I think they're the kind that everyone in the House supported, as I recall. So there's no question about what all the members of the Assembly felt: these were good things to do in Alberta. But their size was such that you probably couldn't do them as a government unless you were in the fortunate position that Alberta's in and had some flows of income or revenue that simply aren't available to other provinces in Canada. I think that is the principal division between items that appear in the heritage fund capital projects division and items that appear in the capital works portion of our annual budget.

MR. CLARK: If I could follow that along and respond by reminding the committee that, if I recall, the operating budget of the province, the accumulated surplus that we have, will be something in the vicinity of excess of \$2 billion by the end of this fiscal year if the projections are on stream. So it isn't a matter of not having the funds available as far as income for the year is concerned; because during the past three years we have had pretty substantive surpluses, plus what we've put into the heritage fund, haven't we?

MR. LEITCH: I don't know if that's accurate . . .

MR. CLARK: Certainly in the last two years.

MR. LEITCH: . . . if we go back to the years when these were started, the budget and the surplus at that time -- an anticipated surplus, because you remember that those surpluses are primarily the result of increases in the price of natural gas and oil. I'd have to go back and check on each particular budget and check the timing, but I remember at the time of the preparation of those budgets one might have presumed or thought or argued or believed that there were going to be price increases in oil and natural gas, but we were not using those numbers in the budget, because they hadn't yet become facts. They were still anticipated matters, and during the course of the year prices did come through and resulted in significant budgetary surpluses.

So I appreciate the point you're making, but I'm not at all sure if you go back and look at the timing and the various documents that they support the point you're making.

MR. CLARK: We can argue that at a later date.

But I would ask the Treasurer, Mr. Chairman, to explain to us how come the decision was made to fund, say, the southern Alberta cancer centre out of the heritage fund, albeit it's a very desirable, fair ball, project, when we keep in mind that we have the W.W. Cross centre here in Edmonton, which for years

previously was doing much of the same kind of work for the northern part of the province. Can you explain that to us?

MR. LEITCH: I think, Mr. Chairman, these are judgmental matters, and we could argue both sides. I don't know that I could do better than use the parks example that I earlier referred to. We have parks, both capital and operating, in the annual budget, and we've got the capital portion of the Fish Creek and Capital City parks in the heritage fund. I think the distinction is that these are major projects; they're the kinds of things that should be done but ordinarily you wouldn't be able to do them unless you had surplus funds. I appreciate that on any one of these capital projects, the items, some could argue the other way.

MR. CLARK: The same point could be made as far as the Glenrose Hospital here in Edmonton and the southern Alberta children's hospital.

MR. LEITCH: I'm sure the arguments could be made, certainly. But it's different. As I say, it's a judgment question.

MR. NOTLEY: Mr. Chairman, just following along that question a bit under page 19 of our recommendations last year, recommendation one, Mr. Minister: "Consideration be given to upgrade the secondary road system of Alberta." We're not going to have the Minister of Transportation here. I wonder if you would advise the committee what deliberation took place by the investment committee on that particular recommendation. I suppose one could argue that it should come under the Department of Transportation, yet it was felt when we made the recommendation last year that this would probably fit into the very category that you've just outlined to Mr. Clark -- that is, the kind of investment that would be useful but we wouldn't otherwise be able to go ahead with it or would have to delay going ahead with it -- and so the recommendation was made.

MR. LEITCH: Mr. Notley, I'm not sure that the Minister of Transportation won't be here. Is there not an appropriation in respect of airports which falls within his jurisdiction? So he may well be here, and I'm sure he will point out the very significant sums that have been made available in his budget for upgrading the secondary road system and will be able to answer any questions that you might have.

MR. TAYLOR: Mr. Chairman, I'd like to make a comment on that. If you provide more money than you have contractors to do the work, you're creating an artificial situation in the province that doesn't accomplish anything except that it's going to cost the people more money. So you have to balance the work that you do and the amount of money available with the number of contractors who are able to do that work.

MR. NOTLEY: If I could just make a comment before the minister answers. No one argues that point. You know, no one wants to see us expand the Transportation budget to the point where we simply have the contractors bidding up prices. But the indications I've got, at least in the northern area, is that the bids are coming in slightly below the estimates and that there is some room to expand the budget. So that being the case, I would put to you again: what consideration took place on that particular recommendation?

MR. LEITCH: I really think you will do better putting those questions to the minister directly responsible for these areas, because he can deal with the kinds of matters that Mr. Taylor has raised, with the point you make about where the bids are coming in in relation to the estimates, and also talk about what is going on in that area.

