

THIS TRANSCRIPT HAS NOT BEEN THOROUGHLY EXAMINED FOR ACCURACY AND IS, THEREFORE, AN UNOFFICIAL DOCUMENT.

Standing Committee on The Alberta Heritage Savings Trust Fund Act

Tuesday, September 25, 1979

Chairman: Mr. Payne

1:30 p.m.

MR. CHAIRMAN: Perhaps I could bring to order this afternoon's meeting of the Select Committee on The Alberta Heritage Savings Trust Fund Act. And perhaps I could begin with an apology, or at least an explanation.

You're all aware, of course, that we had scheduled Dr. Horner, as Minister of Economic Development, as a witness before this committee this afternoon. Yesterday morning when I was apprized of his resignation, I did contact his office to determine his interest in appearing before this committee today, and left it with the understanding that I would be advised if a negative conclusion were reached. In the absence of any indication from the minister's office, I assumed we would have Dr. Horner. I learned moments ago that my assumption was incorrect; he has, quite appropriately I guess, determined that because he has resigned from the government it would not be appropriate for him to appear in a ministerial capacity before this committee.

I regret this development, not because it would be appropriate for the minister to report on expenditures made by his department related to the heritage fund -- because, as you are well aware, his department had made no such expenditures -- but, by the same token, because Dr. Horner in his capacity in the cabinet and in cabinet committee is very closely allied with economic development strategy. Inasmuch as some members of our committee have inferred that heritage fund policy to a certain extent is caught up with economic development strategy, it would have been very appropriate, from that latter point of view, to have had Dr. Horner here.

With that explanation and that apology from the Chair, I would like to invite discussion on the point before moving to several other administrative matters that I think would be pertinent for us to discuss today.

MR. R. CLARK: Mr. Chairman, recognizing the situation you're in, would the committee consider it advisable to ask the acting minister, who I believe is Mr. Hyndman, to appear before the committee? My own particular interest is in the area of the Alberta Opportunity Company. It may not be fair to ask a new minister to come on very short notice, because the committee does have some time constraints. So I would at least make the suggestion that we consider having the acting minister -- who is Mr. Hyndman, according to the list I have -- and whatever officials there are in the department who could perhaps supply additional information so that we could explore not only the Alberta Opportunity Company but this broad area of diversification. I think it has some real implications for recommendations that individual members may want to put before the committee.

MR. CHAIRMAN: Any committee discussion of Mr. Clark's suggestion?

MR. PAHL: Mr. Chairman, I thought the Alberta Opportunity was the responsibility of the Hon. Allen Adair.

MR. CHAIRMAN: Mr. Clark, I believe Mr. Pahl's qualification to your comment is correct.

MR. R. CLARK: You may well be right. But could I just say this: whether it's Mr. Adair, or whoever has the responsibility, someone needs to come before the committee who has the overall responsibility for this question of economic development. I just seized upon the Opportunity Company as an area we have yet to explore.

MR. NOTLEY: Mr. Chairman, I think we should try to find some reasonable way of following it up. It's unfortunate that the minister can't be here. I couldn't agree with you more that it would have been very valuable for us to have the benefit of the minister's knowledge, being probably one of the principal architects of the government's diversification moves. That would have been extremely helpful to the committee.

I would say, though, that if we could have the acting minister and the departmental officials, while certainly no substitute for the minister, that would be helpful. I'm not at all sure that in a situation like this it wouldn't also be helpful if Mr. Adair were present too, because he has been working very closely with Dr. Horner on various moves of one kind or another. That being the case, I'm rather sympathetic to Mr. Clark's proposal.

Really, when you get right down to the heritage trust fund, the public has come to see this as really a twofold thing: one, to make sure we have money for a rainy day but, two, as an important means of diversifying the economy of the province. I know that at least some of the proposed recommendations I had in mind would relate to diversification. That being the case, I think it would have been helpful, in my own position anyway, to have had someone present. With the Deputy Premier not being available, if it is possible to arrange to have the acting minister and Mr. Adair, as well as the relevant department officials, I would think we should try to do that.

MR. CHAIRMAN: Before inviting further comment on Mr. Clark's proposal and Mr. Notley's supportive comments, could I ask Mr. Clark and Mr. Notley: would you see the commencement of our recommendations phase as being delayed while we had that participation from the acting minister? Or would you be prepared to get into the recommendations phase and schedule them in as it is deemed appropriate by the committee? The latter?

MR. R. CLARK: Just as long as we'd have an opportunity to make some additional recommendations.

MR. CHAIRMAN: Arising from that testimony?

MR. R. CLARK: Yes.

MR. NOTLEY: I think there will no doubt be a whole range of recommendations dealing with all aspects of the fund. If it wasn't possible, for example, for this to be set up until some time later next week rather than on Wednesday the 3rd, when I believe we meet again, I wouldn't see that that would necessarily preclude us from beginning the study of recommendations which are submitted.

MR. SINDLINGER: Mr. Chairman, I'd also like to express my interest in having somebody appear before us who has some concern or overall responsibility with regard to economic development, especially in light of the announcements made by this government that we would support the Prince Rupert terminal with about \$100 million of heritage funds. In just perusing the last annual report, looking at the capital projects division, there isn't any item that reaches \$100 million. I think that Rupert project is a good example of why we ought to have someone here with responsibility in that area.

