

Standing Committee on The Alberta Heritage Savings Trust Fund Act

Tuesday, October 14, 1980

Chairman: Mr. Payne

1:08 p.m.

MR CHAIRMAN: Order please. In view of the fact that several committee members have expressed an interest in getting away earlier today, I think it would be worth while for us to commence. Therefore, I'd like to call on Mr. Notley to speak to Recommendation V. 3 Economic Inventory.

MR NOTLEY: Mr. Chairman, I think that 3 and 4 really should go together, because I think the principles contained in the two of them blend together, in my mind anyway. So I would move and explain both of them, and then we could deal with both of them at the same time.

The economic inventory is fairly straightforward: the assessment of those types of industries, those goods and services being produced which can be produced in Alberta economically, considering a comparative advantage. The other part of it, the economic council of Alberta, would really be a prerequisite to be able to undertake the economic inventory, in my view. It is an effort to borrow from the western European countries the concept of economic planning that you see in the federal republic of West Germany, the Scandinavian countries

AN HON MEMBER: Russia.

MR NOTLEY: Someone said Russia. Not really; we had this debate last year, and I hardly think this is borrowing from the doctrines of Karl Marx, because they even have it in Japan. Somehow I suspect that the Japanese empire is not next door to Marxism.

MR R. CLARK: Locationwise.

MR NOTLEY: Locationwise, perhaps, but not philosophically.

So I think the two proposals really tie in together, Mr. Chairman. We can deal with both of them at the same time. I would move both of them at the same time: one on the economic council, to undertake long-term planning, and part of that would be an economic inventory of those goods and services that could be economically produced in the province. I think that summarizes the arguments for 3 and 4 in a straightforward way.

MR CHAIRMAN: Thank you, Mr. Notley. Any discussion on 3 or 4 in part V?

MR R CLARK: I'd start by asking some of the members on the government side An economic inventory was in place in 1970 which talked in terms of the kinds of industries that were deemed to be viable in urban and rural areas, broken down on a north, south, central I have no objection to the economic inventory idea put forward by Mr. Notley, but I simply ask the government people on the committee: has that been kept up to date and is it available now?

MR PAHL: Mr. Chairman, I am not able to respond specifically to Mr. Clark's question. However, I would point out that in the area of economic inventory, the Alberta Opportunity Company, in my view, does an excellent job of indicating business opportunities in smaller centres, with an advertisement that says, Didsbury needs a dry cleaner, a garage; this sort of thing. Also, the Department of Economic Development produces a list of manufacturers and their locations and provides excellent information in that regard. There is also a publication put out by the department of industry and tourism that has, I think, been picked up in two forms. One is called Industry and Resources, which gives a comprehensive overview of where the industrial activity is, and in fact the opportunities with respect to where the resource bases are. Also, there is a publication called Alberta Profile, that does much the same thing.

So speaking to Recommendation 3, I would submit that that has been done. If I've answered Mr. Clark's question in the process . . . If there's something beyond that, I'm not aware of it, but it would seem to me that if there is, that even further states the case that the recommendation would appear to be well taken care of.

With respect to 4, which I agree is related, I only was partly jesting to suggest that Russia has five-year plans. I do submit to the committee that we as a government, or as a country, are still responding in large measure to the private sector, in terms of their seeing an opportunity and capitalizing upon it. I think until we go to the planned economy, we would be ill advised to get into this area.

MR STEWART: Mr. Chairman, in looking at the two resolutions, I think that they are echoing the sentiments of the government at the moment. I think we've recognized the need to explore every avenue, in the event that we can improve the climate for development in this country. We've recognized this to the degree that we have a Minister of Economic Development. I have a hard time finding the role of this committee superseding the Legislature and the opportunities within the Legislature to review what the government is doing. I'm at a loss to know whether we're trying to set up committees to duplicate functions that are already taking place. I think that we're all keenly aware of this province's rapid growth and the fact that we should be aware of every opportunity to encourage private sector people to expand on what the opportunities are in this province. But certainly the role of this committee or the role of the Heritage Savings Trust Fund would be duplicating what we're already trying to accomplish with our ministry of Economic Development. For that reason, I find that we're trying to set a dual system of promotion, if you will.

MR NOTLEY: With respect to Recommendation 3, at this stage I think 3 and 4 should be taken together. I would see an economic council of Alberta responsible for the inventory, but one could separate them to the extent that we now have a Department of Economic Development, which could undertake the inventory. Where I guess I would part company with both Mr. Stewart and Mr. Pahl is in the summary of the planning that is in fact being done. I admit that both the Department of Small Business and Tourism and the Alberta Opportunity Company do some limited planning; limited to the extent that whether there should be a barber shop in Hines Creek is interesting and useful and worth doing. I don't want to denigrate that because that's an opportunity on a small scale, and I think many of us recognize that some of those smaller opportunities are important in themselves.

