

Standing Committee on The Alberta Heritage Savings Trust Fund Act

Thursday, September 4, 1980

Chairman: Mr. Payne

9 a.m.

MR CHAIRMAN: Good morning, ladies and gentlemen. I'd like to bring to order this meeting of the Alberta Heritage Savings Trust Fund select committee.

I would like to welcome Mr. Chambers and his departmental officials today. Perhaps, Mr. Chambers, we could commence with your introducing to the members of the committee those of your officials that are here today. And then of course feel free to make any preliminary comments you'd like to make.

MR CHAMBERS: Thank you, Mr. Chairman. Next to me on my right, Ken Pohlko, president of the Housing Corporation, and Darwin Earl, vice president of development; Bud Schaab, vice president of property management. And on my left, Joe Engelman, president of the Alberta Home Mortgage Corporation. Behind Joe, Bill Gilbertson, finance; Terry Fikowski and Warren Kublik. Next to Joe, Murray Rasmusson, Deputy Minister of Housing; Rick Beaupre and my executive assistant, Sylvia Price.

Mr. Chairman, members of course have the report of the heritage fund, and I think we distributed to the committee copies of the budgets for the mortgage corporation . . .

MR CHAIRMAN: I'm sorry. I'm having trouble hearing you, Mr. Chambers. I don't know whether it's my ears or . . .

MR CHAMBERS: I think members received copies of the annual reports of the two corporations. Can you hear me all right now?

MR CHAIRMAN: Yes.

MR CHAMBERS: And photocopies of the last budget. I might add that members are aware that the financing of both corporations is through debenture borrowing, which has been placed through the heritage trust fund. As of the end of March, the Housing Corporation had \$402,500 in debenture borrowing. For your interest, the corporation has an inventory of some 21,500 housing units; counting what's planned or under construction as a result of this year's budget, about 28,000 units.

As of the end of March, the debenture borrowing for the Home Mortgage Corporation was \$749.1 million. As of the end of June, there were 16,937 loans on 28,919 units, for a balance of loans outstanding of approximately \$831,962. Again, the capital financing, through these debentures, is placed with the Heritage Savings Trust Fund. The operating costs, of course, deficits, grants, and so forth, are all normal general revenue budget. So with that, Mr. Chairman, I might be happy to try to answer any questions your committee might have.

MR CHAIRMAN: Thank you, Mr. Chambers. I'd just like to clarify for the members then that as a minimum they should have before them the annual report of the heritage fund. And page references in the annual report for our concern today are 16, 17, with the summary of investment transactions, and 32, schedule 2. The Alberta investment division investments are tabulated there.

As well, the three publications that were sent to me and advanced to the committee members: the blue folder entitled Program Information, the cerlox-bound publication, Provincial Housing Programs in Alberta, and finally the green pamphlet, Alberta Rental Investment Incentive Program. With those materials, then, I think we're in reasonable position to conduct our meeting today.

MR R CLARK: Mr. Chairman and Mr. Minister, I feel somewhat outnumbered over here. It's a strange situation for people sitting on this side of the House. But could I ask, Mr. Minister, so we get some kind of magnitude of what both corporations and the department are involved in. What magnitude of the total number of housing starts in Alberta would the heritage fund moneys be involved in? I'm trying to find out if it's 10 per cent or 50 per cent; some kind of ballpark figure we might start from.

MR CHAMBERS: Mr. Chairman, I think we can find that information fairly quickly. When we last checked -- this is counting what we're building through the Housing Corporation and what we're financing through the Home Mortgage Corporation -- it would be approaching 50 per cent this year, which is a very high number in terms of past years. It reflects the downturn in housing construction by the private sector.

MR R CLARK: Mr. Minister, does that 50 per cent -- and I use the term "housing starts" so we're on the same wavelength -- take into consideration the senior citizens' housing program, everything we're involved in as a province?

MR CHAMBERS: Yes.

MR R CLARK: Then, Mr. Minister, what does the department or the minister deem to be a target? You just said the 50 per cent represented somewhat of a downturn in the private sector. What is a reasonable ratio? Sixty-forty? Sixty per cent for the private sector, 40 for us -- if I can use the term -- to be involved with? What's the range?

MR CHAMBERS: I guess we could talk about the historical range. I don't know that it would be fair to say 25 or 30 per cent represents a goal. I think that obviously in the area the Housing Corporation works in -- community housing, social housing, housing for senior citizens -- we're going to continue to have a fairly significant demand in that area. So that would continue. However, in the area the Home Mortgage Corporation is involved in, I think we'd all be happy if the private sector were to provide that money and that financing, and those houses. So I guess the goal there would be less, rather than more. We're primarily in it because of the demand and the need, and the fact that as a result of many factors, including high interest rates, as members are aware, and the removal of the capital cost allowance and so forth that the private sector experienced a significant downturn this past year. Therefore we've had to be in it to meet the demand for housing by Albertans and people coming into Alberta. I think in that area the goal would be that the private sector would do more rather than less. That would be my objective.

MR R CLARK: A supplementary question to the minister. If we could separate for a moment the senior citizens' housing, which I don't think anyone has any question about, and also the social housing, being the rural and native housing program -- I don't want to get involved in that one today -- and others. Of the financing that is done by the Home Mortgage Corporation, what percentage of the homes being built in Alberta -- ballpark, this year or last

year -- is the corporation involved in? I can see 50 per cent total overall; is it 40 per cent in that area?

MR CHAMBERS: Our long-term average has been about 15 per cent -- we're talking just about the Home Mortgage Corporation. This year we're running to about double that, about 30 per cent. For example, in the report on two of our major programs, the family home purchase and the core housing incentive program, or CHIP, as members will recall, we increased our budget this spring to 5,500 family home purchase units and 4,500 CHIP units, for a total of \$505 million. As of the end of July, we had, either approved applications or in process, 4,920 units for the family home purchase, out of 5,500; and in the core housing incentive program, 2,913 out of 4,500. That represented only four months. So the demand is very heavy in these areas, and I think that is reflected in that 30 per cent number.

