

Standing Committee on The Alberta Heritage Savings Trust Fund Act

Monday, October 19, 1981

Chairman: Dr. Reid

9:30 a.m

MR CHAIRMAN: Good morning, ladies and gentlemen. The committee will come to order. I think we got started into Section C., the Alberta investment division. I think perhaps if we continue with that this morning and see how far we can get through it. The Member for Calgary Buffalo.

MR SINDLINGER: Mr. Chairman, on a point of order. There is some unfinished business I'd like to bring up, if I may. That's in regard to the Auditor General appearing before the committee.

MR CHAIRMAN: I haven't yet received Mr. Clegg's advice on this matter, and once we do we can bring it up for discussion.

MR SINDLINGER: Mr. Chairman, in light of that comment, I wonder if I might move that this committee call the Auditor General to meet with the committee at a mutually convenient time, but before the committee drafts its report to the Legislature.

MR CHAIRMAN: Perhaps the motion's a little premature until I have Mr. Clegg's advice to it.

I think the Member for Edmonton Mill Woods had his hand up, and the Member for Spirit River-Fairview.

MR SINDLINGER: Mr. Chairman, on that point, I do have some information before me which is quite conclusive in that matter, and it's The Auditor General Act. It states quite specifically in the Act, Section 26 on page 10:

The Auditor General shall, at the request of a select standing committee of the Assembly engaged in reviewing financial statements of the Crown or an organization of which he is the auditor, attend the meetings of the committee in order to give supplementary information to the committee respecting the financial statements or report of the Auditor General.

In my opinion, that section is quite conclusive. The Auditor General has the latitude to come here. By legislation it's not a discretionary matter; it does not say the Auditor General "may"; it says the Auditor General "shall" appear before the committee at the committee's request. I have had discussions about this matter with the Law Clerk. It was some time ago that we left this matter in the hands of Mr. Mack, at the time, and he was going to report back on what he could determine to be the terms of reference for the Auditor General. If I may quote from the transcripts, on Monday, October 5, Mr. Mack said that pursuant to discussions we had on this matter:

I would be pleased to get in touch with the Auditor General and have his expression as to what his understanding is as to his terms of reference with regard to being available to this committee in that context.

Following up on that, and since we did not have a report back, I took the liberty of discussing the matter with the Law Clerk, and he has advised me that it's completely within our terms of reference and completely within the statutes for us to request the Auditor General to appear before the committee. Furthermore, The Auditor General Act is quite explicit in Section 26 on page 10, saying that the Auditor General shall attend committee meetings at the request of the committee.

So with that information before the committee, I would ask the committee to give consideration to the motion that I've just made in regard to calling the Auditor General before the committee.

MR PAHL: Mr. Chairman, I wonder at the urgency of this matter before the hon. member. I think the discussion tended to have a pretty good consensus on the thought that if and when required, subject to it being within our authority, we would call the Auditor General, but I didn't recall anything in the discussion suggesting that it was an urgent and pressing matter of the committee. I just wonder if the Member for Calgary Buffalo has some compelling reason why we should interrupt the flow of business that we agreed by consensus to carry on, to call the Auditor General at this point, while we're still working with our recommendations.

MR NOTLEY: Mr. Chairman, I think we have two questions here. The first is: can we call the Auditor General? The second is: should we call the Auditor General? On the question of, can we call the Auditor General, I really don't think we should take a lot of time because Section 26 of the Act, as the Member for Calgary Buffalo points out, makes it clearly a case of "yes, we can". So it really is an issue of whether we should.

I think there is an argument for calling the Auditor General. I look back over the Auditor General's report and, both in the report of 1980 for 1979, and the report of '81 up to March 31, 1980, we have recommendations from the Auditor General. The principal recommendation in, for example, the 1980 report, was the proposal that we not look at the capital works fund. I'll just try to dig out . . .

It is recommended that consideration be given to amending The Alberta Heritage Savings Trust Fund Act to enable accounting treatment of the amounts expended on Capital Projects to be accounted for in the financial statements of the Alberta Heritage Savings Trust as expenditure and not as assets on a balance sheet.

Mr. Chairman, we did not deal with that last year and, technically, we should have. I don't think there's any question about that. But I think what is relevant this year, Mr. Chairman, is that we have essentially the same recommendation by the Auditor General.

Frankly, I would like to see the Auditor General come back. It obviously has to be at a mutually convenient time. It seems to me that if we're going to do it, in fairness to him and in fairness to members of the committee because we have a number of recommendations to deal with, we perhaps should try to organize that as quickly as possible.