MR. NOTLEY: Just before we proceed any further, Mr. Chairman, let's just clarify that you will be asking the Minister of Transportation to come. Even though there's a small section of this report that deals with his department, namely airport construction, there is at least one recommendation plus the entire question of the Prince Rupert terminal transportation network. So I would like to suggest that we make sure that the Minister of Transportation is among the ministers called.

MR. CHAIRMAN: He's on my list.

MR. NOTLEY: Is he? Okay.

MR. LEITCH: The only other point I would make there is: I think if we have such difficulty as there may be with respect to distinguishing capital projects here and some capital projects in the provincial budget, the difficulty would be very significant with secondary road systems, because we do have a particular item for that.

MR. NOTLEY: I realize that, and that's one of the reasons I asked if you had actually formally considered that as a committee and come to the conclusion that it would be difficult.

MR. LEITCH: No. Again I have to repeat what I said about this not being a committee investment decision under the legislation. I think it's better to ask those questions of Dr. Horner.

MR. CLARK: You may want to refer this question to the Minister of Transportation when he's here, but it basically deals with policy and I'd like to outline the situation.

MR. CHAIRMAN: I wonder if you could speak a little louder, Mr. Clark. It's not coming through.

MR. CLARK: I'm sorry. It deals with the investment policy decision. It could possibly be referred to the Minister of Transportation, but it relates to Fort McMurray and the \$50 million or so -- I guess it became \$60 million -- of road work that had to be done from Fort McMurray north to get to the Syncrude plant. Now, having regard for the fact that the government chose to invest in Syncrude and in the heritage savings trust fund, why was the \$60 million that was needed for infrastructure, primarily road work, not taken out of the heritage savings trust fund, the capital projects portion, rather than taken out of the department of highways' budget, which by the minister's own admission in the course of estimates in the last two years has really taken a toll as far as secondary road construction is concerned across the rest of the province?

MR. LEITCH: Well, Mr. Chairman, again I think that's an appropriate question to ask the minister.

MR. CLARK: I'll put this questions to the Treasurer then: was it considered by the investment committee (inaudible) to the Legislative Assembly?

MR. LEITCH: I think we need to keep in mind that the investment committee doesn't consider these as an investment committee. There is no question the estimates are considered by the Executive Council in the same way as our estimates when we present the budget. But if you look at the legislation, it's my memory of the legislation that the investment committee as such, as a committee, deals with investment decisions under the Canada investment division and the Alberta investment division, but I don't think under the legislation there is a specified role for the investment committee with respect to the capital projects division. We present to the Assembly the proposals and the estimates with respect to capital projects in the same way as we do with our regular budget. The regular budget is of course considered by Executive Council.

MR. CLARK: Did the Provincial Treasurer take part in discussions at any time that considered the possibility of funding the infrastructure, primarily the road work in the Fort McMurray area, out of the capital projects portion as opposed to the operating budget of the province?

MR. LEITCH: Well, I take part in a number of discussions on a number of items . . .

MR. CLARK: I hope so.

MR. LEITCH: . . . both as a member of the Executive Council generally and as a member of the investment committee. I don't recall any specific discussion, but I don't know that you should take too much from that, because there are a great many things we discuss that I don't have any specific memory of.

MR. CLARK: It would have been a \$50 million discussion.

MR. LEITCH: You're presuming it was discussed as a \$50 million project. I don't know. It may not have been.

MR. CLARK: According to the minister it was.

MR. LEITCH: Well, I don't know.

MR. NOTLEY: Mr. Chairman, moving back to an item raised earlier. The marketable securities amount to I believe \$2 billion-plus -- \$2.009 billion at this stage -- and that represents approximately 62 per cent of the current assets of the heritage trust fund. The Alberta investment division would be about 31.5 per cent, the Canadian investment about 2.8 per cent, and the capital projects 3.5 per cent approximately. In terms of setting policy for the heritage trust fund, has the investment committee deliberately decided to keep a certain percentage in relatively liquid form in case there are major investments in the future that the committee would like to make, or has it been the result of not seeing reasonable investments at this point and therefore keeping it in relatively liquid form?

MR. LEITCH: Well, the possibility of major investments in projects is certainly part of the reason for a very significant liquidity in the fund.

