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Standing Committee on The Alberta Heritage Savings Trust Fund Act

Tuesday, September 26, 1978

Chairman: Dr. McCrimmon

10:30 a.m.

MR. CHAIRMAN: Good morning, gentlemen. We will call the meeting to order. The Premier will be here at 11 o'clock. We have a few items, not too many, to finalize before the Premier comes. With respect to the trip to Airdrie, my secretary is contacting the mayor at present and I will be talking to him to finalize the details after we conclude the meeting here.

If it's agreeable to the committee, we are trying to arrange air transportation from here to Calgary and return, after the meeting. We will probably have to use the air bus, as far as I know. Is that agreeable to the committee?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: We will arrange the details on it and deliver it to your secretaries. Will that be agreeable to the committee?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Any minor details can be discussed next Monday, because this trip will be on Tuesday. Those are the details as far as the trip to Airdrie is concerned. Does anybody wish to make any comments on this? Mr. Clark.

MR. CLARK: Is it our expectation that we'll take as much time as we need in Airdrie, then possibly if we're finished early in the afternoon we'll deal with some recommendations later on in Calgary that afternoon? Or is it our expectation to simply make Tuesday a day in Airdrie?

MR. CHAIRMAN: My concept of the situation would be to arrange with the mayor and have a meeting with the council -- I think there are two groups, if I can gather, from the area concerned -- and have representatives from those groups meet before us for a time. I see no reason why this should be a general open meeting where everybody from the whole deal comes in. I think if they something to bring before the committee they have their organization that could present it to the committee rather than . . .

MR. CLARK: But we are going to make it open so that the people of Airdrie can sit in if they want to, aren't we?

MR. CHAIRMAN: Well, that depends what accommodations and what arrangements we can make with the mayor. But I see no reason why this should be a political forum. Certainly they have an opportunity to present to the committee anything they wish, pro or con, as far as the Airdrie situation is concerned. But I don't see that it needs to be an open forum for the whole area. They

have their organization and should have their representatives, unless others of the committee have a different viewpoint.

MR. CLARK: Mr. Chairman, I for one would be very much opposed to our closing the meeting and not having it fairly open. I agree with you completely about the town council and the people in the mobile-home subdivision, the groups we want to meet with. But I don't think we should meet behind closed doors. I think we should operate the same as we operate this committee: do it publicly down there. There is no shortage of facilities in Airdrie to do that.

MR. HORSMAN: This is an open committee. The press is entitled to attend every meeting. I just don't know what you're getting at. Do you have in mind renting a big hall or auditorium or something?

MR. CLARK: I suppose there are. But no, that wasn't my expectation. But I did get from the chairman's remarks that it would perhaps be a very confined meeting. I just wanted to make it very clear here and now, and not next Tuesday when we're in Airdrie, that the committee should operate on a pretty open basis where local people in the area who want to sit in can sit in.

MR. HORSMAN: I didn't suggest that that wouldn't be the case.

MR. TAYLOR: Anybody can sit in here if they want to. It's a public meeting.

MR. CLARK: Fair ball.

MR. CHAIRMAN: I certainly have no objection to this type of thing, but I think it should be lined up that it's not open where you have 300 people there and everybody's jumping up and down airing their pros, cons, complaints, or compliments, whatever the case may be. I think everybody can come who wants to come. It's fine, as far as I'm concerned. This is not what I meant at all. I think the ones we hear should be the town council and the various groups. It's up to those groups to delegate their people who are going to speak to the committee. This is what I have in mind. As for who comes or doesn't, I have no concern about this at all.

MR. CLARK: All right.

MR. NOTLEY: Mr. Chairman, I think that's fair enough; it's only reasonable. The only thing I think we should keep in mind when we arrange for a place: let's make sure we don't have a very confined place; because if we do have a lot of people coming who are standing outside, that would be unfair too. Just as when we have the Legislature here we have lots of room in the galleries for people to come and watch, I don't think we should get a tiny room that can only seat 15 or 20 people.

MR. CHAIRMAN: Oh, no.

MR. NOTLEY: I think we should keep in mind that it should be adequate to allow people to sit in and watch and observe, whether they're from the press or the community.

MR. CHAIRMAN: Right. This is why I wanted to bring it up this morning. I will be discussing this with the mayor when I talk to him a little later on.

I must apologize for this room today, ladies and gentlemen. The main Legislative Assembly is under renovation again. We realize that this room is small and crowded for the group we have here. Unfortunately the Carillon Room, although it's bigger, the Hansard doesn't work too well in that particular room. That's why we weren't able to use that room. So my apologies for this situation here today. It's not the way we hoped it would be. As I say, that's just an unfortunate incident. Certainly this is an open meeting in every respect. I hope not too many are held out because of the lack of space.

MR. CLARK: Mr. Chairman, if I could just make one other comment on our trip to Airdrie. I think we should set some time aside to go into the mobile-home subdivision itself and have a look at it.

MR. CHAIRMAN: Yes, this is part of the routine. We will set up the program with the mayor. There's no sense in the committee going down there unless they actually look at the situation. That's the reason for going, in my understanding.

MR. CLARK: Partially.

MR. CHAIRMAN: Is there any further discussion on this particular aspect of the . . .

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Agreed? Mr. Shaben.

MR. SHABEN: Looking ahead, Mr. Chairman -- we discussed it briefly -- we have meetings scheduled for next Monday and Tuesday. Beyond that, is there any tentative scheduling you've been able to arrange?

MR. CHAIRMAN: Not yet. We can't meet on the Monday and Tuesday of the following week. That's Thanksgiving weekend. The House opens on the 11th. So I can't see any way of getting in a two-day meeting between the Monday and Tuesday of next weekend and the opening of the House. We'll have to reschedule. We should be into the recommendations. It will give me time to sort out the recommendations, get the meetings with the people where there are overlapping recommendations so we can amalgamate those overlapping ones into one. We'll have to meet with the people who have put in the recommendations and get their consent for the joining of any of the recommendations.

So this is going to take some time. It will be during the House session. I think probably we will have to have one or two -- whatever is required -- evening meetings where we sit down and have several hours so we can get through it in one or two. We will have the Monday and then one or two meetings or whatever is required, after the House goes into session. Is there any discussion on this?

MR. NOTLEY: Monday will be a preliminary assessment of the recommendations, will it?

MR. CHAIRMAN: I can see no reason why, Mr. Notley, specific recommendations that do not fall within the category of the overlapping situation cannot be dealt with on Monday; get them out of the way so we can clear up the others

that much quicker. But I would ask again that the recommendations be into my office, Room 325, by September 29 so we know where we stand. Is that agreeable to the committee?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: And clearly understood? All right, we have another five to 10 minutes. Is there any further business, outside of the Premier coming, that any member has to bring up at this time? The minutes of yesterday and today will be delivered to your desks as soon as we possibly can. I think you realize there's no sense putting it in the mail at the present time. We have no mail delivery system in the area at the moment. You can always contact your secretary and get either the minutes or the information from the minutes if you are in the city.