Because the Auditor General did make reference in both reports to the Heritage Savings Trust Fund, it seems to me that we do have to deal with those recommendations. If this committee does not do that, then I suspect that . .

I don't know what other committee would do it if we don't do it. Pages 69 and 70 of the Auditor General's report this year deal with his recommendations pertaining to The Alberta Heritage Savings Trust Fund Act. I'm not going to say that it's anyone's fault, but over the years we just haven't been doing it. We should. If there's any question after the consensus that we should be doing it, when we hear from cabinet ministers, obviously the place to start is with the Auditor General. But because we do have recommendations from both years now, it does seem to me that at a time that's convenient it would be almost mandatory for this committee to take half an hour or whatever -- or an hour -- to go over those recommendations with the Auditor General.

MR MACK: Mr. Chairman, lest anyone might get the impression from the comments of the hon. Member for Calgary Buffalo that I did not discharge my responsibilities in my undertakings to communicate with the Auditor General, I have done so. However, due to his being out of the city, I was not able to actually get together with him until Friday last, after the session adjourned. I have met with him and he has advised me that, yes, under his legislation the committee does have legislative authority to be called before the committee, for the Auditor General to appear before the committee. He also advised me that the committee can also question him in Public Accounts with respect to any of these matters, so he is not insulated from the committee at all.

I would hold the view -- this is a personal expression -- that in support of you, Mr. Chairman, to get a legal opinion because I think there are elements in the Act which are fairly specific. Although attendance here is not the criteria basically, it's the extent in which the Auditor General would be able to address the questions that the committee may choose to put to him. In that regard I would think that a legal opinion in that area would certainly be desirable. That's my view, so that the committee has not any misconception that in fact all their questions might be able to be addressed by the Auditor General as it would relate to the Heritage Savings Trust Fund committee. He certainly can appear and he does have legislative parameters in which he does operate and he can respond to this committee, Mr. Chairman.

MR R CLARK: Just responding to the comments of the hon. member Mr. Mack, I would simply remind members of the committee of the capability and the experience that the Auditor General has had, and that I, for one member, feel totally confident that if members of this committee put questions to the Auditor General in the course of Mr. Rogers being before this committee, he would be very quick to point out to members of the committee that that's beyond the terms of reference of this committee or his responsibility to report to this committee.

My recommendation to members of the committee would be that we deal with the motion put before the committee by the Member for Calgary Buffalo, and that we find a mutually agreeable date for the Auditor to come before the committee, and get on and do that.

MR CHAIRMAN: The problem I have is not one of whether the Auditor General may appear before the committee or whether he should appear. I don't think there are any doubts whatsoever about that. The doubt that I am waiting for the opinion of the legal counsel to the Assembly for is within what parameters can

the Auditor General answer questions of the committee. Are they exactly the same as, say, before Public Accounts, or are they different?

MR R CLARK: With great respect, sir, that's a matter that you and the Law Clerk can finalize once the decision to bring the Auditor General before the committee has been made.

AN HON MEMBER: Agreed.

MR SINDLINGER: Mr. Chairman, I'd just like to note that a couple of comments have been made already. One is by Mr. Pahl, and he's posed the question: what reason is there to interrupt consideration of the recommendations; why should we stop now and go back to something like this?

My reply to that, Mr. Chairman, is from the transcripts and after discussing the recommendations that I introduced earlier, Recommendation No. 7:

An annual audit of the AHSTF should be commissioned by the Select Standing Committee.

The debate or discussion arose in regard to having the Auditor General appear before the committee. At that time we discussed the possibility of having him here.

So the question of having him here or not having him here arose from a recommendation that I had made. I'd just like to refer to your closing comment, if I may, please, Mr. Chairman, in regard to that Recommendation No. 7 that I had made. You said, Mr. Chairman:

We'll hold discussion on Recommendation No. 7 pending communication from the Auditor General.

So by placing this motion before the committee today, I'm not introducing anything new. It's old business, and it follows from the debate on Recommendation No. 7 which was not dealt with by this committee, pending a decision on having the Auditor General appear before us.

In regard to comments made by Mr. Mack, he has agreed that the committee has the legislative authority to call the Attorney General before us. But the point he made seems to be somewhat analogous to yours, and I would have to agree with Mr. Clark in this regard in that I don't think it's necessary for us to find or get a legal opinion on what the Attorney can say or cannot say. What the Auditor General says or doesn't say is up to him, and I think it's his responsibility to get legal advice on what he could or could not say before the committee.