The question is, what are we doing on the long-term inventory? I would say, Mr. Chairman, as I have tried to elicit information from the minister as well as examining what is going on, that I'm not sure how much is being done on a

long-term basis. For example, our Peace River Planning Commission is in the midst of a great debate internally over a resource study that would have, as one of its facets, the examination of what is possible and practical in the Peace River country, because they feel that the job quite frankly isn't being done. I think it should be done. We talked this morning about several industries: computer industry, packing industry . . . There are other alternatives. Rather than getting into a shopping list of alternatives, where somebody says, I've got a great idea, where somebody has come up with this or that proposal, it seems to me that we do need to undertake the systematic inventory of what is possible. That's going to be important for the government, regardless of what kind of government is in office.

Trade-offs have to be made. I know we don't like to admit this. We like to win everything. But trade-offs have to be made with the public and private sectors, with capital, with the federal government, with other countries. Trade-offs just have to be made. It seems to me that to be able to make those trade-offs, you have to have as systematic, competent, and independent an inventory of what is possible as you are able to get. In the studying I've done, one of the reasons that the federal republic is doing quite well -- it's not that everything is government-owned. As members know, there is probably more private ownership in that social democratic state than there is in Alberta. But there is a commitment to long-term economic planning, including an updated inventory of what is possible. One of the things that impressed me, at least, when our select committee on workers' compensation went to Sweden, is not that everything is perfect in Sweden; but the long-term planning as to what industries have potential and what industries, quite frankly, have to be closed down because they can't compete in the international market, was impressive. So I would argue that what we have at the moment, useful though it may be, isn't quite what I had in mind in terms of an economic inventory. I see it being somewhat more detailed than the bits and pieces of information that are presently available. And now planning commissions themselves feel that they have to undertake major projects because that information isn't coming from the department.

MR CHAIRMAN: Further discussion? I'll call for the vote on both recommendations then. Those in favor of recommendations 3 and 4 in part V?

MR R CLARK: Mr. Chairman, I find myself in somewhat of a difficult situation if you call 3 and 4 together, because I plan to vote for the idea of an economic council, but not for the inventory.

MR CHAIRMAN: Those in favor of Recommendation 3, Economic Inventory, then? Mr. Notley. Those opposed? The remaining members in the chambers. Those in favor of Recommendation 4, the Economic Council of Alberta? Mr. Notley and Mr. Clark. Those opposed? The remaining members. Both are defeated.

Recommendation V. 5, Canadian Ownership: Mr. Notley.

MR NOTLEY: Mr. Chairman, I think that Recommendation 5 is very straightforward. I'd answer any questions people have on it. Just in very brief summary, what seems to me to be crucial is that the funds we have available, through the Heritage Savings Trust Fund, should try to achieve as much as possible the expansion of Canadian ownership. We are talking about a huge supply of Canadian capital in the heritage trust fund. While we'll discuss in some more detail tomorrow what percentage that is of the total available capital -- and it's certainly not as significant as someone like Premier Davis would contend. Nevertheless, it seems to me, Mr. Chairman, that it can be a useful vehicle to expand Canadian ownership and control.

I remember sitting on the special select committee on foreign investment between 1972 and 1974, before we had anything like the Heritage Savings Trust Fund. At the time, the suggestion was that we should be encouraging Canadian investment in Canadian companies. But there was the problem of having any kind of capital base on which to do that as a province. Now we're in a position, Mr. Chairman, where we have substantial amounts of capital, and it seems to me that if we're going to keep faith with the idea of a "heritage" trust fund, we should be insisting that there be a positive preference for Canadian-owned operations. That doesn't necessarily mean that from time to time there won't be cases where a non-Canadian firm wouldn't qualify, but I think the emphasis really has to be placed on Canadian ownership.

MR CHAIRMAN: Thank you, Mr. Notley.

MR STEWART: It was a question more than anything else. As I interpret this, if there was a consortium of people in the industry who were going to develop another tar sands plant and several of these companies in the consortium were not of Canadian origin, we would then be restricted from participating in another Alsands plant, if you will, because the ownership of the companies in the consortium was other than Canadian.