MR R CLARK: To the minister. Are we going to be to the point where when those target figures have been reached -- I would suspect we are getting close to that now, recognizing we're getting close to the end of the construction season. Having regard to the fact that the committee has to make some recommendations as far as next year is concerned, are the targets which were announced during the spring session -- should those be increased from the standpoint of looking at the demand that we've been getting in that area?

MR CHAMBERS: I would think certainly in the area of the family home purchase program that it would appear that target should be increased, at least based on this year's experience. Now that takes into account again the impact of the very high interest rates we saw during the first half of the year. Should the interest rates stay low, there may not be quite the demand next year. So a lot depends on the interest rates. But it would be my intention, should we run out and the demand was still there, to request more funding.

MR KNAAK: Mr. Chairman, my question was just for clarification. In the 50 per cent number mentioned by the minister, could he advise what the breakdown is between more or less unconditional lending by Alberta Home Mortgage -- the way it acts like a bank -- and the actual proportion of direct construction by Alberta Housing. In other words, I'm trying to determine how much housing the government provides in proportion to the private sector. Is it 10 or 15 per cent of the total housing starts?

MR CHAMBERS: Yes, it would be 10 to 15 per cent for the Housing Corporation, and 30 per cent or so by the Home Mortgage Corporation.

MR KNAAK: The Home Mortgage Corporation merely lends the funds, doesn't it, and then the private sector builds the homes. Is that right?

MR CHAMBERS: Right.

MR BORSTAD: My question regards senior citizens' homes and self-contained units. Is there a backlog or a waiting list from foundations for extra accommodations for senior citizens, and what is the forecast due to the changing age patterns of citizens? You know, some of us are getting up into that age group, and I was just wondering, what is the forecast as far as the patterns are concerned? And are most of the units in the smaller centres throughout the province filled completely, or are some running half full?

MR CHAMBERS: Mr. Chairman, the demand for this sort of accommodation has continued very high. There would be some backlog in Edmonton and Calgary, I

guess it's fair to say, and there's some in the rural areas, but not so extensive. We're closer to being caught up in the rural areas. I would think, though, that we will catch up, and that in the years ahead there'll be a levelling off of activity in this area; that we will soon reach a stabilized condition in terms of construction of senior citizens' accommodation. As members know, it's very popular accommodation with seniors.

MR BORSTAD: In regard to the backlog, how many units are we talking about?

MR POHOLKO: Mr. Chairman, the approximate backlog we're looking at right now -- including the current year's budget, we have approximately 3,000 units in various stages, planned or under construction. We anticipate that by the end of the current fiscal year we will have caught up in our production to the extent that we will be carrying for the next year approximately 1,000 units that are in the works right now. That, with perhaps a small levelling off in demand next year, causes us to believe that by the end of the next fiscal year we could be completely current with the demand in the senior citizens' housing program. In total, we have approximately 1,500 under construction right now, and 3,000 that are in various stages of planning, of which approximately 2,000 should be under construction by the end of the March '81 fiscal year.

MR BORSTAD: The vacancy rate in some of the smaller centres?

MR CHAMBERS: It tends to be very low. There's more of a vacancy rate in lodges from time to time. A couple of lodges have higher rates. But the senior citizens' self-contained are essentially all full.

MR NOTLEY: Mr. Chairman and Mr. Minister, first of all a follow-up to Mr. Borstad's question. Has there been any appreciable change in the vacancy rate since the rent was dropped from 30 per cent of the income to 25 per cent? And again, just following up on some of the smaller centres, I know at least one in my constituency. We've had some difficulty getting people to stay in that particular set of units.

MR CHAMBERS: I don't think we can say that we've noticed any change in vacancy rates as a result of dropping from 30 to 25. Of course, the self-contained were full and are full now. In the area of community housing, though, the vacancy rates have dropped somewhat, but that may be attributable to other factors; for example, the overall decline in vacancy rates in apartments in Edmonton and Calgary, which therefore would turn more people toward that form of housing. So I don't know that you could necessarily attribute changes in the vacancy rate to the drop from 30 to 25.

MR NOTLEY: I wonder if I could just move into another area; that is, with respect to the Home Mortgage Corporation. Is there any unwritten rule or preference given when a couple, for example, goes in to obtain a mortgage through the Home Mortgage Corporation, as to the type of housing? I've had some complaints by constituents. It's been suggested that they should get a local contractor rather than a modular home; other examples of units that have been built and haven't been sold by contractors. Is there any unwritten rule in terms of guidance that is given when somebody applies for a loan under the Home Mortgage Corporation?

MR CHAMBERS: Mr. Chairman, perhaps I might get Mr. Engelman to describe the procedures in that area.

MR ENGELMAN: Mr. Chairman, there are no rules as such, as you present it. The only thing I can think of that might be referred to would be in the area of modular units that are already built that haven't been inspected by us. We do insist that we inspect them during construction so that we know what's in them. That could come up. That's really the only thing I can think of.

MR NOTLEY: So there'd be absolutely no difference in terms of preference to a unit built by a local contractor. In at least some areas we have the situation where the choice is between a modular home and one that is totally constructed with the use of local contractors. There is no preference, then?

MR ENGELMAN: There is no preference. We accept anything that's built to the Alberta building standards, or mobile homes that are built through CSA's 240 code.

MR NOTLEY: So that any suggestions made by Alberta Housing or Home Mortgage people would be on their own and not corporation policy.

MR ENGELMAN: Not as such. The only thing is, as I mentioned before, would be the case where the modular unit was already built and we hadn't inspected it. We could say, no, we can't attest to the construction; therefore we can't finance that unit. That's the only thing that comes to my mind.

MR NOTLEY: What about the situation in certain communities -- and we have it in the north; how long it will exist, I don't know -- where certain builders have overbuilt, and there's a surplus of houses that they haven't been able to sell. I can think of at least three communities where that is sticking out like a sore thumb for all to see. Is there any preference? In fact, are we attempting to get people to buy those homes? People have homes on the market that they haven't been able to get rid of, as opposed to building their own home from scratch?