One little item here with respect to Hansard at the Airdrie meeting. We won't be able to take all of this. I think it would be a little much. We may have to go to portable equipment and this type of thing. So if it's not quite as good an arrangement, we'll do the best we can. The transcripts will be given out, but we won't have the facilities we have here as far as the meeting is concerned. As long as you understand that and agree, Hansard will be there to do the best they can.

HON. MEMBERS: Agreed.

MR. HORSMAN: On that point, I think we would have to be reasonable to expect that Hansard coverage of the actual meeting with the town council and the various representatives will probably be available, but I don't think we can expect that as we walk around on tour we would want to . . . I think that being realistic we should make a note of it at the moment, that it won't in all likelihood be available.

MR. CHAIRMAN: It's my understanding Hansard will be just at the meeting.

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Okay. Are there any other points you want to bring up before the Premier comes in? Of course you realize that this is cabinet day. The Premier has agreed to be here from 11 o'clock until 12 o'clock. So if you would sort of govern yourselves as far as the time schedule is concerned. I have no further items to bring up at this time. Does anybody else in the committee? It's 10:48, so if you'd like a five-minute break then we can reconvene.

MR. CHAIRMAN: I'd like to welcome you, Mr. Premier, to this meeting of the Alberta Heritage Trust Fund Act Committee. As everybody realizes, I think, there is no obligation in any way, shape, or form under the act for the Premier to come to this committee. However, it was brought up at our first organizational meeting if I would ask the Premier if he would come and discuss the overall factors of the investment committee, of which he is the chairman. He informed me that he would be delighted to come, and we've made the arrangements today. Although it's cabinet, he has taken himself away from cabinet from 11 to 12 o'clock to answer questions from the committee with respect to the overall picture of the heritage savings trust fund investment committee.

I would ask you to confine your questions to the Alberta heritage savings trust fund report and principles. So with that, Mr. Premier, I leave the floor open to questions. Mr. Horsman, I believe you are the first name on the list.

MR. HORSMAN: Mr. Chairman, through you to the Premier: one of the things that came up yesterday in our discussions with Dr. Horner related to some of the recommendations that came forward from our committee last year. The act provides, in Section 13, that our committee may make recommendations concerning investments, and certain ones were made last year. Specifically, we asked that consideration be given to upgrade the secondary road program of Alberta. That was one of the specific recommendations. What I'm concerned about is developing an understanding as to how the recommendations of this committee are considered by the investment committee, and a method of either accepting or rejecting those recommendations transmitted back to the committee. How would that point be developed?

MR. LOUGHEED: Mr. Horsman, if you look at the recommendations of your last year's report, which are contained on pages 19, 20, and 21, the Executive Council responds this way: it looks at the capital projects division recommendations, of which there were five in number, in relation to the proposed estimates that will be presented during the course of the upcoming fall session. All five of these have been considered by the Executive Council. The estimates will be presented by way of appropriation through the capital projects division in the course of the fall session. Then of course there would be debate in the Legislature, and the Legislature will ultimately determine what estimates are approved or whether any additional ones should be added.

The Executive Council has considered these five. I'm not in a position at the moment to respond to you in advance of the estimates coming before the House as to our conclusion with regard to those matters. But as is the case, the Legislature is completely open to reject what we put in there as a proposal or to add or supplement them in relationship to the recommendations of the Select Committee on the Heritage Savings Trust Fund Act.

Under the Canada investment division and the Alberta investment division -- certainly with regard to those two matters -- we have considered them in the course of our informal discussions as an investment committee, because we discuss these matters both informally and formally, and we have considered the recommendations of this select committee both on the Canada investment division, being one in number, and on the Alberta investment division, being two in number. We haven't really considered very extensively at this stage the procedural recommendations. We rather took that that was something for the committee itself.

MR. HORSMAN: Just on that point then, I think we're going to expect to see the response of the investment committee insofar as the capital projects division the following year in the appropriation bill which is submitted at the fall session. Is that what we can expect as a committee to flow from our recommendations?

MR. LOUGHEED: That's right.

MR. NOTLEY: Mr. Premier, I wonder if I could shift to the way in which the investment committee operates. There's no question that the Alberta and

Canadian investment divisions, and particularly the Alberta investment division, are major tools of government policy. I think it's also fair to say you've been quoted as indicating that we have a relatively short time to move from an economy that's been primarily based on non-renewable resources, to broaden out and diversify. I think most of us agree with that. But bearing in mind those two things, why were there only two meetings of the investment committee during the year in question?

MR. LOUGHEED: I think there were only two formal meetings, Mr. Notley, because they were the only two occasions when it was necessary to have a minute. I doubt that we go through an Executive Council meeting any Tuesday, really, or a priorities meeting any Monday, that the investment policy of the heritage savings trust fund isn't informally discussed. It's a matter of constant discussion on an informal basis. We only get involved in the matter of the reference to Mr. Leitch's letter of two meetings when there has to be a formal sort of crystallization pursuant to the provisions of the act. No, I don't think a week goes by that we're not involved in the question of policy and investment decisions relative to the heritage savings trust fund, because you know from your question the magnitude of it.

I would just say one thing, though, in relation to time: I do think the situation has improved over the past two or three years with regard to the time frame of diversification, because of the fortunate fact that we have had some very major discoveries on the conventional side and that the production is coming in of course on the oil sands. The discoveries we've had, particularly in West Pembina for crude oil and in the Elsworth basin with regard to natural gas, have given us -- fortunately, because of the obstacles we face -- more time to create the overall diversification targets we're aiming at.

MR. NOTLEY: Mr. Premier, if I could just follow that through for a moment. When we had Mr. Leitch here we discussed some of the major projects that the government is, I shouldn't say evaluating, but at least looking at. In the transcript, page 32, the question is posed to Mr. Leitch dealing with the projects in question -- and we're talking here about the major, generally energy-related, projects. Mr. Clark asked whether or not there are going to be any other areas outside of energy projects. Mr. Leitch is quoted as saying: "I can't call to mind any at the moment". Then he talks about the utilities possibly being another area. I put to you, Mr. Premier: where do things stand as far as the investment committee is concerned, with respect to major projects that would involve diversification outside of either the utilities area that Mr. Leitch is quoted as mentioning or the major energy projects that have been much discussed?

MR. LOUGHEED: I think the difficulty is with the question of "major". Because when you look at the question of major projects, the very reality of them is that major projects in a province such as ours are going to be pretty well restricted to energy or energy-related, because of the resource base of our province. You can of course look at a question, for example the forest products project at Whitecourt -- Simpson Timber. I think it's fair to say that is a non-energy project which, through the Alberta Energy Company, has been developed. As you noted, you've excluded utilities by their very nature. But the overall sort of six-prong approach that we have for diversification is part of our economic strategy that's been mentioned in the House a number of times and which I think I outlined in the House in October 1974.