MR. APPLEBY: Mr. Chairman, while I can appreciate the request to have somebody responsible for economic development appear, and I can visualize the fact that Mr. Adair could speak for the Alberta Opportunity Company, it would seem to me that if we were to go this route of having perhaps Mr. Hyndman recalled, we would have to be specific in what items we wanted to discuss. Otherwise, as far as I can see, if we want somebody here who is responsible for economic development to answer for the government, it would have to be the Premier himself. I can't see anybody else who has that responsibility, having the changeover that we have right now. I myself would think you would have to try to get the Premier back here. I don't know if that would be possible.

MR. SINDLINGER: In regard to the point Mr. Appleby just made, it would seem that in area of such importance there would be more than one person in the government than just Dr. Horner who could answer for something like that.

MR. CHAIRMAN: Any further comment?

MR. PAHL: Mr. Chairman, in view of the stalemate or impasse, would it not be appropriate to follow up on the first part of Mr. Appleby's point that we sort of provide the shopping list of items we would like to discuss, and leave it to your efforts with ministers responsible so that we could provide, in an agreeable context, the needs of Mr. Clark, Mr. Notley, and Mr. Sindlinger particularly, so that whoever is the responsible minister can be there?

MR. R. CLARK: Mr. Chairman, could I respond to that, Mr. Pahl, by saying that I frankly have sufficient confidence in Mr. Hyndman that he would be in a position to bring to the committee whoever he feels he would need. I think members of the committee would also recognize that Mr. Hyndman wouldn't have the kind of detailed information we'd expect from Dr. Horner. But I'd prefer to go that route. I for one, and I'm sure all of us, would recognize the situation Mr. Hyndman is in, and expect that the officials of the department would be able to supply a great deal of background information.

MR. NOTLEY: Mr. Chairman, I think that really the point of having Mr. Hyndman back as acting minister, supplemented by the officials of the department, is very important. I would hate to see us get into a situation where we just look at essentially a shopping list of areas we're interested in. Then you may very well find as Chairman that you would have to get half a dozen ministers in.

It seems to me that we've now had a department, created by this Legislature, which was really entrusted with the general area of economic development, and there are officials in that department. Unfortunately, we don't have a minister; that's a rather unusual situation. But having an acting minister and the officials of that department -- my view with respect to Mr. Adair was that, if he was willing to come, I felt that it might be supplementary

information, because I know he is working very closely with what was Dr. Horner's department.

MR. BRADLEY: The point I wanted to make to the committee would be that if we were to ask an acting minister to appear before us, the individual might not be able to appear until sometime next week. At that point in time we may, in fact, have a new Minister of Economic Development. Then we should be making our request for that person to appear, rather than the acting minister.

MR. CHAIRMAN: I believe that point has been spoken to.

MR. BRADLEY: We'd be putting that person in a very difficult situation.

MR. CHAIRMAN: Yes.

MR. NOTLEY: I think there's a point that has to be examined. If the new minister wished to appear before the committee, I think that would certainly be appropriate. On the other hand, Mr. Clark made the point, and I think there's some validity to it, that in a sense it would be a bit unfair to take someone who was just appointed to the portfolio -- presuming that that person is new to the cabinet -- whereas with Mr. Hyndman we have someone who is the acting minister, but who has really been very involved in a key way in developing the diversification policy. But I certainly wouldn't rule out, if a new minister is appointed and would like to take the opportunity to come -- by all means.

MR. CHAIRMAN: Would it be satisfactory to the committee if, between now and the next occasion we meet, I were to contact Mr. Hyndman and determine his interest in appearing before the committee again, his availabilities, and if in fact he has any "shopping list" -- to quote Mr. Pahl -- suggestions, or if he would be assisted by such a list? Could I have agreement on that?

HON. MEMBERS: Agreed.

MR. SINDLINGER: I agree as well. But also in the interim, in the event that Mr. Hyndman expresses disinterest, could you also see if there's anyone else who might have an interest in coming before the committee to answer two questions which were brought up earlier and put aside, pending the appearance of Dr. Horner? One was in regard to the Prince Rupert Terminal, and the second was in regard to railways.

MR. CHAIRMAN: I appreciate the intent of that suggestion, and will consider it.

I wonder, then, if we could pass to one or two administrative matters. As we're now moving into the equally important phase of our deliberations in which we prepare recommendations for the guidance of the Legislature and, more specifically, the investment committee of the fund, I have tried to determine in my own mind which is the most effective way the committee can work through the recommendations phase. If I may, I'd just indicate two different routes and a growing preference that I have, but with the clear understanding, of course, that I am wide open to suggestions from the committee.

I understand that in the two past years, recommendations were not submitted simultaneously but over the course of possibly two or three weeks, as they

were prepared by various committee members. The Chairman would in turn, subsequent to their receipt, introduce them for committee discussion.

On the other hand, I have wondered if it would perhaps be a better use of the committee's time if we were arbitrarily to indicate a deadline, perhaps a week from now, and give the committee members that period of time to review their transcripts, their minutes, their own notes; to develop recommendations; and to submit those to me by that arbitrarily determined deadline. I would then take perhaps one or two days to attempt to categorize them. I suspect some recommendations would be very similar, and I would like an opportunity to categorize them. Then I would bring all those recommendations and, if you like, my categorization suggestions to the committee when we first meet to launch the recommendations development phase.