MR NOTLEY: Mr. Stewart, in that case it would be majority Canadian ownership in control of the consortium. For example, I could see an arrangement somewhat similar to the heavy oil project in Saskatchewan, where Gulf Oil has gone in on a one-third basis with SASKOIL and Petro-Canada. Two-thirds of the consortium would be Canadian owned and one-third wouldn't. That kind of consortium would be eligible. I could see an arrangement where 51 per cent might be Alberta Energy Company and Petro-Canada or some combination thereof, and 49 per cent Shell Oil. I would see that being eligible. I wouldn't argue that each of the participants would have to have majority Canadian ownership, but that the consortium itself would have to be at least 51 per cent Canadian controlled.

MR PAHL: Just following up with another question. If the objective, as I understand the recommendation of the Member for Spirit River-Fairview, is to maximize secondary benefits of the fund, why wouldn't it be that the beneficiary provide evidence of majority Alberta ownership and control? Why wouldn't you . . .

MR NOTLEY: I'm sorry, Mr. Pahl. I missed that. I missed the import of your . . .

MR PAHL: If I read the thrust of your argument, in fact you maximize secondary benefits by investing at home, as it were. . . Given that that is your stated objective, wouldn't it be logical to require majority Alberta ownership and control?

MR NOTLEY: No, I think not. We're really getting into a situation of how far can we go in insisting that capital flow has to be restricted in the country. We are part of the country. It seems to me that we can argue that there should be Canadian ownership. I would not want to argue that there has to be Alberta ownership. As a matter of fact, to be quite honest with you, I think that the more we could involve the federal Crown corporations like Petro-Canada in some of our major projects, the better it would be for us as a province, because nothing would bring home to Ottawa more clearly some of the

real problems of the energy-producing part of this country than the responsibility of being directly involved in major energy projects.

I don't see how, in a country like Canada, we could say it would have to be Alberta owned. I think there has to be some capital mobility within the country. We can argue as to what conditions and how much, but I really would hate to say that suddenly, if the government of Ontario for example were to show a substantial additional interest, as they did in 1975, in the oil sands project, that we shouldn't encourage that.

MR PAHL: Then I would take it that the objective of the fund would be to maximize benefits across the country, rather than . . . I guess I'm having trouble with the recommendation as it flows one from the other, and internal consistency. It seems to lose me a little here. Could you help me there?

MR NOTLEY: No, I don't think there is really any inconsistency at all. I'm saying that we should be striving to increase Canadian ownership and control. That's number one. Another aspect of this is the maximization of secondary benefits. That would include everything from support industries to a recommendation, as we did in 1978, that would encourage the construction of oil sands equipment, for example. I don't see that to be inconsistent with the maximizing of the secondary benefits, most of which are going to be in Alberta, but not all.

One of the advantages of these major projects that this government has argued in the country is that these projects have tremendous value for Ontario and central Canada as well. The fact of the matter is that the Alsands projects -- I forget the exact figures; it's probably in the Premier's statement here, and I'll look in a moment. But they do have enormous impact on the rest of the country. I don't see that there's any inconsistency there at all. I do not feel that the major projects necessarily have to have benefits only in Alberta. I think the maximum benefits are going to be in Alberta because of our physical proximity, and that should be one of our objectives. But I see that complementing Canadian ownership and control, not the opposite at all. One of the advantages of a Canadian-controlled consortium is that the emphasis could more easily be on buying goods and services locally in this country, produced in Ontario, Quebec, or Alberta, as opposed to a larger consortium based on international companies that would naturally see the companies they've been dealing with on an international basis supplying a higher percentage of the components.

MR PAHL: Perhaps, then, from what you've said, it might have served better to have added maximizing the secondary benefits of the fund "for all Canadians" at the end. Perhaps that would have more completely expressed the spirit of your recommendation. Is that fair?

MR NOTLEY: I think we're talking about maximizing the secondary benefits of the fund. I think anything we do through the fund -- our primary objective would be the diversification and strengthening of the Alberta economy, but there will be very tangible benefits to the rest of the country. Obviously, we want to be consistent with the fund, which is to strengthen and diversify the economy of Alberta. That's not unreasonable. We'd want as much of it done in Alberta as possible. But certainly, what is done elsewhere in the country is a very pleasant addition. I don't think it's a prerogative, but a very pleasant addition. Where I don't follow you is that I don't think it necessarily has to be Alberta owned in order to achieve the second. I think the fact that we can purchase as many goods and services produced in Alberta is an important objective in itself. Theoretically, it could even be an

objective that one has with the present structure. When the Syncrude arrangement was first worked out, one of the objectives of that arrangement was the maximizing of the components and the purchase of components in Alberta. That was done with international companies. I can see that being done with a Canadian consortium as well. So I don't see that the two are inconsistent at all.