The other areas don't, by their very nature, lend themselves to large projects. Perhaps an exception could be raised about transportation, which you may want to raise with me by way of questions, because there are some cases where transportation could be considered in the sense of major projects.

But in the other areas involved there are a multitude of projects that come into play. Just running over them briefly, you look at agricultural processing, and to that extent we've utilized the vehicle of the Agricultural Development Corporation in the plants that have been involved. To a very large degree, although they've been very important and collectively are important, I don't think they individually lend themselves to large projects. Then if you look at the area of petrochemicals, at least to this date it hasn't been necessary to involve funding from the government; it's been a matter of policy there.

You move to the area of tourism, and our approach there has been on a number of different fronts. We've looked at tourism first of all responding to tourist needs. If you look at the Alberta Opportunity Company, a very high number of their loans fall within that tourist area, and I think that's an important element of diversification. Some would argue, you know, that the paving of the road up to Hay River -- we haven't crossed the border yet -- on the Mackenzie Highway is an element of tourism that's important for northern Alberta. The Kananaskis project that I was at on Friday, which involves of course the heritage savings trust fund capital projects division, is an element of tourism, and I guess you could refer to that as major.

Another facet of our economic development, of course, involves the matter of research and development. We have within the capital projects division a number of aspects of that. That involves of course the question of agricultural research which came in last year; it involves the AOSTRA, which I understand you discussed with Mr. Getty yesterday; and it involves our plans or some of our projects for medical research that are implicit within the existing capital projects division but will be added to our planning with regard to medical research.

The financial institutions, which are perhaps a final area of our diversification program in a direct sense, haven't required any activity on our part through the heritage savings trust fund. One of the very interesting factors is of course that the treasury branches over the past number of years have expanded and formed a very important element of the financial aspects of the province. Then of course we have both the AOC and the ADC that I've mentioned.

So it isn't really the nature of our resource base, and the opportunities available to us don't really bring forward large, major projects that would be like, for example, Ontario's subsidy program with regard to the Ford plant. We don't really have that in the scheme of opportunities that are available to a province with our resource base. But I'm sure that really involves an argument as to what's a major project. Certainly I don't mean by that to suggest that projects such as port development that we might be considering in transportation, or other areas in transportation, aren't major. They are, and they're economic diversification.

Just one final point: diversification to us also means diversifying through the province. Although I suppose one would not read it as major in the sense of its being a number of individual projects, the investments as shown on page 29 of the annual report indicate through Alberta Government Telephones, through the Municipal Financing Corporation, and through Housing, a very, very significant element of investment in the fund outside of the metropolitan areas in terms of balanced economic growth and hence diversification of our

economy. We look on diversification as not just diversification of activity, but diversification of place of activity.

MR. NOTLEY: Mr. Premier, I wonder if I could just follow that up for a moment. I realize other people have questions. But the individual items you cited are quite worthy projects, and you pointed out the money in AGT and the Municipal Financing Corporation. Of course, AGT is in a very favorable position: they can get very low-interest money, and as a matter of fact the Provincial Treasurer pointed out that in a sense we lose money in the heritage fund because of the excellent rating of a corporation like AGT. But you know we have 62 per cent of the fund in marketable securities. It seems to me that that raises the question of whether we should have such a large amount of the fund in marketable securities, many of these securities short-term securities. As a matter of fact, the Provincial Treasurer was quoted as saying that he'd like to see us move to longer term securities.

The question I would raise: in the report on page 33 there's an \$8.8 million loss. Now I realize that bonds go up and down, but \$8.8 million is a fairly substantial loss during the year. I assume that may have something to do with the portfolio of investments. My question is: what assessment has the investment committee done to examine that kind of loss to see whether there should be changes made in the portfolio of marketable securities? Because that's still a fairly sizable amount -- not in the context of \$3.5 billion, but a lot of programs in this province could well afford another \$8.8 million to add to their funding.

MR. LOUGHEED: I think over the course of the years there will be ups and downs in that figure. You're referring to a constant reassessment of the figure as to the marketable securities that are involved there and their adjustment in market value. I think it would be tragic if this government and this legislature got in a position of looking at that in normal loss terms. It represents a very small portion of the portfolio that's involved, a very insignificant one in relative terms. Although \$8 million is large, it's relatively small in the total sense of things.

We look at it this way: we look very strongly at the view that we are going to be in marketable securities and there will be shifts up and down in those marketable securities. Some years they will jump appreciably and some will be down. I think the only thing one can look at is the overall balance of it. I think any investment portfolio fund will have to have that challenge and have that test.

We are moving, because of the reduction in interest rates that had occurred -- and, as Mr. Leitch mentioned in his testimony to the committee, as a policy decision -- to longer term investments. Those longer term investments will have a different impact in terms of value. But overall, I think most people who look at this objectively would say that overall it has been an excellent management of the portfolio. I think that's what we want to do.

Now on one hand we can be ultracautious in terms of trying to avoid charges that there have been losses in the marketable securities. I don't think we gain a great deal by that if we get so ultracautious we will lose on the upside swings as well. On the other hand, we can lose the sense of the need to preserve the capital of the fund by being too extreme in other areas of investment and too speculative. So that's part of the process of any fund of this magnitude.

We are making a number of policy changes. One of them will be a shift from shorter to longer term investments, which will strengthen the yield somewhat, and we think it's important for us to do so.

I take the basic tenor of your question, though, to relate to a shift from the Section 9 investments into the Alberta investment division. I think that that's a valid one. It's an ongoing assessment by ourselves, and we will welcome yours or any member of the committee. For that matter, we get such input on this I don't think a week goes by that we don't have suggestions. I do have some difficulty distinguishing between suggestions for investment and suggestions for expenditure. But we will get this input and will consider it. And we'll welcome any suggestions you might have for investment in the Alberta investment division, and for that matter any member of the Legislative Assembly.

MR. CLARK: Mr. Chairman, I'd like to direct my questions in two areas more dealing with the nitty-gritty operation of the fund itself. My first question really centres around the, I think it's fair to say, basic difference of opinion some of us have with the government on the investment decisions. My question, Mr. Premier, is: what investment decisions were made during the year under review that the Legislature would not have been able to approve itself? I say investment decisions, Mr. Premier, talking in terms of major investment decisions.

MR. LOUGHEED: I suppose we're really back to the debate we had in the Legislature in the spring of 1976 with regard to the decision that the Legislature will make the determination with regard to the capital projects division and the balance of the investments, being investments in the Canada investment division and the Alberta investment division, will follow the traditional practice which was undertaken by the government of the day in the '60s, which was that they would invest the money through the Executive Council and report to the Legislature and the Legislature will review it. I don't know, it's really a matter I suppose of debating that particular point of view, isn't it? I'm not sure that it's anything more than that.

MR. CLARK: Mr. Premier, perhaps I didn't phrase the question well. My question is: what investments were made during the year we're looking at . . .