MR ENGELMAN: It should be just the opposite, in fact, because we come up with that inspection situation again, where unless they were originally financed by us and we have inspected them and they've been built by builders on a speculation basis. Then, yes, there are units there for sale. But if somebody wanted to build their own home, regardless of the fact that they're there, we may suggest that there are units that may be purchased -- and may be purchased at a lesser cost, I don't know -- but we wouldn't refuse an application for a new home.

MR NOTLEY: No preference would be given at all. How many examples do we have of projects where we have helped finance builders who have overbuilt? In certain communities that is a problem. The market isn't immediately there, and you have a dozen houses or so that are built and aren't sold. Do we have many examples like that?

MR ENGELMAN: There aren't very many. I can think of two or three communities at the most, where there may be a few surplus units or there may be or have been some difficulties with marketing.

MR NOTLEY: Where we have participated in the facilitation of this project, do we encourage applicants to come along, or just leave it entirely up to them?

MR ENGELMAN: Basically, we leave it to the builder to market his product with our financing on it. When the builder takes a loan from us, he is really not in a much different position than if he had obtained a loan from somewhere

else. He takes the risk that he is going to be able to market that unit and has to judge the market. We do too, of course, because we don't want to get the builder into all kinds of difficulty. But he takes the risk, more so than we do, because if he can't sell them, we're going to have to put him on repayment and he is going to have to meet the payments on the loan until such time as he can sell the units.

MR NOTLEY: At this stage, you are only worried about two or three examples? We may be thinking of the same examples, but okay.

MRS FYFE: Mr. Chambers, I wonder if you could just give us a general idea of the breakdown of housing starts in the urban areas, primarily of the Edmonton and Calgary areas, compared to what would be outside the two metropolitan regions, throughout the province.

MR CHAMBERS: This year?

MRS FYFE: Yes, over last year.

MR CHAMBERS: Mr. Chairman, I don't know whether we have sufficient information here to satisfy the question, but we have some that might show something of a breakdown. For example, total residential starts in urban Alberta in July were 2,785: Calgary, 958 units; Edmonton 1,234. I don't know if that would . . . We have some cumulative numbers to the end of July, which I think is probably more useful. These are all types of housing, single and multiple. Calgary, 5,723; Edmonton 4,907; Camrose, if you like, 108; Fort McMurray, 382; Grande Prairie, 364; Lethbridge 229; Lloydminster, 152; Medicine Hat, 349; Red Deer, 739. The total for Alberta would be 12,953.

MRS FYFE: Thank you. Mr. Chairman, a supplementary. So in rough terms, approximately two-thirds would be in the two metropolitan areas, and a third outside?

MR CHAMBERS: Yes. A little more than two-thirds.

MR R CLARK: Mr. Minister, going back to the first question I asked about our degree of involvement in the whole housing market in the province. You indicated to us that we're involved in about 50 per cent of the total housing in Alberta. Mr. Minister, then, what is the total call on the operating budget of the province, as a result of about 50 per cent of the housing starts in the province this year coming from the department? I want to be very clear: I'm not being critical of our involvement. I'm trying to ascertain, though, what is the ongoing call on the operating budget? What are we looking at, again, in ballpark figures?

MR CHAMBERS: I didn't bring the operating budget with me.

MR R CLARK: But some sort of ballpark figure.

MR CHAMBERS: It looks like about \$20 million total for the Housing Corporation and about \$15 million for the mortgage corporation, and about \$50 million for the department. So the total would be about \$85 million.

MR R CLARK: Mr. Minister, that's the rough figure for the call on the operating budget this year. If we could look back for the last couple of years and look to the future, at about what rate are we increasing the call on the operating budget as a result of the programs here?

MR CHAMBERS: I don't know if I can answer that specifically, without going back to my office and looking at the budget and doing some calculations. There is certainly a relationship, to a degree, to the extent of our programs. It's not direct, of course. Our staff increases have been quite modest over the years. Therefore the demands, for example, on the Home Mortgage Corporation personnel, have been very heavy with these increased programs. On the other hand, there are increased subsidies, of course, related to the increased number of units. While there would obviously be a relationship between the operating cost and the number of units in our programs, it wouldn't be direct.

MR R CLARK: Mr. Chairman, perhaps I might rephrase the question. I'm not, at least on this occasion, being critical of either of the corporations, from the standpoint of their growth as far as personnel is concerned. What I want to get some kind of grasp of if we can -- and I appreciate that it may not be possible this morning; Mr. Minister, perhaps if you could get the information to the Chairman and we could have it later -- but some feel for how fast the call on the operating budget is increasing as a result of the programs here. If my memory's accurate, it was about \$55 million last year, wasn't it? I see some head-shaking. That must mean I'm being too conservative or too liberal, which is it?

MR CHAMBERS: I was shaking my head because I wouldn't know without going back and looking at the paper, which I'd be happy to do and provide you with, Mr. Chairman.

MR R CLARK: Very good, then.

MR OMAN: Mr. Minister, I want to get into a little bit of philosophy, as compared to your experience in housing that you subsidize or promote. Can you give me a breakdown of units today at all, ownership compared to rental? I'm thinking more in comparison to percentages rather than necessarily actual numbers. Obviously, senior citizens are going to be on a rental basis, and some people will have to rent because of their situation. But I'm just wondering. I think you do put some units on, encouraging private builders to build rental accommodation at subsidized rates. The other thing is, how does that compare with your philosophy? In other words, is it desirable, as you see it, to provide home ownership where possible, over subsidized rental?

MR CHAMBERS: I think I'll start with the last question. It's my view that home ownership is the most desirable way to go, and we try to encourage that. I think it has a lot of benefits, socially and otherwise. For example, we found that the length of time people are on subsidies is not very long. About 30 months, and the average person gets off subsidy. Therefore, their incomes have increased; they're acquiring equity. I think ownership is highly desirable. On the other hand, a number of people perhaps do not have sufficient income to acquire even a modest home, and others prefer to live in rental accommodation and don't wish to own a home. As far as numbers, Murray, do you have any figures?