Would any of the committee members care to speak to either of those approaches, or perhaps a compromise, or indeed another approach?

MR. SINDLINGER: Mr. Chairman, I think your suggestion that there be a time line for submission of recommendations, and that you collate and categorize them, is a good idea. I think if you leave the time open for submission of recommendations, that's what's going to happen: people are going to wait until the final time comes for submission of those, and we'll find we're pushed up against a deadline and will not have an adequate opportunity to scrutinize, evaluate, and assess those recommendations.

MR. CHAIRMAN: If I as Chairman may add a parenthetical P.S. to that, I would also of course appreciate whatever time I could have to write the report. I would not like to be left with a very short period of time for that.

MR. NOTLEY: Mr. Chairman, I have no difficulty with your Alternative 2 -- that is, setting a deadline -- with one exception. If we are going to seriously entertain questions flowing to whoever is in charge of Economic Development, we will have to have a period of several days after that session to put in proposals dealing with that particular hearing. As far as the capital works proposals, the general proposals, and the Canada investment proposals are concerned, I would see no reason we couldn't set a deadline of next Tuesday, a week hence, and have them in. But as far as the diversification aspects are concerned, I think that if we're going to hear the minister or the acting minister or what have you, we'll have to have at least a couple of extra days to submit recommendations flowing from that meeting.

MR. CHAIRMAN: Well, we have Mr. Sindlinger's endorsement of Alternative 2, let's call it. And we have Mr. Notley's quite appropriate qualification that we build in a provision to submit further recommendations arising from the presentation of the acting Minister of Economic Development. Any further discussion on the approach or on Mr. Notley's qualification?

Mr. Notley has also suggested Tuesday, October 2, as a deadline for submission of recommendations. That would fit my schedule, if I may make a personal note. If we were to indicate a deadline of, say, midday Tuesday, I could come to Edmonton and spend the afternoon on those recommendations, then be ready to go at 1:30, Wednesday, October 3, when we're next scheduled to meet. Do I have agreement on that?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Good.

MR. R. CLARK: Tuesday noon for submissions?

MR. CHAIRMAN: Yes, that's a week today, which I think is a reasonable amount of time, really.

MR. R. CLARK: Agreed.

MR. CHAIRMAN: The only other matter I wanted to raise was the question of a field trip. You may recall that prior to our first meeting, I had built in one day for a possible field trip. I believe it was Mr. Clark who suggested that perhaps it was inappropriate to make a decision on the field trip at that time; that it would be more appropriate to evaluate the merits of a field trip after we had heard from the various ministers. Mr. Clark, now that we've had this period of deferral and have met most of the ministers, would you wish to comment on whether or not a field trip is in fact useful? Mr. Speaker, did you wish to speak to that?

MR. R. SPEAKER: Mr. Chairman, Mr. Russell indicated that possibly we could look at the University Hospital development. I think that would be a good suggestion. Since I understand that we're not meeting tomorrow, maybe tomorrow would be a good day to do that.

MR. SINDLINGER: Mr. Chairman, I'm opposed to any field trip of any kind for this committee. I think if we look at the range of activities and the projects undertaken with the heritage fund, we'll find it's a very broad range. We could sit here right now and say it would possibly be interesting to go and look at this tomorrow, or that thing there. We could go to a hundred places in the province and look at various areas where funds have been expended. We could spend the rest of the year travelling about Alberta looking for these things. I don't think it's going to help us any in coming up with a report with regard to the Alberta Heritage Savings Trust Fund. I also question our ability to go and spend a few hours at a certain project and say it's being done well by the fund or anything of that nature.

I think it's important that we come up with specific recommendations in terms of your deadline, and that these be well thought out and well reasoned. I think our time would be better spent doing something like that than going somewhere tomorrow which might possibly be interesting.

MR. CHAIRMAN: In fairness to Mr. Speaker, I'd like to repeat his comment that the suggestion was made by the minister himself, Mr. Russell. Any other discussion on Mr. Speaker's suggestion or on Mr. Sindlinger's objection?

MR. KNAAK: Well, I support Mr. Sindlinger on this. I think each one of us has the ability to view each of the projects we're interested in. It's well known that we have the freedom to use the transit systems in Alberta to see these. I believe there is no necessity to go as a group to view any particular project. We're each free to view each of the projects individually, and I think that would probably be the more appropriate way to go.

MR. NOTLEY: Mr. Chairman, I don't really think it would be necessary to go tomorrow. But I wouldn't want us to be setting any kind of precedent that in fact field trips, where appropriate, would not be taken by this committee. The field trip we took last year was a useful one. Where a motion is put before the committee and duly passed, I think we should be prepared to take

field trips on occasion. If there are problems with investments from the fund, and a field trip would be helpful in exploring some of the problems, then we should be prepared to take it. I don't happen to think we need to take a field trip tomorrow to the university health centre. But while feeling that that would be unnecessary tomorrow, I don't think it would be correct for us to accept, in any way, shape, or form, the proposition that field trips are not occasionally necessary, because last year it turned out to be extremely useful.

MR. MUSGREAVE: Mr. Chairman, I'd just like to mention that I agree with Mr. Notley. I think field trips are important and should be taken when the necessity arises. I don't think a case has been made, for instance, for the university hospitals. However, I think it was for the benefit of the committee and the public at large that last year we did go and view the Airdrie home sites. But to say arbitrarily, we won't have any, or you can go on your own, I don't agree with that approach. What I'm saying now is that I don't think we should have a field trip unless there is a justification.