MR. CHAIRMAN: It's 1977-78.

MR. CLARK: . . . that the Legislature could not have given approval to? I simply add this comment, Mr. Premier: you will recall in the course of the debate one of the salient points, at least from the government's point of view, was that there would be investments made that the Legislature could not discuss because of problems of secrecy and so on.

MR. LOUGHEED: I could come to a quick example, and that is the loan to the government of New Brunswick. That's an example of one that I just think would not have been in the best interests of the parties to have been developed on a basis that you're suggesting.

MR. CLARK: And you feel, Mr. Premier, that it would not have been possible for the Alberta government with the government of New Brunswick to say, look, we're prepared to recommend this to the Legislative Assembly and . . .

MR. LOUGHEED: No. We're each entitled to our own judgment. I don't think it would have been desirable from the standpoint of the parties or from the standpoint of other discussions that may be going on with other provincial governments. They want to be able to present, as they do, to their legislatures a final conclusion on commercial terms, rates, and the entire provisions. There's a certain amount of negotiation involved in that. I don't think governments would be that interested in approaching the Alberta government for loans in the Canada investment division if it were a matter of that whole matter being reviewed by the Legislature in advance of a decision.

This Legislature is always in the position that overall, if they do not agree with the policies, they can refuse to pass a special act which provides for the additional money to come in. But I don't think it would have been in the public interest of either Alberta or New Brunswick to have had that a matter of public discussion until such time as the negotiations were concluded.

MR. CLARK: Mr. Premier, then could I move on to the question of investments in the capital projects division. If I recall your comment some time ago when the fund was established, you indicated that capital projects would be projects that wouldn't otherwise be possible to afford.

MR. LOUGHEED: Yes.

MR. CLARK: I relate then specifically to the government's decision to fund the active beds at the University Hospital, which is now going to be the Health Sciences Centre, out of the heritage savings trust fund, and also the auxiliary beds at the Southern Alberta Cancer Centre at Calgary -- these to be funded out of the capital projects fund, as opposed to what I think is the acceptable criterion that these, one, are vital services, that historically both active and auxiliary beds have been funded out of the ordinary operating budget of the province; and certainly when we have over \$2 billion in accumulated surpluses we can't make the point that we couldn't afford to do this. My question then is: how was that judgment made with regard to the Health Sciences Centre and the active beds, and the Southern Alberta Cancer Centre and the 188 auxiliary beds?

MR. LOUGHEED: It's a judgment decision, really. We looked at the two projects and we came to the conclusion that the two projects were special projects. The Alberta Health Sciences Centre, particularly, and the Southern Alberta Cancer Centre are two special projects. We felt therefore the projects should fall within the capital projects division. We then reached the conclusion that the supplementary beds that were required were really part of the total project. So we kept the financing within that area.

I think overall the citizens' reaction is that it's a project-financing arrangement. One could argue, as you obviously do, that it should have been handled through the general revenue funds of the province. I think the argument could be made. But we felt it was a project and let's finance it as a total project. But I think that's really a matter for the debate in the House in the Committee of Supply on the capital projects division appropriation.

MR. CLARK: Mr. Chairman, one last question for the Premier in this area. It would simply be this: as a result of funding the active beds at the University of Alberta and the auxiliary beds at the Southern Alberta Cancer Centre, is

the government prepared to now move in the direction of funding auxiliary beds out of the heritage savings trust fund, because that in fact is now what we're doing?

MR. LOUGHEED: Not separated from a project that would not otherwise fall within the criteria, but we're certainly open to suggestions in the legislature that we should review that position. There's nothing hard and fast about whether or not we can find some cases. I suppose one could argue the Dr. Vernon Fanning Centre in Calgary, an example of almost, some say, a pilot project. It's a special project, designed in a particular way. We may see projects coming up over the number of years ahead that are of a specialty nature that could fit within the criteria and within the parameters of the capital projects division. If they're brought to our attention or come to our minds, we certainly would present them; we wouldn't think there was a hard and fast rule.

MR. CHAIRMAN: Mr. Planche.

MR. PLANCHE: Thanks, Mr. Chairman. I was going to ask, Mr. Premier, whether or not as chairman of the investment committee you've reached a decision on a balance of equity and debt. But before I do that, I want to refer to Mr. Motley's remark about a loss. It seems to me that if we're getting into an area where the dollar is falling and the federal bank is going to continue to increase their prime rate, the value of bonds will drop. That will be reflected as an adjustment on a balance sheet. Is that going to discourage you from buying bonds?

Then I'd like to ask you if you've decided in your own mind or if the investment committee has decided on a balance of equity and debt in terms of investment.

MR. LOUGHEED: To answer your first question, it certainly will not discourage us from buying bonds, because we are going to have the ups and downs in the market place. When we got into this unique fund we recognized we were going to have that situation, and that at some review somebody would point out one year that there was an adjustment down, and I hope some year they're able to point out an adjustment up. I think that's the nature of being involved in marketable securities; to that extent we'll have that position, really very much beyond our control because we have to be to some extent involved in the market place relative to bonds. We have no choice but to do that. We're going to be subjected to interest-rate variations and other variations in the market place that are simply beyond our control. There's no way of offsetting that from our point of view.

On the question of equity versus debt, that's a matter of assessment right now. It's a very difficult question. We've come to no conclusion. I think -- I know; I checked this -- that when I spoke about these surplus funds in the legislature in October '74 I pointed out the two concerns we had: that we would not have this fund in our free-enterprise province invested in such a way as to disrupt the private sector. We have to be very careful we don't do that. We're involved in some other areas that some people agree with or don't, involved in the private sector by way of equity under the fund, which is the Alberta Energy Company and then of any of its activities. We of course have been involved -- although it's not now within the fund -- in Pacific Western Airlines. We've been involved in equity in the Syncrude project.

Those are three examples where we've moved into the equity area, which in my judgment were all the proper things to do.

Whether we move extensively into equities will really be a test as to whether or not we think that it is necessary to provide venture capital; secondly, whether it can be done without disrupting the existing financial institutions in the province and in the country; and thirdly, whether it can be done without disrupting the basic framework of economic society here in the province. We welcome from the committee or any member of the committee or, for that matter, from any member of the Legislature, suggestions or recommendations as to whether we should do that. It's clearly a basic question facing the investment committee at the moment.

MR. PLANCHE: Just one final, if I may. Will that be a consideration in whether or not you buy convertible bonds?

MR. LOUGHEED: Yes, it will be. The negotiations on the Syncrude project, as you know, brought us into the convertible bonds there. We're going to have to make a decision perhaps down the road as to whether or not we convert those debentures of Gulf and Cities Service into an equity position in Syncrude. But yes, that's part of the decision-making process, is whether or not it includes investment in convertible bonds.

MR. CHAIRMAN: Mr. Speaker.