MR PAHL: I think it's an important point for clarification. I accept your understanding of majority Canadian ownership and control. In order to be consistent with that, it would seem to be necessary to assume that:

Such a requirement more closely meets the present optimum savings objective of the Heritage Savings Trust Fund by maximizing the secondary benefits of the fund

for all Canadians. Because if you have not focussed on Alberta . . . I'm not arguing against the principle, but in order to be consistent in one part of the recommendation, it seems to me that you would have to concede that the secondary benefits should flow to all Canadians, as well as Albertans. There'd be an inconsistency if you don't carry the thought through.

MR NOTLEY: No. I would not accept that, saying that there are going to be secondary benefits to all Canadians. There are secondary benefits to all Canadians now, regardless of who owns the major projects. No question about that. I think our objective, our mandate as a committee, if you like, is to strengthen and diversify the economy of Alberta. So our concern as a committee has to be essentially in that area. The other benefits that flow to Canada, while welcome, are not necessarily attached to our committee's mandate. I would think that there would probably be more benefits to other Canadians if it were a Canadian-owned consortium, but I suspect that there would also be a great deal more secondary benefits to Alberta. That's our area of special responsibility. That we may as a bonus have additional benefits to a steel plant in Sidney, Nova Scotia, I think is welcome and great, but not necessarily vital to this particular resolution. We can try to maximize secondary benefits to Albertans, even if we have non-Canadian control. So I don't think the fact that we've already accepted that within non-Canadian control we can try to maximize the secondary benefits; surely it's not inconsistent to suggest we can do the same with Canadian ownership and control, unless we see other Canadians as some sort of dangerous bogeymen, which I'm sure not many members do. Therefore, I don't think there's any inconsistency.

MR STEWART: Mr. Chairman, I have one question for the member proposing this resolution. We feel it is the responsibility of this government to encourage diversification of our economy at every opportunity, by developing new industries within the province. If we had the opportunity by some company to develop a new industry that we didn't have in this province at the present time, utilizing some of our natural resources -- that's the most common thing I can think of. But if the company were going to be bringing something on stream that was not at the present time being developed by any other company in the province. Consequently, it would be a new and exciting opportunity to utilize our resources. But this company happened to be foreign owned. Would we turn down that opportunity, under your terms of reference?

MR NOTLEY: Mr. Stewart, I would think that that particular foreign company would be in a position to gather capital at very good commercial terms from

the private market in any event. So why they would need to go to the heritage trust fund is hypothetical. I would say that the preference should be for the trust fund to be used for Canadian-owned operations. And that is a positive preference. The other factor is that when you are dealing with large international companies that want to proceed, they are in a much better position to arrange their own capital financing. That's been the basic argument in favor of foreign equity ownership over the years, for thirty years, since World War II; that these people are able to bring their capital, their expertise, and come to this country and do something. This resolution wouldn't prohibit them from doing it, Mr. Stewart, but it would be setting out that if you're going to be risking money, it would be your company's money -- wherever that's located: South Africa, South America, the United States, Germany, whatever -- not risking Heritage Savings Trust Fund money, unless they had some kind of joint venture arrangement. Of course that's a frequent option now around the world. If they had a joint arrangement with local owners, so that 51 per cent of the consortium were controlled by Canadian capital, they'd be eligible.

MR APPLEBY: Mr. Chairman, I don't have a great many hang-ups about foreign investment, as some people seem to have. I look around my own community and others in Alberta today and see the benefits that are being provided, particularly by the oil industry, by way of employment and use of service industries, I think that a great deal is being done as far as development in Alberta is concerned. People criticize the petroleum industry mostly, because they say they're making huge profits out of our resources. But if we investigate carefully, we'll see that most of these profits, and probably in many cases more than the profits, are being reinvested in the matter of exploration and development of these resources here in Alberta. So I don't have that sort of hang-up.

I know that emanating out of Ottawa we have a kind of program going on there, and the thoughts that are coming out of there are that Canadian ownership is a big thing. But we are also exporting a great deal of Canadian capital to other parts of the world, particularly the United States, at the present time. There is even talk of retaliation by the United States because of what is happening in Canada with regard to trying to put controls on the matter of ownership in Canada.

Personally, I don't think that this particular recommendation deserves all the discussion it's receiving today. I feel that people on this committee -- I hope, at least -- know just what they feel about this type of resolution. I think we should vote on it and get on with the rest of them.

MR CHAIRMAN: Further discussion? Those in favor of Recommendation V. 5, Canadian Ownership? Mr. Notley. Those opposed? The remaining members in the chambers. The motion is defeated.