MR RASMUSSEN: Mr. Chairman, the question is primarily directed at Alberta Housing Corporation's programs. If you look at the corporation's programs, all are rental programs for low-income people, senior citizens and low-income families. As far as the mortgage corporation goes, approximately half of the programs are ownership and half rental; 5,500 units are family home purchase units, and 4,500 are CHIP units. So it's roughly fifty-fifty with the mortgage corporation. But the big demand this year seems to be for ownership.

MR OMAN: Mr. Chairman, I'm pleased to hear that emphasis. The one thing that concerns me a little bit -- and perhaps again, getting into philosophy and experience -- there have been some bad experiences in public housing, primarily rental accommodation, in the huge developments, hundreds of suites in a particular area, which have eventually become slums. I think Denver, Colorado, four or five years ago was an extreme example of that. Do you have a limit on the size of subsidized rental housing in a particular area, and is it your philosophy to try to spread these across a cross-section of a city or community?

MR CHAMBERS: The answer to the latter is yes. I think it's desirable to have them spread out. It would be difficult to put an exact number on how many you'd permit, because so much depends on the local area and conditions and what the neighborhood would want. We have a lot of our community housing spread out in small units, groupings of units throughout the metropolitan areas, and I think those are highly desirable. However, it's necessary to have certain numbers of units in central cores. And because of the price of land, they have to be larger numbers of units, obviously. Otherwise they just wouldn't be affordable to build. But in the outer areas of the city, then, I think the idea of building fewer numbers and spreading them around is more desirable.

MR OMAN: A supplementary again, Mr. Chairman. I don't want you to name locations, but are you experiencing what you would call severe difficulty, or whether there would be deep concern, say, with high vandalism, a deteriorating situation in projects at this point.

MR CHAMBERS: I don't think we're aware of any. Our experience generally is very, very good. We don't have the kind of problems that you mentioned earlier in another country, and I think part of the reason for that is that we haven't built giant social housing complexes. The quality of the housing we have built is high, and the size of the complexes are a factor. They're not that big.

MR OMAN: One further supplementary, Mr. Chairman. CMHC, for instance, I think, across Canada and particularly in Ontario, has run into some real problems where they've built condominium townhouses and people have just given up and left. So they've been vacant. As a result, people in complexes don't care. Are we experiencing any of that in our situation?

MR CHAMBERS: No, we don't have people walking away from the units. In fact, vacancy rates are relatively low, and of course the demand for housing of all types is high in Alberta.

MR PAHL: Mr. Chairman, with respect to the community housing question that Mr. Oman raised. As the minister knows, Edmonton Mill Woods has a high concentration of community housing relative to the rest of the city. My observation for the committee is that it seems to be effectively meeting the demand, but I wonder if the minister could clarify the involvement of both the city, in terms of available land, and the federal government, tends to -- perhaps compromise is the wrong word -- but affect how we can deliver community housing to an area or city.

MR CHAMBERS: Well, certainly we count on the cities to allocate land to community housing. I've always admired Edmonton's policy in the past, where they had a 5 per cent dedication in neighborhoods for community housing. That

doesn't exist any more, but I personally thought that was an excellent policy. That tends to spread it throughout neighborhoods or throughout the city.

MR PAHL: A supplementary. Would we conclude then that the need for community housing no longer exists in Edmonton?

MR CHAMBERS: No, not at all. I think the need continues to exist, but Edmonton, by a decision of council, no longer requires the 5 per cent dedication from developers.

MR PAHL: If I may, Mr. Chairman, what are the implications for our involvement in community housing with the Heritage Savings Trust Fund?

MR CHAMBERS: It makes it more difficult for us. Obviously, the corporation is going to go out and acquire the land, and we won't have that ready availability of land that we have had in the past.

MR PAHL: So would the conclusion be that we could expect higher prices for fewer numbers of community housing with our program?

MR CHAMBERS: No, I think the corporation will meet the demand, so I wouldn't say there would be fewer. Cost? Hopefully we'll be able to keep that within proper guidelines, but it does obviously make it more difficult when we have to go out and shop for it, as compared to having the city dedication.

MR BORSTAD: Mr. Chairman, my question to the minister regards single-family units. I believe the ceiling is now \$70,000 that you can borrow for a single-family unit. Has any consideration been given to increasing that value because of the increasing housing costs, especially in northern Alberta?

MR CHAMBERS: The number was substantially increased in the spring, as you'll recall. The board of the mortgage corporation reviews those numbers from time to time. It's our feeling right now that those numbers are appropriate. We're always being pressured, if you like, to increase those numbers, and that has to be considered very carefully. It's obvious from the demand we've had for loans that the numbers are not too low right now. We've come close to filling our 5,500 units. If you raise that number, the builders tend to build to that value. Therefore, you cut out people at the lower end of the income scale who would otherwise be able to afford a house. So it's a judgment factor. I think through this program we've been able to keep the cost of housing low, much lower than it would have been otherwise. Therefore it's only with careful consideration that we adjust those numbers.

MR BORSTAD: That figure of \$70,000 . . .

MR CHAMBERS: The maximum house price.

MR NOTLEY: I have another question, but I do have a supplementary to Mr. Borstad's question. What are the figures this year for the average per square foot building cost in the province, and how would they compare to last year?

MR CHAMBERS: Your standard, single-family bungalows?

MR RASMUSSEN: Construction costs are running about \$35 per square foot, but you add land into that . . .

MR NOTLEY: Just construction cost. I've had some figures given to me in different parts of the province, and undoubtedly there's going to be some difference in the province, but do we have any figures on what the average would be and how would that compare with last year?

MR RASMUSSEN: About a 10 per cent increase. Just what the inflation rate is is about what construction costs have gone up by.