MR. R. SPEAKER: Mr. Chairman, I'd like to ask the Premier questions with regard to the Canada investment division where debenture loans were made to Newfoundland and New Brunswick. I refer to a general underlying philosophy that was in a study report that both of us . . .

MR. LOUGHEED: I recall.

MR. R. SPEAKER: . . . have debated over the years in the Legislature -- the expenditure and revenue study committee. In there is a quote as follows: "To give a man a fish feeds him for a day; to teach him how to fish feeds him for a lifetime." I recall in my early days in the Legislature that being sort of meaningful to me at that point. I was wondering if that type of philosophy was used as a criterion in making these debenture loans to the other provinces. I ask the question in seriousness, not in the sense of have-not and have provinces.

I should express my concern, Mr. Premier: as I understand it, the loans have gone toward the operations of the governments, rather than into some type of capital investment. I've had some feelings, and I think they've been related to you, that if we had invested it possibly into some kind of capital project it would have helped to build the base of the economies in those provinces. I was wondering what considerations you made in discussing the debenture loans at that point.

MR. LOUGHEED: Two comments I wanted to make initially before answering your question. It's been some time since that document has been raised in this building, although I recall it being rather frequently raised when I was on the other side of the House. My memory doesn't extend to the particular quote you raised. The second one is that I thought you were going to preface the question by suggesting that we are only loaning to Conservative governments. But we're having some difficulty because we're running out of alternatives.

MR. CLARK: Can we take that as a prediction on the Saskatchewan elections?

MR. LOUGHEED: No.

It's a question we discussed, as to whether our loans should be specified, say, to utility entities or other aspects of a capital nature to the provinces involved. But we came to the conclusion that, first of all, I think they're good investments for Alberta to make in two ways: one, because I think they provide a good return to the fund and overall, in our judgment and our confidence in Canada, provide good security. Secondly, I think it's good for the Alberta government to be making loans to other provinces. It does show, I think, our reaction and our response to these capital revenues coming to us and then being loaned out to other provinces. Thirdly, of course, it's very good for Canada as a whole, and it's been encouraged in discussions I've had with the Prime Minister on the basis that it really does reduce our pressures of balance of payments. There are a lot of pluses for Alberta to invest in the Canada investment division to these other provincial governments.

The judgment we made was that really to sort of prejudge back here in Alberta what should be going on in Newfoundland or New Brunswick or some other province, is really questionable. We feel that they're the best judge of their financial needs. If they approached us with a specific issue of an offering involving some hydro project or some basic project, sure, that would strengthen the security in that sense of the loan, and would be earmarked for a particular project. But if it's their financial need, and they have to choose between going to New York to loan \$50 million or going to Alberta to loan \$50 million, and it's for the general purposes of their government, which is the case, as you know, with almost every provincial government in Canada, then I think we have to say, all right, if that's their judgment as an elected government in that province as to their needs, and if they come to us and make a request for a loan, I think we should respond both in confidence to them, to the people of that province, and to Canada. And so we came to the judgment decision we would lend for general purposes.

MR. R. SPEAKER: Mr. Chairman, to the Premier. Since the moneys they have received to the present time will be built into their revenue system, do you see them coming back this year and in the coming year? Was there any kind of discussion to that effect during this initial loan?

MR. LOUGHEED: I don't have present to my mind the sort of percentage of borrowings with the two provinces we've already had loans with, but my recollection is that our \$50 million was a relatively minor portion of the total borrowings they had in that year, and certainly we would not discourage any efforts made by either of those provinces or other provinces in coming forward to us for additional requests.

If the implication in the question is that there must be some line with any provincial government if they came to us with such a large loan, yes, I think we would have to look at that particular case which was presented to us. That would be a caveat we would have to keep there: if either we had too large a proportion of their overall loans with the province of Alberta, or we felt that any one particular loan was creating some security risk problem for us, we would reassess it.

MR. R. SPEAKER: Are there any other provinces making presentations at the present time? Does it look like we will be making loans, say, in the remainder of '78 or in '79?

MR. LOUGHEED: My recollection from reading the transcript of Mr. Leitch's answer is that he answered that in the affirmative and said that there were, and that's really all that we can say at the moment.

MR. CHAIRMAN: Mr. Kroeger.

MR. KROEGER: Mr. Chairman, to the Premier. Mr. Notley touched on one of the questions that I had that related to the short-term, long-term concept, looking on page 6, though, and I think this was discussed with Mr. Leitch, that is the concept of the investment in the marketable securities yielding 8.6, and the Canada investment division yielding 9.8. We were discussing the pros and cons of letting it happen as opposed to making it happen. Having been in the business world for a lifetime and having to make those kinds of decisions, it seems to me that we should be making it happen. We could be looking at good areas in other provinces, where they're going to go to the money market in any case, that we might initiate the investment there, rather than having them test the New York money markets and so on. It seems to me that we have reached a point now where the short-term thing, while it may be very good and very safe and easily accessible -- I think that we could initiate some moves now to try to get into the investment thing in those kinds of areas. What is the position of you as chairman on that?

MR. LOUGHEED: Well, it's a question we've been reviewing carefully and attempting to assess, and that is whether we should shift from the posture of merely receiving enquiries or loans from other provincial governments or their agencies, or actively soliciting them. We haven't reached any conclusion on that, and we welcome the advice of the committee.

If I might just outline the two sides of the question. First of all, as I've mentioned on that 8.6, I think as we move into longer-term investments, Mr. Kroeger, we'll see some improvement in that in relative terms, in a shift there. We also, as you note, have the average yield on those long-term loans with the two provincial governments of 9.8, which is quite a marginal difference.

I think there's clearly room for expansion of investment in the Canada investment division. Our only concern in terms of both investment policy and the overall position of the Alberta government vis-a-vis other provinces in Canada is how aggressive we should be in soliciting these requests, and to what extent should we enlist the support of the federal government; that it is in Canadians' interests that the loans be made by provincial governments from sources in Canada rather than from outside Canada, say in New York.

I can only answer your question finally, Mr. Kroeger, by saying on that particular point we welcome the advice of the committee, of course.

MR. KROEGER: Mr. Chairman, again to the Premier: 34 or 35 years of making the judgment of letting people come to us as opposed to approaching them has told me that there is about a 1 per cent -- this really isn't 1 per cent; this is about 17 per cent -- advantage if you can see an opportunity. It just seems to me that that would be very tempting to make the approach and say this is a good area to work in; let's follow up.

MR. LOUGHEED: As a marketer by nature, I receive your representations with interest.

MR. CHAIRMAN: Mr. Horsman.

MR. HORSMAN: This flows from a brief comment that you made earlier in response to an earlier question, and that relates to discussions which we understand are under way with regard to providing financial assistance for the development of the port at Prince Rupert, part of the grain-handling and grain-moving question that has been under discussion earlier. At what stage are we in those discussions?