For example, there is the Syncrude option of 20 per cent which is now held by the Alberta Energy Company. But if that were not exercised by the Alberta Energy Company it would revert to the provincial government, and we would then need to make a decision as to whether to take up that option. The cost of taking up the option would be in the \$0.5 billion range. That's a possibility that's still there. The Energy Company will in the near future make a decision on that, and if their decision is not to acquire the option then we must make a decision whether to exercise the option.

There was also the question of the pipeline and the recommendation we were earlier discussing. I would assume -- although I indicated earlier that no detailed thought or work has been done on such a possibility -- but if an investment were made there, presumably it would be of a very major size. Even if one took a small percentage of the total indebtedness in that project it would be a very significant investment. Now both of those -- of course one is equity and the other would be a long-term investment. So to keep open the option to take those two investments, if they appeared to be wise ones to have, would require a very significant liquidity.

MR. NOTLEY: Mr. Minister, just a side question. I should recall this from the Syncrude agreement, but it has slipped my mind. What is the time frame for the exercise of that option now that the plant is in operation?

MR. LEITCH: Unless it's in the notes to the financial statements -- and I don't remember it being there -- you'd actually have to go to the agreement. There's a production number. It may be 5 million barrels that need to be produced before the time starts to run. I think the time was six months after a certain production, and I think it was 5 million barrels. When that would expire I'm not sure, but it's obviously in the fairly near future.

MR. NOTLEY: We're looking at probably the next year for sure. . .

MR. LEITCH: I would think so, yes.

MR. NOTLEY: . . . to make a decision on that, and we're also looking at the Alcan pipeline. Are there any other major projects that have been considered by the committee in light of this liquidity question? For example, the point Mr. Musgreave raises of substantial investment in the utility companies: you've indicated that you'd look at that, but I don't believe it has been formally assessed by the committee, if I remember your answer correctly. Have there been any other major projects that the committee has looked at?

MR. LEITCH: No, there have not been any that any detailed consideration has been given to, but obviously we're aware of the number of major projects that are on the horizon. They're ones without any discussion having been held or any detailed work done on. They're obviously ones that could conceivably be good investments, ones that would be considered when the time comes when it's appropriate.

MR. NOTLEY: Has there been any deliberate policy -- let me put it this way -- to go a little slower on investments that might meet the criteria in the Alberta investment division now, today, because of the possibility of making major investments tomorrow? Would that be a factor in assessing project X, Y, or Z?

MR. LEITCH: It's a factor. It's something everyone would have present in their mind, but I wouldn't consider it a determining factor.

MR. NOTLEY: But it would be one factor.

MR. LEITCH: Well, it's one of the whole package of information that you have when you're addressing your mind to investment considerations, but I wouldn't consider it a determining factor.

MR. NOTLEY: By major projects I assume that one would be looking at, in addition to the two that you have identified -- at some point if Shell proceeds with a third oil sands plant that might be another area for capital investment; possibly Imperial Oil at Cold Lake.

MR. LEITCH: I'd only comment in a general sense. We're all aware that in Alberta today there are a number of very large projects in the consideration stage, all of which will require significant funding. So there are investment possibilities there that are going to develop in the immediate future -- and when I say immediate future I mean in the next few years. So that's something that one keeps in mind, knows is an event that's going to happen, and I think the management of the fund should be such that should it turn out, as events run their course, that there are sound and appropriate investments there, we are able to make them.

MR. NOTLEY: Just one other question, Mr. Chairman. On page 28 of the report there's a graph dealing with the maturity of the marketable securities held by the heritage fund as of March 31. The minister indicated that there was some feeling that we should move from very short-term securities, essentially bank notes -- a number of them would be bank notes -- into longer term securities. I notice that the interest seems to be somewhat higher on the longer term securities. The graph points out that \$641 million or approximately 32 per cent of the marketable securities are in notes or securities with less than one year's duration. What is the objective, not in this case of the investment committee but in your role of Provincial Treasurer, to shift that? What would you like to see?

MR. LEITCH: On a percentage basis?

MR. NOTLEY: Yes.

MR. LEITCH: Well, I'm not sure. That will vary as advisers express views about the likely future interest rates on both short- and long-term money. So that will vary. Also, even if the decision is to move to longer term securities, we must move at a pace that's appropriate. We can't move too rapidly. We must move at a pace that's the best investment pace, so it may take I don't know just how long to move that volume of money into the kind of long-term securities that we think provide the best investment. But I don't have any fixed percentages in mind at any given occasion as to what should be held in short-term and what should be held in long-term.