MR. APPLEBY: Mr. Chairman, I think the issue we're discussing right now is whether we should have a field trip tomorrow, as was provided for in the schedule should the necessity arise, as judged by the committee. What we're trying to reach agreement on now is if there is such a need for that particular thing. I don't think there is.

I don't think we're trying to decide whether field trips in the future might be necessary. An occasion or a contingency might even arise during the remainder of the committee's sitting time this year; we might decide we wanted to take a field trip. So I think the issue we're deciding right now is whether we should go somewhere tomorrow. And I don't think we need to.

SOME HON. MEMBERS: Agreed.

MR. CHAIRMAN: Mr. Sindlinger, although I sense a growing consensus now that counters your suggestion, you did indicate that you wanted to participate in the discussion one more time.

MR. SINDLINGER: I just want to qualify that I'm not against field trips in general. It's just that there hadn't been a demonstrated need for this field trip.

MR. CHAIRMAN: I think we have a consensus; that is, we will not conduct the field trip, as I had originally scheduled, but we will leave open to the committee the field trip as a possible vehicle for discharging our responsibilities as determine them under the Act.

HON. MEMBERS: Agreed.

MR. CHAIRMAN: I have no further items for the committee? Is there any item of business that any member would like to bring forward?

MR. APPLEBY: Yes, Mr. Chairman, I just wondered if we should have some discussion -- we've already set up the format for introducing submissions for consideration -- as to how we're going to handle them after you've collated them and brought them back to the committee. What procedure are we going to use to carry on from there?

MR. CHAIRMAN: I have some views on that, but perhaps it would be useful for committee members to comment first.

MR. SINDLINGER: Just for clarification, Mr. Chairman, I'm not quite clear on what kinds of recommendations we're going to come forth with. Are they anything and everything, or just in regard to what should be done with the fund, or what has been done with the fund? Is it wide open?

MR. CHAIRMAN: Well, I'm uneasy with the use of the term "wide open". If your connotation of that term includes relevance to fund expenditures as reported upon in the annual report of the Heritage Savings Trust Fund, as as they relate testimony of ministerial witnesses before the committee, then yes, I agree.

MR. SINDLINGER: Well, let me expound a little on my concern here. And I apologize to the other members and to you, especially those of you who are veterans. But I found that this committee has been very interesting and worth while. There have been some very incisive questions asked here, and some good responses; some have not been good responses, in my opinion.

But it was I who first brought up the question of what this committee does. Being sincere and well-intentioned, I wanted to be certain of what the committee was supposed to do, so that I could contribute to the best of my ability. That raised the question of Section 13(3) and our terms of reference, and we've handled that well enough right now.

But the doubt I have in my mind is: what have we as a committee accomplished in asking these questions? Now, if I were to set out to do something -- if I were to set out and say, Tom, your life ambition is to make a million dollars, when my life was over I would sit down and add up how much money I had. If I had made a million bucks I would say, well, you've reached your goal. If I had made \$500,000 I'd say, well, you didn't quite make it; you're halfway there.

Now, the reason I try to draw that analogy is that when I look at the Alberta heritage savings trust Act, Section 6 says that the Act has "the following purposes". To my mind, the Act's having "the following purposes" is the same as my having the objective of making a million dollars in my lifetime.

So I look at Section 6 and see what it says. It doesn't say that the Act ought to make a million dollars. What it does say is that there ought to be investments that would have "long term economic or social benefits to the people of Alberta". It also says that the Act should have investments that "will tend to strengthen and diversify the economy of Alberta". Finally, it says that the Act should "yield a reasonable return or profit to the Trust Fund".

My question is: how have these investments reached those goals or purposes? Have the investments gone so far that at the end we can say that the fund has made those objectives or purposes? I don't know that they have, and I can't determine that from the questions that have been asked by this committee, nor from the responses.

I'm a little bit lost in that area, and I make this comment so that I can get comments from the other committee members, to know whether I'm just floundering because I'm new at this, or whether there's something else missing here. I don't know yet, nor can I produce any recommendations or criticisms about the fund until I can measure those expenditures relative to these objectives set down in the Act. We haven't done anything specific in regard

to those objectives and the measurement of the performance of the fund to date. I say that sincerely; I'm asking for some help, some direction and guidance in this matter.

MR. CHAIRMAN: Would any members of the committee care to give Mr. Sindlinger the guidance he has requested?

MR. MUSCREAVE: Well, I'm not going to suggest I could give Mr. Sindlinger guidance, but maybe I could help him a little bit. First of all, it's a very, very short history that we have to deal with, and it's a very unique situation. Usually governments don't have an excess of money; they usually have no money. And here's a government that has a large sum of money of which they have to be good stewards. We know that it's very difficult to know where to invest a good part of the fund, so we're keeping it in current accounts that we hope will earn us the best return in the shortest period.

But just to take one example, in the Canada investment division we're loaning roughly only a third of what we could loan. We know that some provinces, particularly Quebec -- we weren't exactly convinced that we would lend to a province that was going to separate, but we know that while we had money here in Canada, Quebec was going down to the New York market for Quebec Hydro. But putting Quebec aside, we still have loaned roughly only a third of what we could loan, and I'm sure we can't go and say to Mr. Davis, now put your pride in your pocket and we'll lend you some money, if he wants money. We can't go to the other provinces and say, we want you to come and borrow our money because the fund is not being spent the way we had suggested it should be spent, and we've got these millions of dollars available for your use.