So I hope I've addressed Mr. Pahl's question with regard to why we have to interrupt recommendations. We don't. This is part of Recommendation No. 7, or the discussion or consideration of that.

MR PAHL: Mr. Chairman, I have no problem. I believe it was my recommendation that the Auditor General be substituted for an independent audit because he, in fact, is independent. It also is my recollection that the conversation was that the Auditor General should be the first person we talk to. Similarly I note that an hon. member quoted from pages 69 and 70 of the Auditor General's Report of this year, which substantiates one of our recommendations. It seems as though I would certainly support the wishes of members of this committee. We have the opportunity and the authority, if you will, as far as I can

understand, to call the Auditor General, and I'm just wondering why at this stage of the game, when we have his report, it supports our findings, what we add to our efforts this year by having him in. I don't think we need to prove the point by having the Auditor General here to say we can call him. We could resolve to call him next year.

That was the direction of my question to the hon. Member for Calgary Buffalo. Is there a reason beyond having him appear in person to say, yes, on pages 69 and 70 of my report I agree with the point you said? I'm just saying for purposes of practicality, why are we doing it, if we accept the rationale that we could have him here?

MR MACK: Mr. Chairman, it's not my intent to prolong this debate, but for clarification I wish to make it abundantly clear -- and I'm responding to the remarks from the hon. Member for Olds-Didsbury -- it was not implicit in my remarks that the Auditor General was not capable of speaking for himself. I think he certainly can and will. I thought it would be not so much for the Auditor General but for the benefit of the committee prior to his coming here to have that particular benefit of the Law Clerk interpreting the Act to the committee, rather than the committee interpreting the Act to themselves. There's no question in my mind that the Auditor General certainly can and will speak and respond without equivocation to all questions put to him.

Mr. Chairman, with respect to the comments of the hon. Member for Calgary Buffalo and also regarding his Recommendation No. 7, the hon. member had also indicated during his introduction of that particular recommendation that it was in that spirit that I sort of felt that probably the particular recommendation was not as relevant as he initially envisaged it would be, in that legislatively, as an independent auditor, the Auditor General has the legislative authority to audit the fund. He is an independent auditor. We are still getting the vibes from the hon. member that he's not. His comments, which I very firmly objected to last day, that perhaps because he's a government Auditor General there could be some conflict or some inability for him to independently audit this fund -- and those remarks were never withdrawn by the hon. member. I say again, if there's any indication with this particular recommendation that the Auditor General is not an independent auditor, and that this committee should now proceed to establish an independent firm to audit the Heritage Savings Trust Fund -- again, Mr. Chairman, I reiterate my earlier remarks that I take exception to the insinuation and innuendo that in fact the Auditor General is not independent.

MR NOTLEY: Mr. Chairman, certainly there is no question, I don't think, in the mind of any member of this committee about the independence of Mr. Rogers. All one has to do is look at Mr. Rogers's sterling record in this province, and some of the major reports that he has presented to this Legislature over the years. There is no doubt -- certainly not in my mind -- of the independence of that very distinguished gentleman. It's for that reason that I felt so strongly when we discussed this matter before, and held it over, that the appropriate course would be to have the Auditor General in. As I recollect the discussion -- and I'm just going on memory here; I don't have the transcripts of that discussion before me -- the question didn't relate at that time to whether he could come, but whether his mandate allowed him to comment on the wisdom of certain investments in the same way that his mandate in terms of the general operating budget of the province allows him to make recommendations to the Treasurer or to the Minister of Agriculture, or what have you. We find that essentially he has the same mandate.

But we still have not dealt with Recommendation 7. It was, as I recall, held over. So it seems to me that before we deal with that recommendation, it would be appropriate to have the Auditor General in. The reason that -- and Mr. Pahl raised this -- I want to bring the committee back to Recommendation 23 that we passed the other day, which is that we just take virtually the same wording as the Auditor General presented and pass it -- that's true; it's the same wording, and it was passed by this committee -- is there's one problem, Mr. Chairman. That problem is that we still haven't done anything about it. We have no commitment to see any change made in legislation.

It seems to me that one of the things we have to do in order to, if you like, increase our visibility as a committee is that where specific recommendations are made by the Auditor General, whether we agree with them or not -- and obviously we agree with this particular recommendation because we passed it unanimously; but where recommendations are made sometimes we may not agree with them -- it is certainly not unreasonable and indeed it is obligatory, in my view, that we have the Auditor General before the committee. We are a watchdog committee. People throughout the province are told that this is the committee of the Legislature which reviews the heritage trust fund. We are, if you like, the people who have the obligation of assessing whether the investments have been made properly, and make recommendations to the Legislature as a consequence. A very large part of the accountability of the entire heritage trust fund is associated with the function of this committee, and that we should not have the Auditor General before us when he has made a specific recommendation to the Legislature is, in my view, unthinkable. I don't believe it needs to take a lot of time, but I really think that as a principle we should start doing this.