MR NOTLEY: I see. Mr. Chairman, the other area of questioning that I'd like to address to the minister is land assembly. What land assembly projects do we have in the province, and what has been the government's assessment of these projects?

MR CHAMBERS: We have a great number, of course. For many years, it's been the policy of the corporation to assemble land, for any number of purposes: institutional, provincial buildings, hospitals, housing, and so forth. We have industrial and other types of land banks in communities all across Alberta -- a large number of them. I don't know that inventory offhand, but it's quite significant.

MR NOTLEY: More specifically, Mr. Minister, how many housing-related land assembly projects do we have?

MR CHAMBERS: I don't have a breakdown. We acquire land for a multitude of purposes. The one number I do have is the corporation's total land assembly and development as of the end of March: \$112,852,000.

MR NOTLEY: At this stage, those projects would be in the smaller centres, wouldn't they? How much of that would be directed to the two major metropolitan areas?

MR CHAMBERS: Of course we have Crown land around the major centres as well, but in my view the largest volume of Crown land by far would be in the smaller centres.

MR NOTLEY: Has there been any reassessment, Mr. Minister, of the value of land banking as an option around the major centres; the second Mill Woods, for example?

MR CHAMBERS: We continue to assess those options, Mr. Chairman.

MR R CLARK: Mr. Chairman, I'd like to move into a new area. Given the fact that we're now involved in about 50 per cent of the housing starts in Alberta, what work is the department doing in the whole area of research into improved energy efficiency? I recognize that a part of that responsibility rests with the private sector, but we're now in a situation where we're directly involved in about half of the housing. What initiatives have the department or the corporations taken in that area? I appreciate that the answer may have to be somewhat general now, Mr. Minister, but perhaps we could get something more specific to the committee Chairman, because as the cost of energy escalates, this becomes an increasing factor.

MR CHAMBERS: Yes, Mr. Chairman. In a general way, for example, Public Works some years ago initiated an energy study; it looked in an in-depth, technical way at two major buildings, one a hospital, the other an institutional building, and wrote a very fine report that was distributed across the country about a year ago and has been in great demand, not only in this country, but

other countries. Government Services has implemented the recommendations of that report throughout government buildings. The results in energy savings are dramatic. These really are related to fan controls, light controls, and so forth, yet the savings in energy can be quite dramatic just with the proper control systems; much more so than with changes in insulation. So that's one area the government has been active in.

The department, of course, gives grants for innovative housing. There's one project for a grant to a party for a solar attic heating system design; a small \$4,000 grant. And there are quite a number of these, the purpose of course being to come up with innovative techniques in this area. I think the standards of buildings in Alberta and Canada are very high compared to other places in the world. The insulation is actually quite good in new buildings. That doesn't mean there isn't room for improvement; there is. However, again we're on a philosophical basis. As long as oil and gas are as cheap as they are, there really isn't much incentive for people to spend money on insulation; there really isn't any payoff. On the other hand, in countries that have world prices, I think there's probably more motivation for people to insulate and conserve. I don't know I've answered your question adequately, but we also are right now looking at some further studies in this area.

MR R CLARK: Mr. Chairman, a supplementary question. Mr. Minister, then, just zeroing-in on the housing area, you say there was the one study that was approved last year. Perhaps there were some more that dealt in this area of housing. I'm concerned about housing here and construction, from the standpoint of innovation and energy efficiency. I take it then that the department's position is that if an idea comes along that the department thinks meets the criteria of being an innovative idea, you'll fund a portion of that. Roughly how much was spent last year? Did we spend half a million dollars on those kinds of projects?

MR CHAMBERS: A hundred thousand in total.

MR R CLARK: A hundred thousand out of a total budget of how much?

MR CHAMBERS: Fifty million.

MR R CLARK: I think whatever criteria one uses in looking at research and so on -- and I recognize that wouldn't be the only area of research the department's involved in. But I have to ask pretty frankly, Mr. Minister, looking at this question of our being in half the housing market in the province, are you satisfied with \$100,000 out of a \$500 million budget?

MR CHAMBERS: No. And, Mr. Chairman, I appreciate the support of the Leader of the Opposition for more funds for research, but this is just one facet, these grants to individuals for innovative ideas. For example, I'd mentioned what Public Works is doing and has done. The Housing Corporation is building an addition to a lodge in Pincher Creek that has solar panels, solar design. So we are working in a number of areas. Recognizing the difficulty in trying to sell conservation in Canada where oil and gas is so cheap, still, one would expect that it cannot remain cheap. Therefore, I think it's incumbent upon Canadians to put more effort into energy conservation. I agree that we should be. In fact, lately we have been examining ways of increasing our effort in this direction.

MR R CLARK: Mr. Chairman, could we ask the minister to furnish the Chair with everything the department's doing in this area? We've now heard about some funding for innovative projects; the senior citizens' unit in Pincher Creek.

What I'd like to get from the minister, Mr. Chairman, is an inventory of what the department's doing right now. It seems to me that it's right, that with energy costs what they are today, and the feeling here in Alberta that we have lots of energy. But maybe that places an even greater responsibility on the department to give some leadership in this area, as opposed to others. It just seems to me that we haven't taken any bold initiative in this area at all, and it may very well be an area the committee wants to look at as far as making specific recommendations to the government and the department.

MR CHAMBERS: I'd be happy to provide that, Mr. Chairman.

MR PAHL: I certainly support the concern for energy conservation. I would perhaps like to take that same initiative as a committee, but I don't think we should be taking it with respect to the Heritage Savings Trust Fund moneys that are dedicated to assisting housing in Alberta. If I understand it, we as a government are not building houses; we're providing funds in response to a need for housing, in the same way that the private sector responds. It seems to me that we would be creating impossible problems if we distorted the market place by putting in energy-saving requirements as part of our funding. I think the minister has properly identified that the need is in terms of what the cost of energy is. I would support our committee's following Mr. Clark's suggestion about energy conservation, but I would very strongly resist trying to tag it into the funds we're providing to provide housing in co-operation with the private sector in Alberta. And if I've misunderstood your thrust in this, Mr. Clark, I'd like to debate it a bit more before we get off on this tangent.