So I guess what I'm saying to the hon. member is that it's still in the early stages. I'm glad he's on the committee, because we need the kinds of questions he's asking to make sure that we do our job as a committee.

I think the other difficulty we're faced with is: if the Legislature had fewer members on one side than on the other, I think the committee would probably be a little more aggressive in some of its dealings with ministers, and the responses -- he was unhappy with some of the responses. Well, in fairness to the ministers, you can't really respond -- with the example I gave, what kind of response can you make? If people won't take your money, what can you do about it? Obviously you've got to keep it at home and hope some day they will take it. In the meantime, you've got to look after it to the best of your ability.

MR. R. SPEAKER: Mr. Chairman, I think Mr. Sindlinger raises a very, very good point about the committee. What I'd like to suggest is that one of the first responsibilities we have is to examine those three items of priorities to see if they are consistent with the initial statements of government, consistent with the statement as of today.

In my summer review of the Heritage Savings Trust Fund and priorities, I was concerned about one area with regard to economic diversification in the province of Alberta. I raised this question with the Premier, and I felt from his response -- and I want to review the transcript -- that in the last year there has been a change of priority by the government of Alberta: from a concern about diversification to more of a concern about bringing in a reasonable rate of return for the Heritage Savings Trust Fund. In my review of the remarks and the response here, one of the things I want to say to myself is: do I agree with the present priority or not? So I think that's one

of the first questions we should answer in the committee, and certainly as a member I would like to raise it in our discussions and our recommendations.

So I think the point made is that, yes, we should first of all examine those objectives; ask ourselves, are they adequate objectives, too broad? Secondly, is the government placing the right priority on those objectives at this point in time? Following that, I'm sure there are specific kinds of recommendations, depending on the priority we judge, that should come from the committee.

MR. CHAIRMAN: Mr. Clark, did you wish to participate?

MR. R. CLARK: Mr. Chairman, just one comment on the question raised by the hon. Member for Calgary Buffalo. It deals with the third objective, if I recall it correctly: the reasonable rate of return question. One of the areas that, frankly, I'm perplexed in is some kind of comparison between what the government is getting, what its officials say is the best rate of return we could be getting, and some kind of other assessment, other evaluation. You'll recall that we asked the Provincial Treasurer for some information, comparisons of the marketable securities, I think it was a year to the day -- and what kind of response we've got there.

Quite frankly, one of the recommendations I propose to bring to the committee is for us to set up some kind of mechanism so this committee can get an evaluation, by somebody who knows that area, as to whether in fact we are getting an outstanding rate of return, just a 'so-so' rate, or what. I really think this has now been in operation long enough that we have to start looking at some of those kinds of very difficult questions.

MR. NOTLEY: Well, Mr. Chairman, I think in a sense it's unfortunate that we haven't had the discussions with Dr. Horner, because in many respects he was the most important witness of the whole works. While it was useful to look at the capital works investments, nevertheless the bulk of the public attention, and two of the three objectives that Mr. Sindlinger mentioned, really deal with economic diversification and strengthening the economy of Alberta. Really the best way of gauging how the fund is being managed is to have an opportunity to question and probe the economic strategy, if you like, as outlined by the minister in charge of economic development. So in a sense it's just an accident of fate, I suppose, that we had Dr. Horner scheduled at this time, when it might have been more useful to the committee if he had been the first witness or the second witness, after the Provincial Treasurer. We would have been in a better position to look at those two measurements.

I agree with Mr. Clark with respect to the third. One of the things we discussed last year in our recommendations was that we should be prepared to look beyond just the normal facilities of government: if need be, hire private consultants if additional information is required by the committee.

But on the first two questions that Mr. Sindlinger raised, the first two principles, the first two objectives, in many respects it's going to be very difficult, Mr. Chairman, to be able really to assess those two objectives in an extremely objective fashion. They are essentially very subjective, very definite matters of opinion as to what strengthens the economy of Alberta. Does a third oil sands plant strengthen the economy of Alberta? We could have arguments all over the place on that? Would we be better off with a hundred little agricultural processing plants? That whole kind of thing is in many ways a very subjective matter to assess. The rate of return, the third point he raised, is much easier to handle. Even to assess some of the capital works

projects where we're not using any of these criteria, but just whether they generally serve a public purpose, might be easier to assess than principles one and two.

So I don't think there's any easier answer to it at all. But I do think that where we need outside assistance, at least to measure what is measurable, we should be prepared to obtain it when necessary.

MR. CHAIRMAN: Any further discussion?

MR. STEWART: Mr. Chairman, I think that we sort of lack the opportunity of discussing with Dr. Horner this afternoon a lot of the projects that have been begun and are ongoing. Also, as much as anyone here I was interested in future investments within Alberta to help develop our economy. It's well open to debate what direction this would take. I'm sorry that we did not get that opportunity.

I think we've got to recognize that the projects that have been spelled out and are all in their infant stages -- it's impossible to assess how fast they're going, how well they're doing. While something is still under construction, at that point in time none of us can really assess reasonably whether there's any fault with the project as it's going today.