MR. LOUGHEED: Dr. Horner may have touched upon it yesterday, Mr. Horsman, but not having seen a transcript and not having had the opportunity to discuss it with him other than in a cursory way, I would only perhaps be able to say this: that I was responding to Mr. Notley's question about major projects, and I believe my comment was that that's a major project -- at least in our mind it would be, although perhaps in dollar terms it might not be, \$60 million or \$70 million, as major a sum. But I consider it a major project, as I would any development of the port in Vancouver.

We're waiting right now, Mr. Horsman, as I understand it from Dr. Horner, to see what sort of proposal is made by the consortium involving the Alberta Wheat Pool with regard to upgraded facilities at Prince Rupert. It may be that they make a proposal and just go ahead and do it, and they don't have any need for funding from the Alberta heritage savings trust fund. It may be that they make a request to us for funding and we would look at it very carefully, and positively if we felt that the nature of the consortium and the way in which it was established was in the public interest of Alberta. I believe I said this at the time we brought in the bill, but we do not feel that the Alberta investment division need be restricted in its investments to investments within Alberta; that there can be cases in which we would invest outside of the boundaries of Alberta and still consider it a valid investment. So my response is it's the sort of thing I'd like to see within the Alberta investment division, provided the rest of the aspects of the project work out the way we would like.

MR. CHAIRMAN: Mr. Taylor.

MR. TAYLOR: Mr. Premier, I want to deal with the capital projects division for a minute, where we have economic and long-term economic and social benefits. The question I'm going to ask is one that was raised at some three-quarters of the pre-session public meetings, which came right out of the people; and that is an investment in the long-term health of the people. The point they refer to is dental care.

While Alberta is probably miles ahead of every other province in many, many aspects, we do lag in regard to dental care, both in the number of dentists, the length of time to get appointments, and in the bad teeth of many of our very young people. I realize that starting a program like that there'd have to be a very careful assessment of what it's going to cost next year, the following year, 10 years down the road, and so on. But the question I really want to put is one that was put to me, as I said, a number of times: why can't some money from the capital projects division be put into the health of the people through a long-term dental program, particularly for boys and girls, say under the age of 12?

MR. LOUGHEED: The question seems to me, with respect, Mr. Taylor, to fall more broadly into the budgetary policy of the government, as distinguished from the heritage savings trust fund. I think Miss Hunley is in the final processes of presenting to the Executive Council some proposals with regard to the

denticare program that naturally would have some parameters because of its ongoing cost, and because of the fact that we think many Albertans can afford to handle that cost, as is the case with our policy with regard to premiums on general health. It's a decision, therefore, that we think we would make first as a budgetary/financial/fiscal matter, and after we've made it we would look at whether or not it would be appropriate to fall within the parameters of the Alberta heritage savings trust fund capital projects division.

I'd just like to say this, though. Although there have been exceptions -- Mr. Clark has noted in passing part of those exceptions with regard to the capital projects division having an ongoing operating cost, and that's true although it wasn't specifically raised with regard to the cancer research and the heart research -- we've tried to emphasize in that area the equipment aspect of it, and to try to minimize the ongoing operating cost. Now we recognize that many of these projects in the capital projects division, and we tabulate them, will have ongoing operating costs, but we have to be careful that we don't put within the capital projects division such a high proportion of ongoing operating cost components, that when the time comes, as it will come, that we have to phase down the heritage savings trust fund and return it to the general revenue, we're left over here in the capital projects division with an ongoing operating cost component that will be difficult to handle.

So the philosophy at the moment is to try to minimize, but still accept, ongoing operating cost commitment, particularly for those social projects that are within the capital projects division, but to keep care that they do not tend to be the dominant factor in that division.

MR. CHAIRMAN: Mr. Shaben.

MR. SHABEN: Mr. Chairman, Mr. Premier, earlier in describing the philosophy of the investment committee on the Alberta investment division you touched on the diversification aspect and the view of the Executive Council this is the primary sort of role. Also in the course of your remarks you mentioned that the Ag. Development Corporation and the Alberta Opportunity Company are sort of in this area without doubt, and earlier measures of the government. Is any consideration being given by the government to moving the Ag. Development Corporation and the Alberta Opportunity Company into the Alberta investment division of the fund?

MR. LOUGHEED: Yes, that's being considered. We think that they have both matured to the degree now that both organizations which really do meet the criteria of the Alberta investment division could be considered for that area of investment. The only qualification that we make is that, because both of them are lenders of last resort, we don't want to create the psychological pressure upon them that makes them so cautious, if you like, that they're not prepared to take the risk as a lender of last resort by getting involved into the ambit of the heritage savings trust fund and then have to be in a position to justify short-term losses, as we were discussing on another subject, which they're going to have. And frankly, unless they have a fairly . . . As I've mentioned in the House a number of times, Mr. Shaben, both those organizations should have a reasonable loss ratio. If they don't have a loss ratio, in my judgment, I doubt they're doing their job. Because all we'll end up with is another IDB in Alberta, and we don't want that.

So they should be taking some risks, and they should be getting involved in areas where losses -- particularly in terms of agriculture processing and areas like that that are crucial to our diversification. If moving them,

though, into the Alberta investment division makes them ultracautious and too defensive with regard to their earning position, then I don't think it's a good idea. If, on the other hand, they moved in and didn't have that attitude, I think they'd fit appropriately within the Alberta investment division and its general objective under the legislation.

MR. CHAIRMAN: Mr. Clark.

MR. CLARK: My question deals with the matter of interest rates. According to the report, the money we lent to New Brunswick, the \$47 million, was at 9.5 per cent. Mr. Chairman, when we were discussing with Mr. Chambers in committee the operation of the Alberta Housing Corporation, Mr. Chambers indicated to us that the average yield on AHC loans was in the vicinity of 9.8 per cent, something akin to that.

What's the government's philosophy with regard to interest rates for people in Alberta, as far as home ownership is concerned, at the same time, initially anyway, we're using portions of the Alberta Housing Corporation budget to help develop industrial development parks in a whole variety of rural communities across the province? The real point that I want to ask, Mr. Premier, is: has the government considered using the Home Mortgage Corporation at, frankly, considerably lower interest rates, using low interest rates here in Alberta first as opposed to lower interest rates outside the province as far as home ownership and also economic diversification is concerned in rural Alberta?

MR. LOUGHEED: I think I have the notation here with regard to the budget, Mr. Clark, but I really consider that a clear budgetary matter as distinguished from the heritage savings trust fund question. Our policy and our philosophy, which I think is the right one for the heritage fund, is for the heritage fund to acquire the debentures of the Housing Corporation and the Home Mortgage Corporation at the going commercial rate of interest -- therefore the fund has that return with its average yield, I believe, of 9.2 per cent -- and that that's what the heritage fund should hold, which is just an excellent investment in my judgment, one of the very best of the heritage fund, because it provides the continuity of the flow of that funding coming in to the citizens of Alberta in their capacity of having the heritage savings trust fund. So that will continue to be our view.