MR R CLARK: Mr. Chairman, might I simply say in response to my friend the Member for Edmonton Mill Woods, that I find it very difficult how \$100,000 in a \$500 million budget is going to distort the market. I'm really trying to get some feel for the priority that the two corporations and the department have placed on this question of taking some initiative in this area of energy-efficient housing, when we keep in mind that either directly or indirectly, this department is involved in 50 per cent of the housing that's provided in the province this year. I'm sure we can come back to the discussion when we get into the recommendations, but it does seem to me that this is an area that we simply can't say we're going to leave totally to the private sector. Maybe the route we go is by grants or whatever, to help encourage initiative there. Frankly, I'm surprised and disappointed that when you look at one of the stated objectives of the provincial housing program, research into improved energy-efficient housing and subdivision design. Now I've chosen the first of the two areas. This is one of the stated objectives of this government's provincial housing goals. It seems to me it deserves more priority than \$100,000.

I shall adjourn the debate.

MR CHAIRMAN: I appreciate that adjournment. It's a useful exchange, but I think perhaps that it's more appropriate for the recommendations phase of our deliberations. Certainly, I don't think that the views that have been expressed now are inconsistent with the request for the material related to innovative, conservation-related projects, and the minister has offered to provide that information.

Mr. Pahl, with a new line of questioning?

MR PAHL: Thank you, Mr. Chairman. The first question would be: does the Alberta rental investment incentive program have any financial implications

for Heritage Savings Trust Fund moneys? I'm referring to the tax credit or rebate.

MR CHAMBERS: Only indirectly. We're quite confident that the rebate will encourage more construction, CHIP projects, and therefore that incurs more capital, of course.

MR PAHL: Thank you. On the basis of that reply, perhaps you could suggest or give us an update as to how successful that program has been, in view of the federal government's elimination of the capital cost allowance on multiple unit housing. Is there any reading to this point, sir?

MR CHAMBERS: It would be premature to be really definitive on it at this point. Of course, we have an advertising campaign going that started in July, and the preliminary indications are that it is being favorably received. As you know, builders often take advantage of these toward the end of the year, so we would expect the takeup to increase as the calendar year wears on. Indications, though, are that it will receive significant takeup. Certainly there is a lot of interest in the area of builders who are building under the core housing incentive program.

MR PAHL: Thank you.

MR R CLARK: Mr. Chairman, the last area I wanted to ask a question on deals with the placing of the debentures of the Housing Corporation and the Home Mortgage Corporation. Who makes the decision, Mr. Minister -- or perhaps the fairer question is, where is the decision made on whether those debentures will be picked up by the Heritage Savings Trust Fund or whether the corporation goes onto the open market?

Perhaps I might have just a moment, Mr. Chairman, to elaborate on the question. One of the questions we have to come to grips with as a committee at some time is, would it be possible to place debentures of the Housing Corporation and the Home Mortgage Corporation in the open market, given the excellent rating of the province of Alberta, at as low a rate as is paid now, or even a lower rate, and then to take that heritage money, which is used now in picking up the debentures of the two corporations, and place that at a higher rate of return, in an area other than the two corporations. My mind is still open on it, but I've come to the conclusion that we could likely place debentures from the two corporations on the market in New York and other places, perhaps at just excellent rates today, given the province's rating, and that we could take that money from the heritage fund and perhaps invest it at a far higher rate -- I wouldn't suggest bonds right now, but gold and things like that would give a higher return to the fund.

So, Mr. Minister, is the decision to pick up the debentures of the two corporations a decision and recommendation that comes from the department to the government, the investment committee, or is that in fact a decision of the investment committee? If it's the latter, then I recognize the question has to be more properly place to the Provincial Treasurer.

MR CHAMBERS: Mr. Chairman, I think the question should be placed to the Provincial Treasurer. We only request funds of the Provincial Treasurer. Then he has historically has decided to place these through the Heritage Savings Trust Fund.

MR R CLARK: Mr. Chairman, a supplementary question to the minister. Mr. Minister, on the surface, can the minister or the departmental officials foresee any major problems if the province chose to go to the open market to

place the debentures of the two corporations, as long as the guarantee of the province stood behind the corporation?

MR CHAMBERS: Mr. Chairman, I don't know that I have sufficient financial expertise to answer that question adequately. That gets into a different area than our area of operations. I really do think that would be more properly addressed to the Provincial Treasurer.

MR R CLARK: Just to pose one more question to the minister, Mr. Chairman. Mr. Minister, having regard for the fact that up until about four years ago, the debentures of the Housing Corporation were not picked up by the corporation but guaranteed by the province and placed outside, can the minister recall any problems that caused for the department or the corporation?

MR CHAMBERS: I don't know that I can appropriately answer that. I'm not aware of any. Then again, that was some time before my time in the corporation, and so I'm not really able to answer that question.

MR CHAIRMAN: Any other questions of the minister or his staff? Since there don't appear to be any further questions, Mr. Minister, on behalf of the committee, I'd like to thank you and your officials for joining us today in the chambers, and look forward to receiving the information materials that you indicated you could provide to me. Thank you.

Would the committee care to adjourn for 10 minutes, and then resume our deliberations on several other matters?

HON MEMBERS: Agreed.

The meeting recessed, reconvening at 10:25 a.m.

MR CHAIRMAN: Lady and gentlemen, I would like to resume our deliberations. I expect Mr. Oman to rejoin us. We will excuse Messrs. Appleby and Borstad, who have a conflicting engagement. I understand that Mr. Clark has a conflict coming up in 20 minutes, and Mr. Notley later in the morning.

I have three matters that I am anxious to deal with today, and would like your views as to whether we do one or all of them now, or try to do part of the discussion now and complete the discussion perhaps between Mr. Trynchy and Mr. Leitch. Just by way of a reminder, we meet with Mr. Trynchy at 1 o'clock and Mr. Leitch at 2:30. If the committee feels that perhaps we don't need 90 minutes with Mr. Trynchy, we would have that opportunity.