I'd call on Mr. Notley now to discuss two recommendations, III. 5, Equal Opportunities Investments, and V. 6, Human Resources Research Division.

MR NOTLEY: Mr. Chairman, I think that I'll move no. 6, because it really covers III. 5. The question here is that we establish a human resources research division.

MR APPLEBY: Mr. Chairman, before we continue, does this mean we're removing III. 5 now?

MR NOTLEY: Yes. III. 5 is really covered, Mr. Appleby by . . .

MR APPLEBY: So we've dealt with III. 5, then?

MR CHAIRMAN: Yes.

MR NOTLEY: I think that the principle contained in No. 6 -- and there really isn't any point going over two resolutions that are complementary. The proposal here is very straightforward; that is, that we establish a human resources research division. We've been doing this in bits and pieces, Mr. Chairman. In a sense, we've been doing it with our fund for medical research. But I would suggest to the members that it would probably be better if we package the variety of things -- for example, the study we passed this morning on nursing, the question of whether we get into gerontology -- into one division that is clearly identified as a human resources research division.

I've indicated 5 per cent. I'm not hard on that. I'd certainly be prepared to see that amended or removed. But I think the concept of a division is important. I would just cite, as an example of where a research scheme paid dividends for the country, was in Saskatchewan a number of years ago, where we had the Swift Current health unit experiment with medicare for some 15 years before medicare was introduced in that province. Mr. Chairman, it became almost a community where the bugs could be ironed out or at least tested, and then the legislation introduced in that province was modeled substantially on the information obtained from the longstanding Swift Current experiment. We have Mr. Justice Hall, who has recommended in his recent report a number of major studies that would improve the quality of health care. We had some excellent studies undertaken by the former Human Resources Research Council in this province. Some of them became the centre of ridicule, but most of the studies were excellent and useful. It seems to me that one advantage of a human resources research division is that we could tie our initiatives in everything from the health problems of people to some of the other areas of social concern into one division, where there could be funding, not for operating purposes, but for innovative, experimental projects. That's why I've proposed a human resources research division.

MR CHAIRMAN: Thank you, Mr. Notley.

MR R CLARK: Mr. Chairman, in responding to the proposition put forward, if the proposition is just the first paragraph there, and perhaps fudging the 5 per cent a bit, I think it's a worth-while suggestion. I would see what is being suggested here as being somewhat the same thing as the Alberta Research Council we would hope would be, only on the people side of things. I could be quite enthusiastic about that kind of concept.

I should be perfectly honest with the committee and say that I had some responsibility for the old Human Resources Research Council, which despite its shortcomings, if members take the time to go back now and look at what they had to say about family breakdowns in this province and the rate of violent crime, they are right on today. They're not very good bedtime reading for any of us, as legislators.

I think the proposition has some merit.

MR PAHL: Mr. Chairman, bearing in mind the cautions of the two members who have spoke in favor of all or part of the recommendation, I have a little bit of a problem reconciling in my mind where this would be relevant to the initiatives that are already going on, which have already been mentioned, such as the medical research foundation. The preventative social services programs that are funded as a regular part of government programs, have within them and will to a greater extent have within them funds available on a cost-shared

basis with the municipalities, for innovative projects, which is really in the area of human resources, is the research component of those studies. We also have a fairly active university contingent that is involved in this sort of research at the population lab, for example, at the university. I submit that this would be considerable duplication in terms of our existing programs, and would hesitate to support it.

MR MUSGREAVE: Mr. Chairman, I can support part of this proposal. On the other hand, I have trouble with it. From my study of the human resources department mentioned by the Leader of the Opposition, I understand many of the projects were primarily of an educational nature, and I understand a lot of them are sort of sitting over there on university shelves for future reference for sociologists, educators, or whatever.

MR R CLARK: Or politicians.

MR MUSGREAVE: Yes, for politicians.

Another one that has been established in Canada that has some funding and has attempted to solve the problems that have been raised here is the Vanier Institute of the Family. It too has difficulties in trying to solve our existing problems, and yet it's doing many of the things that are suggested here.

You know, I am intrigued by this word "innovative". We have so many of these buzz words and whatever you want to call them . . . Really, one of the most innovative things I'd like to suggest is that we go back and have a basic study of Shakespeare, the Bible, John Milton, and a few of the English writers, and maybe we could come up with a basic English language so we could understand one another a little better. If you want to do something innovative, I suggest we come up with a basic income tax whereby everybody gets a minimum amount of money. At the same time as you do that, fire all the civil servants who are handing our welfare. I suggest that probably half of the problems relate to lack of money. These are the kinds of solutions I'd like to suggest. I don't want to set up more departments for more PhDs to be piling it higher and deeper as they go along.