MR. NOTLEY: But you indicated that you have received advice from your department that we should be getting out of short-term investments into longer term investments.

MR. LEITCH: We are moving to longer term investments.

MR. NOTLEY: Longer term would be what in terms of months? I see the average .

MR. LEITCH: When you say longer term I'm thinking of the 10-, 20-year term.

MR. NOTLEY: It could conceivably mean more money into the Municipal Financing Corporation, for example, and less money in 90-day notes.

MR. LEITCH: No, I would think we'd move into . . . We're now meeting all of the financial requirements of the Municipal Financing Corporation except those funds it gets from the federal pension fund, so we couldn't increase that beyond what we're now doing.

Incidentally, on the rate of return I should have mentioned this. In one sense we're suffering a bit from Alberta's prosperity, because we hold very large investments in Alberta Government Telephones, the two mortgage corporations, and the Alberta Municipal Financing Corporation which we lend at the appropriate Canadian interest rate for securities of that quality for that term. Now as it happens Alberta's credit rating demands the lowest interest rate in the nation. So if you were buying other instruments that were guaranteed by certainly some of the other provinces, you would have a higher earning in the fund.

MR. NOTLEY: We make up for that with the investment in New Brunswick and Newfoundland.

MR. CHAIRMAN: Are there any further questions?

MR. CLARK: One further question. Mr. Leitch, in response to Mr. Notley you talked about major projects on the horizon. I think many of us recognize the ones you're talking about: tar sand ventures and perhaps heavy oil ventures and so on. My question would be: are there major projects the government sees on the horizon that you've got at least an eye on as possible investment areas that would be in areas outside resource development?

MR. LEITCH: I can't call to mind any at the moment, although there may be in the utilities area, which would be resource development, I suppose -- the majority of them, for example, in the hydro field, dams and things of that nature, if you regard that as resource development. There are obviously potential projects there on the horizon. Apart from that I can't at the moment call any to mind.

MR. CHAIRMAN: Any further questions?

Thank you very much, Mr. Minister. Does the committee feel that we will have to have Mr. Leitch back again before the committee?

MR. NOTLEY: Can Mr. Leitch just supply us, Mr. Chairman, with that information about the number of meetings of the committee? He needn't come back to do that, but if he would just advise the chairman.

MR. CHAIRMAN: Could you get that information to me, and I'll distribute it to the members of the committee.

MR. PLANCHE: Just one parting question, Mr. Chairman if I may. In the report, on page 3, halfway down, in the paragraph that begins, "Two new investment approvals", it says -- I don't have my glasses on, it's kind of troublesome here -- it says, "Two new investment approvals were given during the year for the Alberta Investment Division: the investment of an additional \$55 million in debentures . . ." -- which doesn't trouble me -- and then it says, ". . . and the purchase from the General Revenue Fund of \$1.6 million of accrued interest on the convertible debentures now held by the Heritage Fund." Can you explain to me what that means?

MR. LEITCH: Yes.

MR. PLANCHE: Just the \$1.6 million.

MR. LEITCH: At the time we transferred the debentures, the Treasury personnel were of the opinion that the interest, because it had not been received but just accrued, should not be transferred as part of the assets. So the asset was transferred and valued deducting the \$1.6 million of accrued interest. In subsequent discussion with the Auditor, he was of the opinion that the right to the interest should have been transferred along with the instrument and then we would have all financial transactions with respect to those convertible debentures in one place, namely the heritage fund. On reflection we agreed with the Provincial Auditor. So then there was just a purchase by the heritage fund of that accrued interest from the general revenue fund.

MR. PLANCHE: It was a precise value.

MR. LEITCH: It was a precise value.

MR. PLANCHE: Thank you.

MR. CHAIRMAN: Any further questions? If not, thank you very much, Mr. Minister. As soon as I receive the information from the minister I'll distribute it to the committee members. We appreciate your coming to our meeting, particularly on a cabinet day. We realize that this is an awkward time for you, but as I explained this morning it's difficult to get this number of people together with the line-up of ministers and so on. We appreciate very much your appearing before us. Thank you very much.

MR. LEITCH: I understand your problem, Mr. Chairman, and I'm happy to be here. Thank you very much.

MR. CHAIRMAN: Gentlemen, the meeting tomorrow morning is at 9 o'clock. We will have the Minister of the Environment, Mr. Dave Russell, before us, so if I could ask you to be here promptly at 9 o'clock. I now declare the meeting to be adjourned until tomorrow morning.

The meeting adjourned at 4:25 p.m.