The three matters I want to discuss are the interim report of Western Management Consultants and what opportunity for discussion you would like with that report and with the consultants. The second matter we raised on the last occasion we met; that is, the request from the Medicine Hat solar research group for an opportunity to present their proposal to this committee. A third, that you would not be aware of: I just in recent days received a request -- and I have copies for you -- from the Local Land Development Committee of Kinuso, Alberta, suggesting that we consider the Frost Hill reforestation project as a field trip.

Could I have some discussion on the timing of the scheduling of discussion of those three matters?

MR NOTLEY: With respect to the Frost Hill question, I wonder if we could defer that until this afternoon. I'm not quite sure whether the response we got from the minister last time has made that request redundant, but I would like to call Mrs. Hunt.

MR CHAIRMAN: Okay, fine.

MR NOTLEY: I should just point out to members of the committee that perhaps one of the reasons this letter came in is that I had met with a group of about 50 or 60 farmers in the Kinuso area, and they were quite concerned about the expenditure of heritage money on this reforestation project. Subsequent to that, there had been a discussion between the department and the farmers, and I'm not quite sure whether or not there was an agreement satisfactory to everyone. During the course of the discussion, I had pointed out that if they wanted the committee to come out, they should invite the committee. I think that was the reason for the letter.

MR CHAIRMAN: I will make available now to members who are here copies of this letter from Mrs. Hunt. Perhaps we could pick it up in that interval between Mr. Trynchy and Mr. Leitch.

As to the second matter, the Western Management Consultants, I talked to Dr. Barrett and his colleagues several days ago, and they indicated they would have a fairly comprehensive interim report completed by September 15. Of course we meet as a committee, in chambers, on September 17. Consequently, I want to ask the committee if there is any interest in meeting with the consultants on that day or on another occasion.

MR R CLARK: Mr. Chairman, having had an opportunity to look at the outline that was given to us, I certainly would want to meet with the consultants. I have some concerns, frankly, about what they are doing -- not serious, but concerns I would want to express at the outset. So I would welcome an opportunity to meet with them. I would suggest though, Mr. Chairman, that if the 17th is the day the delegation from Ontario is here -- and I believe it is -- then I think that would be a very inappropriate time to meet with the consultants. Either they or the people from Ontario wouldn't get very good attention, and I think both are important. So I would suggest we schedule it perhaps for a little later.

MR CHAIRMAN: I have an alternative suggestion, and it flows from another scheduling problem that I haven't acquainted you with. Mr. Hyndman will be out of the province on September 10, and he has requested to meet with us at the beginning of our day on September 24, which day we have entirely blocked out for, theoretically, the beginning of our recommendations discussions. Given that rescheduling, perhaps we could suggest that, following Mr. Hyndman, we could meet with the consultants on the 24th. By that time we will have had perhaps seven, eight, or even nine days to have read the interim report, and perhaps be in an even better position to hold such a discussion.

MR NOTLEY: We wouldn't be dealing with recommendations on the 24th?

MR CHAIRMAN: Perhaps in the afternoon.

MR NOTLEY: Do we really want to do that before we . . .

MR CHAIRMAN: You're anticipating the discussion I wanted to have. I was going to make a recommendation when we next met that we take our recommendations in two phases, sort of an initial phase with the caveat that they could be changed or added to following our discussion with Mr. Hyndman, so I don't get all the recommendations too late in the schedule. I just want you to be thinking about that concept.

MR NOTLEY: Do we have another day that we're looking at, then? If we're going to take essentially most of this day to deal with -- I would imagine that the Provincial Treasurer would take the good part of the day, and the consultants would surely take the rest. So we should perhaps schedule another day for recommendations.

MR CHAIRMAN: Well, we do have them scheduled for Tuesday afternoon, September 30, and the forenoon of Wednesday the 1st; and, again, all day Tuesday the 7th. If you have not received this information, it should be in your mail.

MR NOTLEY: I have that.

MR CHAIRMAN: But you're questioning the insertion of an additional day.

MR NOTLEY: That's right. We're taking a day out that we were going to be dealing with . . .

MR CHAIRMAN: I think it's a reasonable suggestion, but one we would just defer judgment on until we see what the need is and quantify that need.

Could I return to the question of the scheduling of the consultants. Are we agreed that we'll do it sometime, at our mutual convenience, on Wednesday, September 24?

MR R CLARK: I have a problem that day, unfortunately. Would you excuse me and let me check? I'm sorry.

MR CHAIRMAN: Yes. I think I would be reluctant to slide it past that, because it's quite possible we could make some observations that could markedly influence the work of the consultants. We owe it to them to give them as much lead time as we can.

In this interval, perhaps I could bring you up to date on the scheduling changes. No changes for the balance of the day; that is, we meet with Mr. Trynchy at 1, and Mr. Leitch at 2:30. Then on Wednesday, September 10, 10 o'clock, with Mr. Horsman, and 12:30 with Mr. King; then 3:30 with Mr. Dallas Schmidt. I apologize for the separations between those three cabinet ministers. It's the result of fairly recent deletions of Mr. Kroeger, who had been scheduled for 11, and Mr. Hyndman, who had been scheduled for 1:30.

MRS FYFE: There is no chance Mr. Schmidt could come in earlier?

MR CHAIRMAN: No, I have already explored that with him. He has other commitments.

Wednesday, September 17: 9 o'clock, Mr. Adair; 10 o'clock, Mr. Loughheed; and 11 o'clock, Mr. Kroeger. Wednesday, September 24: I would appreciate if you could block out the entire day. We'll start with Mr. Hyndman's rescheduled appearance; then the consultants at a time to be determined later; then, if there is time, begin our deliberations on recommendations. As well, I have blocked out the afternoon of Tuesday, September 30, and the forenoon of Wednesday, October 1; then, Tuesday, October 7, which I hope will be our final day, a full day.