I have concerns about health care delivery and would like to see some experiments in preventive medicine. It bothers me that we're building hospitals everywhere and every MLA is convinced he should have a fancy new hospital in his community . . .

MR APPLEBY: I need one.

MR MUSGREAVE: I'd feel much more comfortable if every MLA came here and said, why don't we find out what the Seventh Day Adventists have? As a group, they are the healthiest people in the United States of America. They have done long-range studies on them, and because of their habits of eating and exercise and everything else, they enjoy the longest livelihood in the United States and suffer the least from cancer, heart, and several related diseases. I'd like to know their secret. We don't need fancy research departments to establish those kinds of things.

Finally, Mr. Chairman, the Research Council has a mandate to do anything in the way of research that is for the benefit of the people of the province of Alberta.

MR NOTLEY: First of all, I'm sure the Research Council has a mandate, and were we to make funds available to the human resources research division, that would not determine how the thing was set up. In fact, it would package the

various proposals we have made as a committee, as well as some of the existing programs, in one division that would be clearly understandable to people: this is human resources research. Whether it was the Research Council that did it . . . Obviously, no one is suggesting we go out and establish parallel programs. That's not the point, Mr. Chairman. The point is that there are a lot of areas which are not being dealt with at the present time. There are pilot programs . . .

You know, the very point Mr. Musgreave made about whether every MLA wants a second hospital or not; the whole question of how we deliver hospital and medical services in this province, is one where, gee whiz, we have all sorts of potential for pilot projects. How are we going to fund them? And if we do fund them, what would be wrong with funding them under a human resources research division?

The suggestion was made that some of the studies commissioned by the old Human Resources Research Council are lining the shelves of the university library. That's true, but that doesn't make them any less valid. Not every study commissioned by that authority was valid, but many of them were, and many were useful. Some of the things we've done, some of the changes that have been made by this government, have come out of recommendations made by the old Human Resources Research Council. I find it difficult to understand what the problem is with this recommendation. It seems to me perfectly consistent. We're not talking about hiring 10,000 new civil servants to administer it. It is a case of focussing the various efforts in one understandable research division which the public will know is there and they can see that we are committing a portion of this heritage trust fund to human resources research.

We get that throughout the province. It's not just a question of research in oil technology. There are times when we have to have legitimate research into the human component as well. After we made some progress in the late '60s and early '70s and some of the things that have been done subsequently -- good concepts. Why not go forward with a human resources research division? I would say to government members, don't vote it down because of the fact that bits and pieces of research are being done elsewhere. The focussing of these bits and pieces of research and the commitment of the fund so that we can proceed . . . True, government departments do research, but they have to face the same problems as all government departments; that is, what are the priorities? Sometimes the priorities for research aren't very high, because they have the ongoing problems of dealing with the nuts and bolts of the department. So research gets shuffled to the bottom. That's surely the point that Mr. Justice Hall makes in his most recent study. Here is an opportunity for us to say that funding is available. Whether it's done through the Alberta Research Council or the universities or however, the fact that there would be some additional funding for innovative -- and I'll use the term "innovative", because I think it is a clear term -- human resource development research is a good point to make.

MR R CLARK: Mr. Chairman, I don't want to get involved again in the debate on this question, but I'd say to the gentleman who is the chairman of the Research Council of Alberta who was expressing such interest in health care and so on, if the government had taken a look at the old Human Resources Research Council studies that were finished in 1971 on hospitalization in Alberta and you had moved on some of the recommendations, we wouldn't be in the situation we are today. You know, whether the researchers are on the human side or physical side or the side the Alberta Research Council is involved in, the researchers are only as effective as the politicians who are prepared to take the research and run with it. One of the big problems this

government or any other government has, is co-ordinating the research that's done and not having one department run over another department and doing the same doggone study. One advantage of this kind of organization, should be the same advantage that the physical Research Council has; that is, in co-ordinating so that two or three departments aren't doing the same thing. This is only being done on the human side, what should be done by the Research Council on the physical resources side.

MR CHAIRMAN: Any further comment?

MR MUSGREAVE: I'd just like to say that I agree with the Leader of the Opposition. Unfortunately, when I was a member of the Calgary General Hospital board from 1967 to 1974 -- and his government was in power part of that time -- we didn't see very much emphasis by the people in Edmonton for the kinds of things he's talking about. I realize the political realities he's talking about. This is the difficulty we all face, that it's much more popular to be in support of a big hospital than it is a program that can be hidden in a community and nobody realizes how good it is until 20 years later you find that everybody's living longer and more happily than they otherwise would have been if they hadn't been involved in the program.