The point that you make, I think, is a matter of debate or discussion at the time the Housing budget is reviewed by the Minister of Housing and Public Works, as to whether or not we're adequately providing, under the appropriations of the general revenue fund, sufficient subsidization for our citizens. I recall the figure -- I thought I had it here, but I can't -- that we increased that figure in our budget last year in the Home Mortgage Corporation by a dramatic amount of money. Now one can argue that \$33-odd million, or whatever it is in that particular vote -- six, I think it is -- should be increased. I would think that the place to make that argument is before the Committee of Supply in the Legislature next spring, relative to the financing of the Alberta Home Mortgage Corporation. If there's a need to increase the subsidization, which I presume is the thrust of your remarks, the subsidization for our citizens to improve on the affordability of housing, then it should be a budgetary matter by way of an increase in that appropriation. I think the heritage savings trust fund should continue to acquire the debentures of the Alberta Home Mortgage Corporation and the Alberta Housing Corporation at the going rate of interest in a good year.

MR. CLARK: Mr. Chairman, just one comment and one further question. According to Mr. Chambers's comments, if the subsidies were thrown in the average yield might be .25 per cent lower, but that's all.
The other question, Mr. Premier . . .

MR. LOUGHEED: Depending on how much you increase the subsidization.

MR. CLARK: Well, of course. Mr. Chambers was commenting on the subsidization for '77-78.

The other point, Mr. Chairman, is this: Mr. Premier, has the government considered the other approach of in fact taking housing programs out of the Alberta investment division, taking them over to the capital projects division, and then treating them in the same way we treat other socially desirable projects? And of course that has to be based on an assumption of very high priority as far as home ownership is concerned.

MR. LOUGHEED: No, we definitely haven't, and we've rejected that idea. We think that the best approach is for the Alberta investment division to be acquiring at a good return the mortgages that are developing through both the Home Mortgage Corporation and the Housing Corporation at the current rates of return, which, in this case, have in the past year averaged 9.2 per cent. That's where it should be.

It's probably the best case, if I could underline that again, of where the Alberta investment division in the heritage fund should be used, as it provides funding, particularly in these days when the CMHC federal moneys are not nearly as extensive as they have been in the past. Put them through the Alberta investment division; they'll clearly strengthen and diversify the economy of the province. Then if you have to meet the social need in that particular area by way of affordability questions or questions of subsidization, that should be front and centre a budgetary matter which in this case, of course, to turn the argument, is one for the Legislature to determine.

MR. CHAIRMAN: Mr. Notley.

MR. NOTLEY: Mr. Chairman, I have a general question and then a specific question. The general question flows out of a select committee in the Legislature I was on in 1974 dealing with foreign investment, and basically the recommendation of the committee at that time was essentially that there wasn't really anything that we could do or should do in terms of substantial public moves, because we needed additional investment capital. On page 57 of the report, for example, it talks:

The Committee would prefer more Canadian ownership. In particular, a greater Canadian presence in the ownership of the mining and manufacturing industries would be welcomed. The Committee would also prefer that . . . new undertakings in the oil sands and petrochemical industries be developed through the use of Canadian capital.

Then it goes on to say: ". . . in the absence of such capital . . .". But of course this was really before we began to accumulate large amounts of money in the heritage trust fund as well as the accumulated surplus of the province.

With that as a background, Mr. Premier, could you outline for the committee whether the investment committee has given any consideration to using this rather substantial windfall that we have on our hands now, at this particular

juncture of our political history, to begin the process of deliberately increasing Canadian ownership on a systematic basis.

MR. LOUGHEED: Well, first of all, Mr. Notley, as I'm sure you would expect, I take issue, as I have nationally on so many occasions, with the use of the word "windfall", which tends to be a Toronto term which I face whenever I'm in Toronto. I don't think it's a windfall. It's very clearly a return on the heritage that we have in this province of a depleting resource. Unfortunately the word "windfall" tends to give in the public mind something that we rather unjustly received, and there are those in Toronto who would like to argue that we're unjustly receiving it.

I think that to some extent, and perhaps to a limited extent, we've responded to the thrust of your question through the development of the Alberta Energy Company, and through the aspect of the Energy Company moving into those areas, such as Simpson Timber, the Suffield and Primrose developments, so that the Alberta people are controlling these resource developments in that area. We also, I think, by our decision to invest equity in Syncrude and to develop the convertible debentures, move in the same direction. But we're definitely not in favor of a systematic sort of planned nationalization program where we would move with public moneys into the private arena, because we think that that would really rebound on what has been one of the strengths in Alberta today, which is the investment climate we have in the province.

One of the reasons the Alberta economy has been doing so well in the last three or four years is that we're way ahead of the rest of the country in private sector investment. And a lot of that is psychological: if we do not show that we're prepared to encourage investors from all over the world, provided they meet our rules, to come here, I think we'll find that private sector investment will be diverted elsewhere, and will be discouraging to us, and that our economy will slide down appreciably, in our judgment. For that reason, therefore, we do not favor the utilization of these public trust funds in an area of what would be a systematic nationalization of private sector situations at the moment.

MR. NOTLEY: May I follow that up, Mr. Premier? Let's set aside the question of systematic nationalization or selective public ownership or the various options that some of us might want to look at, and look at the suggestion Mr. Shaben raised of bringing the various programs we do have in place now, the Agricultural Development Corporation and the corporation dealing with small business -- the Alberta Opportunity Company -- and vastly increasing the funding, because you've indicated that the IDB is not doing the job. They aren't. The fact of the matter is that as an MLA every month I get complaints from business people who feel that they have valid propositions that could go, in the case of agriculture-oriented projects, to ADC; in the case of the other commercial ventures, the Alberta Opportunity Company. Have you given any consideration to a sizable increase in the funding of both these projects as part of a deliberate effort to increase Canadian indigenous private ownership?

MR. LOUGHEED: We certainly are responsive to the suggestions by both the Opportunity Company board and the Agricultural Development Corporation board to expansion. I am advised, and I believe the recent reports indicate, that there has been some lessening in the applications that they have received. That's partly due to the fact that -- and it's because, I suppose, our economic strength here has shifted -- some of the financial institutions

finally, and belatedly, are making some decisions here in this province, and hence making decisions here in this province they're more meeting the need in 1978 than they were, perhaps, in 1971. I think that's a positive aspect for Albertans.

The difficult problem here is that there's only so far you can go on lending by way of debt to a company and not create a situation where they have perhaps a good project, but they have no equity. Some of the decisions that you're probably hearing from your constituents arise out of something like that. In other words, they have a good project and they're presenting it, but they simply haven't got the equity financing, and if you give them debt financing too extensively, then you're going to suffocate them; they won't have the cash flow or the working capital, and they won't be able to survive. Sadly that's the history of a number of entities, including some of the ones that they've already loaned to.

I just have to conclude by saying that we will continue to watch both those entities, and if there is justified need to expand them in terms of their need for additional revolving funds we'll be positive to it, because I do think they form a very important part of our financial package here in the province today.