Mr. Clark, were you able to determine your availability on September 24?

MR R CLARK: The 30th and the 1st are okay. The 24th I can't be here. I'm sorry.

MR CHAIRMAN: Here's a compromise. I'd certainly appreciate some committee direction. I'll circulate the interim report to the committee on the 15th or

shortly thereafter. If there are any serious reservations about the direction or the areas of study that would impact markedly on the remaining consulting work, you could apprise me of those. I could then determine whether we need a separate meeting or, if there was a certain consensus, defer the opportunity of the committee to meet with the consultants until Mr. Clark's availability, which, at the earliest, would appear to be Tuesday, September 30.

MR R CLARK: Or the day before.

MR KNAAK: Have we explored the possibility of the afternoon of the 17th? The meetings with the Ontario group stop at 12 and reconvene at 7 in the evening, other than lunch and dinner.

MR CHAIRMAN: We have a conflict with three of our members. Mr. Pahl's economic affairs committee meets in the Chamber at 1:30. I am a member of that committee, as is Mr. Oman, and I believe there is one other. That's the difficulty. Unless we came at it earlier in the week, like Tuesday afternoon.

MR NOTLEY: I think that in terms of the consultants' report, the Leader of the Opposition should be present for that meeting. So it seems to me we have to try to find a date that would be suitable. Are you suggesting Tuesday, the 16th, or Thursday, the 18th?

MR CHAIRMAN: Tuesday, the 16th, was my -- the afternoon of that day. Then the out-of-town members could stay over and be here for the forenoon meeting.

MR NOTLEY: It's difficult for me.

MRS FYFE: I can't either.

MR CHAIRMAN: There appears to be some resistance to that alternative.

MR NOTLEY: Would another alternative not be that we go ahead on the 24th with Mr. Hyndman -- although, again, getting into recommendations, I think as many members should be here as possible -- that we deal with Mr. Hyndman on the 24th, the consultants on the 30th, and that we set aside now, tentatively at least, another day in terms of our own calendars, so we can save it. That's my concern. I'm convinced that we're not going to be able to finish all the recommendations by the 7th, and because of other commitments zeroing in on me I'd like to know what day we're looking at.

MR CHAIRMAN: I'm unaware of other conflicts with Surface Rights and so on, but I'm open on Wednesday, the 8th, for this additional day in hand, a safety-valve day let's call it.

MRS FYFE: Would it be possible to meet the 22nd or the 23rd -- any day in that week?

MR CHAIRMAN: I wish I had the Surface Rights schedule here. Karen Walker will just retrieve the Surface Rights schedule. While we're awaiting clarification of that conflict, are members agreeable to those two alternatives: the Wednesday, October 8, alternative, as opposed to -- did you say, Tuesday, the 23rd?

MRS FYFE: I was just asking if there was any time in that week. I'm going to be gone from the 6th to the 9th, inclusive.

MR CHAIRMAN: I'm certainly agreeable to, say, the afternoon of Tuesday, September 23, if there's not a conflict.

MR R CLARK: I quite agreeable. I should be very frank with the committee and tell you why the morning of the 24th is almost impossible for me. Our office is sponsoring a one-day symposium on violent crime in urban centres, and as the host I just have to be there.

MR CHAIRMAN: Would Mr. Speaker or Dr. Buck be able to be here on the 24th?

MR R CLARK: Mr. Speaker can be here, although Dr. Buck is chairing one of the sessions and Mr. Speaker is chairing another.

MR CHAIRMAN: I'm really reluctant to let go of Wednesday, the 24th. It was one of the few clear days we had.

MR R CLARK: Some of us can be here in the afternoon, Mr. Chairman. That's my concern about having Mr. Hyndman or the consultant in the morning. I apologize for the confusion, but it's just that we have a number of people coming from Ottawa, and so on.

MR CHAIRMAN: Could we come back, then, to Mr. Notley's suggestion that we have a safety valve day. I think it is a worth-while suggestion. Is Tuesday, the 23rd, agreeable? Okay, subject to confirmation that it does not conflict with something else -- and Karen will get that -- would you just block out Tuesday, September 23, in your calendars for now. As I say, we'll treat it as a safety-valve day. If you could just block out Wednesday, October 8, also, I think we'll be in good shape.

That's the scheduling question. I will circulate to members of the committee the interim report of Western Management Consultants, as I say, shortly after September 15. We'll tentatively plan on a meeting with the consultants on the 30th -- was that our consensus? We were on the 24th, but then we ran into this conflict with the seminar. Let me just make a couple of notes to myself: circulate report September 15; meet with consultants September 30, but I would like -- and I'll put this in the covering memo that goes with the report to you. If you have any observations that will seriously affect the nature of the consulting work that is presently being conducted, I'll need to be apprized of that almost immediately so we can convey that information to the consultants.

The final matter, and I realize that you, Mr. Clark, are up against a 10:45 deadline . . .

MR OMAN: Mr. Chairman, are we blotting out the 24th all together, then?

MR CHAIRMAN: Yes, September 24 was previously set aside for the committee, and that still is the case.

The third matter I guess we'll have to defer, because I do want Mr. Clark's discussion. This is the matter of the Medicine Hat solar research proposal. Perhaps this is too idealistic, but if we can conclude our discussion with Mr. Trynchy by, say, 2 o'clock, we would have 30 minutes. I think that would be ample time to discuss the Kinuso thing and the Medicine Hat proposal.

MR R CLARK: I just want to make the point I made to you this morning, that some of us have to duck out very close to quarter to four-ish. I hope no members would be too alarmed at about that time if we asked Mr. Leitch to come back at a later time if we're not finished. I have to catch a 4:30 . . .

MR CHAIRMAN: I would have no objection if in fact we're still involved in legitimate and appropriate discussion after 75 minutes, and we feel as a committee that more time is required, we'll just discuss with Mr. Leitch his scheduling needs and resume.

We stand adjourned until 1 o'clock.

The meeting adjourned at 10:45 a.m.