I do believe that our economy -- while our energy is high-profile and will continue to be for the foreseeable future, we've still got to recognize the fact that our forest industry, our agricultural industry, have to keep pace in competition with the other energy projects that are going on. And it's going to be more difficult for them to do so. I think we've got to recognize that one of the greatest resources we have is the land in this province that's not developed. We should be assessing practical ways of bringing this on stream at a reasonable rate to the best advantage of the people who are here. I think that recommendations from this committee would be appropriate that would recommend some form of upgrading that natural resource that we have. We recognize that coal has to come on stream when there's a market for it. We recognize that tar sands are a complex issue, and will take new technology before some of that can be used.

But we do have a resource in our forestry and our public lands that can be well developed for the people who are here today, to strengthen the economy of this province in agriculture and in forestry. And I think we should be making recommendations from this committee urging that some of this heritage money -- that the programs be started. It's not something you're going to do in a year or two; it's a long-term situation. I think this committee should be making recommendations of that nature, that will bolster our prime agricultural economy and our forestry in this province. And I think that in the recommendations, this committee should give consideration to that.

MR. SINDLINGER: Mr. Chairman, first of all in regard to the comments made by Mr. Clark and Mr. Notley. Mr. Clark indicated that we ought to get somebody who knows a particular area when a particular subject comes up. In regard to Mr. Notley's reference to last year's recommendation, just to review that, I'd like to read the recommendation. It was:

That the Heritage Fund Committee be empowered to hire professional staff assistance and to contract independent analyses, in either case to enable more effective review of Heritage Fund investments and more informed direction of future investments.

The response was, and this was a report from the Treasurer, when Mr. Hyndman first appeared before us:

The Investment Committee will approve money spent by the Chairman of the Committee, as approved by the majority of the Committee, for the assistance and analysis requested.

What this says to me is that we have the resources at our disposal to delve more deeply into the heritage fund.

Now, it's been pointed out that because the benefits are more or less intangible -- social benefits, economic benefits -- we can't reasonably assess them. I don't think that's correct. I think anybody can have an opinion on the investments of the heritage fund -- and, God knows, everyone in Canada has that opinion. I think we can have an informed opinion on the heritage fund, and I believe everyone on this committee has an informed opinion about it and its investments, and the social, economic, financial benefits derived therefrom. However, I question how many of us here have an expert opinion on those things. How many of us here have the qualifications to delve into the investments, and to do justice to the scrutiny that those investments require at this particular time?

Everybody in Canada knows that we have all this money here in Alberta. They think about Alberta as being a hoard of money: you can walk into a room in the Legislature Building and you'll see a pile of cash lying around. I think an expert analysis of this fund will show that there isn't a pile of cash lying around in Alberta, hoarded in a room. I think it will show that those funds have been invested for the benefit of Albertans, for the benefit of not only Albertans but all Canadians. When we talk about funds being invested in short-term securities, that isn't money lying around, and it isn't money being expended just in Alberta. It's money being expended all across Canada, and all regions and all people of Canada are benefiting from those funds.

My purpose in bringing this up is not to find fault with a project, to find what's wrong with it or to question its progress to date. My purpose in bringing this up isn't just to determine what the rate of return has been, in a financial sense, from those investments -- because there's a social rate of return, an economic benefit as well as a financial rate of return. I think it's incumbent upon this committee to demonstrate not only to Albertans but to all of Canada that we've taken a long, hard look at this fund, because of its importance to Canada in an economic sense.

A lot of projections have been made about this fund until 1985 and thereafter. Some projections say this fund could be as much as \$25 billion by 1985. Think of what that does to the economy of Canada if we take \$25 billion out of circulation, don't recycle it. This fund doesn't do that. It doesn't take money out of circulation; it does recycle it and puts it to use.

I think we have to demonstrate that through our examination of that fund, and we haven't done that examination yet. I think it's our responsibility, and we're honor-bound to do that, not only for Albertans but for everyone in Canada. That's why I've brought this up, and that's where I'd like to leave it with the other committee members.

MR. PAHL: Mr. Chairman, I appreciate the points the hon. Member for Calgary Buffalo is making. I hope he's not suggesting that the Auditor General's report was not adequate. I read it as a need perhaps to develop these performance criteria or objectives, and I think that would be properly in the scope of the recommendations that we should discuss.

But I sort of have the concern that -- I found the Auditor General's comments on the fund appropriate in the sense of good management. But I still appreciate his question with respect to performance criteria, and would suggest or hope that in the course of bringing forward recommendations, he would perhaps give the committee something to chew on in that regard.

MR. APPLEBY: Mr. Chairman, I didn't introduce a notion originally when I suggested we should discuss our procedures for handling the recommendations. I think we've strayed rather far afield from the subject I introduced, and I wondered if we could get back to that and make some decisions as to how we're going to handle the recommendations when they come before the committee.

MR. CHAIRMAN: The Chair appreciates that reminder of the extent to which we have strayed from the original comment. Perhaps I could initiate the discussion.

I had thought that on Tuesday next, I would have an opportunity to go through the recommendations prepared and submitted by the members, categorize them, then exercise my discretion as to the sequence of their discussion, perhaps circulating to the members of the committee a list of the subject matters of those recommendations, and perhaps obtain some concurrence with the sequence that I determine; then discuss them as a committee one at a time, attempting to adopt, reject, or modify and adopt as we deem appropriate. Discussion?