MR NOTLEY: But let's not turn down the possibility of this kind of research being done. That's the point contained in this recommendation, Mr. Chairman.

MR R CLARK: If we as politicians, regardless of where we sit in the House, haven't got the backbone -- whether it's the former government, the present government, or future governments -- let's not blame anybody but ourselves.

MR CHAIRMAN: Those in favor of Recommendation V. 6, Human Resources Research Division. Mr. Notley and Mr. Clark. Opposed? The recommendation is defeated.

This brings us to our concluding recommendation, V. 8, Mr. Clark.

MR R CLARK: This recommendation is the result of some of the discussions that came before the committee when some ministers were before the committee. At least on three occasions -- and there may have been more that I can't remember -- we found situations where heritage money was being used to supplement programs that have a call on the General Revenue Fund of the province through the budget that's appropriated. I cite one I've used earlier: heart and cancer research and the hospitals' equipment question. The second example was the grazing reserves. You'll recall that when Mr. Miller was before the committee, he made it quite clear that, yes, heritage money was going into a program that had been funded out of the general revenue in the past, and the funds from the General Revenue Fund had declined as the funds from the heritage fund had increased. Thirdly, the example of the libraries and how for years this Assembly has financed libraries at our colleges and universities. We don't keep up to what's needed there; we slide money out of the Heritage Savings Trust Fund.

I think it's a very dangerous practice for us to be getting involved in. During the course of our meetings with ministers this fall, we've seen it on at least three occasions. That's why the recommendation is put forward that there be no simultaneous funding for projects from the General Revenue Fund and the Heritage Savings Trust Fund.

MR STEWART: Mr. Chairman, I'm well aware that what Mr. Clark is saying is a fact. When we had the Minister of Agriculture in front of us, he mentioned

that various projects that were going on, now funded by the Heritage Savings Trust Fund, were originally part of the budget of the Department of Agriculture and the university. I questioned the minister on the same issue. The problem we're running into and will run into -- I think it's unavoidable -- is that if we feel that in a particular field more emphasis should be put on a particular type of research or be it what it may, and we decide to fund it from the Heritage Savings Trust Fund and don't completely absorb that program under the fund, then we have dual funding from general revenue and the Heritage Trust Fund. I find it difficult to visualize how you could accomplish it, unless we just say that no existing programs will qualify for heritage trust fund support. I question how we can accomplish this. Certainly, I questioned the minister on the fact that several ongoing programs under general revenue from that department were now being funded from the heritage trust fund. In all honesty, I don't know how we can accomplish one project as a heritage trust fund project, and the next one, because it was prior to the heritage trust fund, would have to continue under general revenue. Then we'd have a dual funding situation toward that department, which is exactly what this is criticizing.

MR PAHL: Mr. Chairman, I was going to use the analogy of not wanting to let one hand wash the other, and I realized how unfortunate a parallel that might be to what Mr. Clark is concerned about. But it does bother me. The intent of this recommendation would be that we cannot have things complement one another. Mr. Clark is quite right. If this were put into effect, it certainly would be the end of Kananaskis. Then you would have a Heritage Savings Trust Fund that would be out there at the end of no roads, even ones that are not fully completed to this point. I would also see that we would have trouble with the Alberta Home Mortgage Corporation, where operating funds are provided by the department, but heritage savings trust funds are provided as mortgage money. The Alberta Opportunity Company has the same mix of its funding.

I think that the well-advised caution of the recommendation and the concern in term of nice, neat explanations would still defeat the need to apply money from different sources in a complementary way to deserving programs. So I think the caution here, or the prevention, outweighs any benefits it would cure here.

MR NOTLEY: How much better would it have been, Mr. Pahl, if when the Kananaskis project was announced, we said, all right, we have a project here that's going to cost us approximately . . . Everybody ran around the province saying, a \$40 million park at Kananaskis. We all say, we got this from the government, so I guess it has to be correct. But how much better it would have been if we'd been able to say, we have a \$200 million project? It might be a little more difficult to sell, but how much more accurate would it have been? Then you would have financed the project under the Heritage Savings Trust Fund, but it would be a heritage trust fund investment, including some of the other costs from the departments, rather than shuffling them in from other departments.

Frankly, I want to know what we're spending from the heritage trust fund on so-called investments, and I don't like to see these hidden-- not deliberately so, but in fact hidden, because of the General Revenue Fund picking up other costs. I think Kananaskis is just a very good example: we're going to build a park of the future, and it's going to mean all sorts of money from the highways department, all sorts of money from other departments. Let's put it in the budget, so we know what it is, and fund the whole thing from the Heritage Savings Trust Fund. Then we'd know what it's costing us. We can

judge whether it's a good or a bad thing; whether \$200 million in Kananaskis is a good or a bad investment.