MR. NOTLEY: Some are, some aren't, Mr. Premier. Just one other question I'd like to put to you. On page 28 of the report: of the marketable securities \$641 million are in less than one year. The Provincial Treasurer has already indicated that we want to move into longer-term investments and marketable securities, and I would certainly applaud that. However, one of the things that it seems to me we're going to have to face over the next decade is the investment in power facilities in the province. The way things are presently set up, on the equity portion that power companies put into whatever venture it may be, whether it's a dam or a coal mine, they get a 15 per cent rate of return on that.

Now it strikes me that it's an awful lot more sensible for us to advance money so that we build these projects, using the heritage trust fund, and earning a good return for the heritage trust fund, rather than asking consumers to pay at least a substantial part of the investment over the next decade, 15 per cent. I know that the Provincial Treasurer touched upon this, but he was suitably elusive. I wonder if we could put the question to you, Mr. Premier, and ask where the government stands in terms of looking at the heritage trust fund precisely on some of these major utility investments. I'm not talking about public ownership, although I would argue for public ownership. I'm not trying to make out a case to you at the moment. I'm talking about the kind of capital that will be required over the next decade.

MR. LOUGHEED: Our attitude toward that question is that we think we've been well served, and that's always a matter of debate, by private sector ownership of our utilities in terms of their technical and engineering competence in this province, and we have no intention to change that whatsoever. We will evaluate though, and I think Mr. Leitch, although you say that he wasn't too specific about it, alluded to that in his transcript: that we are looking at the question of whether or not there is an appropriate area for us to use heritage savings trust fund investments in co-operation with private sector utilities or the large utility projects that are considered over the course of the next, say, five to 10 years. And that is clearly something, an option we are looking at.

MR. CHAIRMAN: Mr. Speaker.

MR. R. SPEAKER: It relates to Mr. Shaben's question in consideration of taking ADC under the trust fund. I haven't had as much concern expressed to me with regard to expansion, but a number of young people, particularly beginning farmers, who are making loans at the present time, are faced with an interest rate -- and I just checked this last week -- of 11.25 per cent on their loans. I was wondering if the Premier, in considering taking ADC into the trust fund, would also consider an interest subsidy of some type; and if not, what . . .

MR. LOUGHEED: Well, that matter has been debated, Mr. Speaker, as you know, on a number of occasions within the Legislature in the course of the budgetary review. I really don't think I'd have any additional comment to make now. Perhaps it's one that you should raise with the responsible minister in the fall session of the House. We are certainly always watching that question of what we should do with regard to those interest rates. I was prepared to answer the question in relationship to the decision of moving the Agricultural Development Corporation into the heritage savings trust fund, but your specific question, with respect, seems to me to fall directly in the operations of the corporation and . . .

MR. R. SPEAKER: Well, I was talking in terms of a future possibility. Would you look at interest rates?

MR. LOUGHEED: Well if we did, of course, we would look at it in the same way I responded to Mr. Clark -- this would be the housing matter. In other words, if we made that move I think we would still want to leave the subsidy issue as a matter of general revenue fund budgetary appropriation.

MR. CHAIRMAN: Mr. Horsman.

MR. HORSMAN: Just a very brief question. We're now putting 30 per cent of non-renewable resource revenue into the heritage savings trust fund. I think a very good case could be made for increasing that percentage somewhat. I wonder if you could give your views on the possibility of doing that.

MR. LOUGHEED: Well, I thought Mr. Leitch gave you an excellent answer, Mr. Horsman, having regard to this being a select committee of the Legislature; which is, I believe, that one of the members of the Assembly has that on the Order Paper, and we'll all listen with interest to that debate. I wouldn't want to attempt to prejudge what the conclusion of the House is.

MR. HORSMAN: I hoped you might just give us an indication of your personal views.

MR. LOUGHEED: Not on that one.

MR. CHAIRMAN: Our time has just about run out, but I have one final here. Mr. Taylor, there's time for a short question.

MR. TAYLOR: Okay. I'll make it fast. I'm very interested in the government's proposals with regard to an elevator at Prince Rupert, and also in helping the consortium purchase the federal elevators. There's one item that I haven't heard discussed; and that is, one of the difficulties today in our grain

situation is that we haul too much water and too much waste from the prairies to the coast. You can't get the ear of the established elevators today, because they have all their facilities at the coast. I'm wondering if any consideration in that package has been given to having an inland terminal system in Alberta where the water and the chaff or the waste will be removed before we transport the grain to the coast.

MR. LOUGHEED: Mr. Taylor, a very important question. Yes, we are considering being involved in that. We want to do it co-operatively with the grain organizations that are involved, but our concern is developing with regard to the matter you raise. I think it's becoming even more and more clear every year that that's something that needs to be looked at very carefully.

You mentioned at the outset of your question the matter of the elevator terminals. I believe Dr. Horner and Mr. Moore have been public on that, that we will consider possibly making a proposal by the Alberta government, not to operate them but to perhaps acquire them in the best interests of Alberta farmers and then lease them to grain operating companies.

MR. CHAIRMAN: Do you have one short question, Mr. Clark?

MR. CLARK: I hope it will be short. Mr. Premier, one of the difficulties the fund has as it gets larger, I understand, is the rising expectations that our people naturally have. Has the government considered the prospect of taking royalty in kind from natural gas and in fact storing that, and then, rather than the interest in the fund, but the value added, or the value of the gas, in keeping with what's happening to prices, that in fact we would get our interest returned that way?

MR. LOUGHEED: Well, it's certainly a matter that, I suppose, about every six months we re-assess. It's got some major technical and legal difficulties to do that and gets us into a position of concern on that side. Secondly, we reach a situation then that the cash flow is going to the producers in a much larger way -- which has got advantages, but also from the standpoint of the citizen it stays in the ground. And the risk is this, you know, that we have a market situation now that overall looks promising and optimistic, but there are two or three things that can happen and change that dramatically. We can find, for example, as we did in the Mexican discoveries, a major marketing situation change in North America vis-a-vis natural gas, and markets that we think are fairly readily available to us, say, in California are deferred. And if there's a deferral of markets to a certain point in this whole energy field -- and for those who argue about other forms of energy research, they should keep that in mind -- breakthroughs of new energy sources or new methods of energy utilization might not be to the best interests of Albertans. We are in the fortunate position of being in a sellers' market with regard to our oil and natural gas today, but that might not pertain for a period of time.

So to do what you suggest means that we would risk for the citizen that we leave the natural gas in the ground and then when we want to bring it out in 1988 its value, instead of having appreciated, has not appreciated. That's a clear risk for us to consider. But it is a matter that's fairly, or should be, before us for ongoing review and particularly relates, of course, to the question of cash flow for the explorers.

MR. CHAIRMAN: Thank you very much, Mr. Premier. We really appreciate your coming before us, particularly taking time out from your cabinet discussions today. Thank you very much.

The meeting adjourned at 12:05 p.m.