HON. MEMBERS: Agreed.

MR. R. CLARK: You'll give copies of the recommendations to all members?

MR. CHAIRMAN: Yes. On the first day, each committee member would receive a copy of all the recommendations, plus my suggested sequence of review.

MR. CHAIRMAN: If I have agreement on that, I'm unaware of any other discussion today, so I would entertain an adjournment motion until we reconvene on Tuesday next. I'm sorry -- Mr. Sindlinger.

MR. SINDLINGER: Before you do, Mr. Chairman, and before we drop the subject, the point I'm trying to make is that we can't get to recommendations until we've judged this heritage fund in terms of its objectives. In my opinion, we haven't done that yet. We have not done our job in assessing that fund, and until we do that job, I don't believe we can go to recommendations.

We have recommendations here that came up last year and the year before, and I'm sure they're going to come up again. The suggestion that my contention be brought forward in a recommendation would be just a reiteration of what's come before. If I sit here next year, I can see myself saying the same thing, or I can see someone else saying the same thing. What have we done in terms of assessing this fund in light of its purpose or objectives? I maintain that we haven't done that.

MR. CHAIRMAN: I'm not sure that's a new point; it's a reiterated point. Mr. Pahl, of course, has responded in part by saying that the adequacy

of the fund's performance is at least implied by the Auditor General's report. I believe there's also been a useful suggestion from the committee, Mr. Sindlinger, that you incorporate that concern into an explicit recommendation. If indeed you are concerned that 12 months hence you or another committee member will be raising the same question again, perhaps it will be incumbent on you to ensure that your recommendation is explicit enough to avoid that unfortunate possibility. I'd like to invite other discussion on your comment, Mr. Sindlinger, and then return to you. Mr. Musgrave.

I'm sorry?

MR. SINDLINGER: I could save some time perhaps.

MR. CHAIRMAN: Okay, in view of the possibility of saving time, back to Mr. Sindlinger.

MR. SINDLINGER: I won't pursue this any further, other than to ask the question, if I can get a satisfactory response from the colleagues on the committee. Could the colleagues on the committee stand up before anyone in this country and say: yes, we have satisfactorily, reasonably assessed the investments of the heritage fund. If the committee members can say yes to that question, then I'll consider myself out of line and won't pursue it any further.

MR. CHAIRMAN: We have a rhetorical question. Would anyone care to respond?

MR. NOTLEY: Mr. Chairman, I think there are certainly shortcomings; but, with great respect, we have been caught in a time frame. I think one of the things we should consider in the future, quite frankly, is to review that time frame more carefully. I've felt for some time that a time frame where we start our hearings at the first of September, and try to cram everything in and complete the report by the fall session, is not the best way to do it. Now, we're all feeling our way here, so it's not a question of criticizing anybody. But I think we can't easily dismiss the point Mr. Sindlinger raises.

If we're going to do a much more comprehensive job, which is what I think he's saying, then in my view we have to look at a different time frame for next year. I don't think we can really change things dramatically for this year, but in terms of next year's report, it may very well be that we should be starting just after the spring session. I know there are problems getting the report, but maybe we've been tied too closely to this document, as if that's the Holy Writ. Certainly it's an important place to start. But in the question of probing, assessing, and what have you, it may well be that we should be looking at a substantially earlier start in our hearings than we have traditionally over the last two years. As you recall, last year a motion was accepted by the committee to have hearings into the grain handling scene, and I had indicated that at the appropriate time I would raise that again. It seems to me that as we assess the adequacy of some of these investments, we shouldn't feel constrained by the five-week timetable we have used for the last two years. It may well be that we should be meeting after the fall session or in the spring or earlier in the summer.

I don't think that can really solve the problems Mr. Sindlinger has raised with respect to this year's report. But I do think it is a point that should be examined in how we approach the work of the committee in future years.

MR. KNAAK: I just have a question of Mr. Sindlinger, if I'm permitted, Mr. Chairman. Is the suggestion that this committee in its report make an assessment of the fund's investments in relation to its objectives? If that is the intention, does Mr. Sindlinger see the committee drafting a page or two on its evaluation of the success of the investments in relation to those objectives? Does he also foresee, then, if there are some inadequacies, to identify those?

MR. SINDLINGER: Mr. Chairman, I would say that Mr. Knaak has put it more succinctly than I have. That's what I would have felt that this committee do: make an assessment of the investments relative to the objectives. However, I don't feel we can do that in a page or half a page. As Mr. Notley has pointed out, we have a time constraint. For \$5 billion, however, I think we can expand upon the time we have to do this. To my knowledge, I don't know that our deadline is written in stone. I know it's a matter of professional integrity, of course, on the part of all of us to meet deadlines when we set them. But if there's a matter of pressing importance, I see no problem in extending the deadline to give us adequate time to assess the investments of the funds relative to the investment objectives.

MR. CHAIRMAN: Further comment?

MR. KNAAK: Well, an initial thought: I like the idea. I guess the only question I have: if there is another one, I would like in order for the emphasis to be focussed in a direction to make an assessment of present investments, if that's the kind of thing we're talking about, to see if the present investments are meeting its objectives. If we begin to discuss alternate investments that could have been invested into, or alternate investments that may have had a better result, I believe we're then going astray and we're not going to accomplish too much. But I certainly do like the idea of assessing the present investments to see if they're reaching the objectives set in the Act.