On the other examples you've used, I don't see the problem at all. What we've done in the cases of the Alberta Opportunity Company, the Home Mortgage Corporation, and Alberta Housing, is that we've not gotten into programs where we're subsidizing. We're investing money in those agencies. The agencies then pay back to the heritage trust fund. If the agencies are shielding people, that's picked up by the general operating expense of the Department of Housing and Public Works. So it seems to me that those two examples aren't at all inconsistent with what Mr. Clark is saying. The examples you cite seem to me to strengthen the case that there would be a lot of merit in having a clear-cut division that we understand, so that we don't get into the situation that has created some bitterness. We're all aware of the heart and cancer funding, where extra funds from the heritage trust fund have been used to supplement other elements of the operating budgets of these hospitals. It's very difficult to talk to a hospital in Grande Prairie that doesn't have this, that has to get by on the funding from the department, that the university hospital has a little extra, because we can share these things with our research component. So let's separate it if we can. It would make the whole process more understandable to the average Albertan, and it would be consistent with the heritage trust fund. The question of complementing funds would only exist if it has to, and then it would be taken over by the heritage trust fund and reported as such in the budget.

MR PAHL: Responding to the Member for Spirit River-Fairview, I think the key word is let's separate it, "if we can". Let's avoid the overlap and but let's accept some complementary activity. That's really what it boils down to. It's just not possible. In the constituency of Edmonton Mill Woods, there is the Edmonton research park. The provincial government is providing funds for the infrastructure for that facility, and I think that was well supported by the Legislature. But what happens if the citizens of Edmonton Mill Woods drive on those roads on their way into their homes. Are we then in a situation where that should have come out of the highways budget? This is the whole point. It's a noble objective, but if you're going to shackle yourself in terms of getting the biggest bang for the dollar, I think it's a wasted effort. That is my observation, not an indictment of the intention. I don't think anyone wants to see padding and hiding the funds. On the other hand, it makes no sense to try to define down to the nth detail, as in the case of trying to separate the medical research from the operating of a hospital. All I'm saying is that the other side of that coin is that it is not as clear cut as one might assume

MR R CLARK: Mr. Chairman, perhaps it's a good thing that we're getting close to dealing with our last recommendation, because frankly, I've detected that the committee has become -- for lack of a better term -- pretty gutless in the last several days in the course of suggestions that have been put forward: if there's any possible way we could find a way that it might be difficult, we simply decide not to do it. That took place on two or three resolutions today, and it's taking place on this one again. It seems to me it's becoming, if there's any possible reason we can put up as to why we shouldn't do something, that's a good enough reason to decide to vote the doggone thing down, as opposed to putting our thinking hats on and saying, isn't there some way we can work through the thing?

MR CHAIRMAN: Any further discussion of Recommendation V. 8? Those in favor? Mr. Notley, Mr. Clark, and Mr. Musgreave. Opposed? The remaining four members in the House. The recommendation is defeated.

The Chairman would appreciate some direction from the committee relative to a problem I have with the consulting firm's report. I was advised perhaps a half hour ago, that the report, without its appendices, would be ready at 4 o'clock, and that the complete report probably wouldn't be available for another day or so. Here's one suggestion. I would welcome committee reaction. Donna has undertaken, on receipt of the report without appendices, to get them to you; those of you who are in the city, this evening, and those who are leaving this afternoon, on your desk tomorrow morning. Would that give committee members enough time to read the report so we can discuss its implications when we meet tomorrow afternoon? Mr. Notley has indicated agreement. Any disagreement? All right.

The memorandum that I sent to you a few days ago about meetings today and tomorrow indicated that we'd resume at 12:30 tomorrow. I'd like to change that to 1:30 to give everyone the fullest possible opportunity. That will give some of you this evening, and will give all of you all of the forenoon and the lunch hour. If there's no serious objection then, I'm recommending that we reconvene tomorrow afternoon at 1:30 to discuss the report of Western Management Consultants, to see if any further recommendations flow from it.

On the subject of recommendations, I've done a tally. I'm not so sure that the arithmetic approach to our work is that important, but for your information, we had 46 recommendations submitted and have passed 18, 16 of those with some amendment. That exceeds by one or two the number of recommendations passed by the committee last year. On that arithmetic note, then, we stand adjourned until 1:30 tomorrow afternoon.

The meeting adjourned at 2:12 p.m.