MR. MUSGREAVE: Mr. Chairman, I think I'd take objection to that. As I tried to point out earlier -- and I'm not as well spoken as these gentlemen behind me -- frankly the fund has not been operating that long. If anybody reads *The Financial Post* or the *Financial Times*, you can always get half a dozen experts who are always disagreeing on what stocks should go where, and how many hundreds of millions should go into this project or that project. I think that to sit down and look at something with a total of \$5 billion that's been going a very few, short years, which has a lot of investments locked into it . . . So we decide we don't like the money that's in AGT; how are we going to move that \$0.5 billion out? Or we don't like the money we've put into Alberta housing; how are we going to get rid of it? Or PWA; what are we going to do with it?

I mean, when you add up these parts of the fund, you realize that it's going to take five to 10 years to assess whether or not it's been a wise

investment. To suggest that -- what is it, roughly half a billion or three-quarters of a billion that's in short-term securities -- maybe if we'd gone this route instead of that route, we'd have got 0.89 instead of 0.87? You know, how naive can we get?

Mr. Chairman, I think that if the committee wants to examine the philosophy of the fund, that's a different matter. But if you're going to get into the nitty-gritty, I suggest that the time it has been in existence is much too short. But if you want to challenge the philosophy, that's fine. That's an area that maybe they want to debate, and we can listen accordingly.

MR. KNAAK: Mr. Chairman, I think I'd like to respond to those comments. I know it's difficult in the second year of a program to make an accurate assessment of whether or not it has reached its objectives at that time. But if this is to be a committee with some teeth, so to speak, I believe it's important that we undertake that task and make an evaluation in terms of the objectives. Although it's a difficult task, that shouldn't in any way preclude us from attempting it. I think in that way each one of us will have a better focus, and even a better focus in terms of asking questions of the ministers.

MR. CHAIRMAN: Before acknowledging Mr. Clark's indication, I'd like to suggest that much of the discussion we're now having would, it seems to me, be perhaps more appropriate in the discussion of recommendations that bear on these very fundamental questions of the mode of operation of the committee.

MR. R. CLARK: Mr. Chairman, after your comment I would just say this: I think members would find it very helpful if we were all to go back and read the Premier's comments on diversification one year ago, then the priority the Premier gave to diversification this year; then to look at the initial debate in the Legislature and the legislative mandate. I think that is one way that committee members can see and make some evaluation of what was intended and what appears now to be the government's feeling and attitude in the area.

At the risk of having you remind us again, Mr. Chairman, that this debate could better take place when we get to recommendations, I'll forego it there, other than simply to say this: I suspect that a number of recommendations will come from members dealing with the question of diversification. Any way you slice that, Mr. Chairman, that should be seen as a feeling, at least from those members who make those suggestions, that we're not moving in the direction set out in the initial legislative mandate. Lest I make the same speech twice, I'll stop the speech there and have it better prepared for next week.

MR. APPLEBY: Mr. Chairman, I wouldn't want the committee to rise today with the feeling prevalent, as suggested originally by Mr. Speaker, I think, that there has been a change in priorities as far as the government is concerned with regard to the heritage savings trust fund. That was that the emphasis now is shifting from diversifying the economy to rate of return. I think these two things are synonymous, and they go together.

Following along Mr. Musgreave's suggestion that you cannot very well assess the success of the use of the Heritage Savings Trust Fund in

immediate terms, I think that's very true. That also applies when you talk about diversifying the economy. The results of diversification will not be apparent for a number of years, and projects that are ongoing in the industrial and commercial area, and in the field of agriculture and resource development, are going to take a considerable length of time. I think it's going to be some time before we can make a thorough and true assessment of that.

I think we're premature in trying to come to grips with the success of the program at this stage. I think it's going to take a lot longer than two years before we can say we're doing the right thing at the right time. I'm sure that the recommendations of the committee will be aimed at seeing that the economy of Alberta remains in a buoyant state. I was happy to hear Mr. Clark say that a number of the recommendations that he was considering would be dealing with diversification of the economy. I think that's what we're here for: to get those kinds of recommendations.

But I don't think we can judge at the present time whether the directions being taken are successful at this stage of the game. I would also like to re-emphasize that I don't think there's any change in priorities as far as diversification and rate of return are concerned, because I think these have to be co-ordinated together.

MR. CHAIRMAN: As that represents perhaps another opportunity for digression, Mr. Appleby, I would like to exercise the prerogative of the Chair and suggest that we've had a very useful discussion this hour. I've personally benefited from it. I'd like to add to Mr. Clark's suggestion that we read transcripts of debate in which the Premier has discussed various objectives of the Heritage Savings Trust Fund. I'd like to add to that by suggesting there's a great deal of reading that I think would serve us well in the development of our recommendations, not the least of which, of course, are the minutes and transcripts of the hearings of this committee, in addition to the report of the trust fund itself, the Auditor General's report, and other material that is readily available to us. I would recommend as much personal research as possible, and I think we would see a significant increase in the quality of the deliberations of this group as we move into the recommendations phase.

May I now have an adjournment motion, until we reconvene at 1:30 Tuesday next? Thank you, Mr. Appleby.

MR. R. CLARK: Mr. Chairman, isn't that Wednesday next?

MR. CHAIRMAN: I'm sorry. Wednesday next at 1:30.

The meeting adjourned at 2:40 p.m.