Now the question is -- Mr. Pahl raises the point -- why do it this year; maybe we can do it next year. I think Mr. Clark can testify that the experience of not establishing a precedent gets us into all kinds of trouble; the idea that we don't nail it down this fall but somehow we'll naturally do it next year is not necessarily so. I think what we want to do, if we have unanimously accepted a concept -- and we're not suggesting we're going to take hours and hours and hours -- it seems to me that at some appropriate time we should have the Auditor General in before we complete our report. In my judgment, there really shouldn't be a lot of argument. While we waste time in the committee by arguing over it, it seems to me it's so simple and straightforward. Let's do it; leave it up to the chairman as to the time it can be arranged and get on with the recommendation.

MR CHAIRMAN: Can we have the question on the motion? The Member for Calgary Buffalo.

MR SINDLINGER: I'd like to make a couple of comments before you pose the question, Mr. Chairman, please. There have been questions posed to me as mover of the motion.

Mr. Pahl has asked, why the urgency? What's the specific reason for having him here right now? Well, the first thing I pointed out is that it is part of Recommendation No. 7, and Recommendation No. 7 was held in abeyance pending communication from the Auditor General: exactly what we were talking about for. If that isn't enough reason, here's the annual report. Almost half this annual report deals with the Auditor's report to the Provincial Treasurer. There are pages and pages of material presented here by the Auditor General, and yet the committee, in my judgment, has been remiss over the last five years in directing its attention almost solely to the individual programs that

come up in the first half of the annual report. Most of those individual programs in here take up only a paragraph, not more than a couple of inches. And yet here is the meat of the Heritage Savings Trust Fund. The Heritage Savings Trust Fund is a substantial amount of money, and here's the Auditor's report dealing with that money. We haven't had the Auditor General in here to support or stand behind these things.

Mr. Mack, I think it should be made perfectly clear that not now, not ever, have I ever tried or intended to impugn the integrity of anybody, whether it's the Auditor General or the members of this committee. I think that what we should bear in mind is that we are dealing with programs, policies, and issues: discrete, substantive matters. The question of who moves something or who's supporting it or doesn't, never comes into this thing. I'm dealing with accounting and managerial procedures concerned with the trust fund.

I think it's important that we have the Auditor General here before this committee, and I'm not alone in saying that. If I can refer to the transcripts again, Mr. Pahl says, "I would think it would be perfectly appropriate that he" -- that is, the Auditor General -- "appear before this committee . . ." Mr. Notley has said, "our credibility as a committee would be immeasurably enhanced if our very first meeting or set of meetings was with the person who is in charge of the audit." Mr. Zaozirny has said, "I'd like to indicate my support for the proposal that the Auditor General be asked to appear before the committee." He goes on to say, "I share their view" -- that is, the other members' view -- that this would certainly enhance the ability of our committee to carry out its function . . .". Mr. Chairman, you yourself, in discussing this matter, said "I think it would fit in with the other functions of the Auditor General quite well"; that is, his appearance before this committee.

Certainly I don't think there could be any question about the desirability of having the Auditor General before the committee. I believe there's a consensus. The question seems to be whether or not it should be now or next year or the year after. In my opinion, Mr. Chairman, it should not be next year or the year after. It should have been five years ago, when this committee was first established, and it should have been every year after that first year up until this point in time. I think it's rather strange that we're sitting here having this debate, after we've gone through the committee for five years.

Finally, I think I couldn't draw on any other authority than the Provincial Treasurer who, in the very beginning of this annual report, states in the prologue, "This committee of the Legislative Assembly" -- this committee here -- "conducts an annual in-depth review of the activities of the Heritage [Savings Trust] Fund."

Mr. Chairman, I submit that if we do not have the author of half of this annual report before us, then there's no way that we can conduct an in-depth review of the Heritage Savings Trust Fund. I ask the members to give serious consideration to having the Auditor General before us. I think we have adequate time to do so. I think it's important that we do so to demonstrate not only to Albertans but to Canadians in general that we have fulfilled our responsibility to the utmost, and we've done as much as we can to ensure that the Alberta Heritage Savings Trust Fund is used to the benefit of all Albertans and all Canadians.

MR PAHL: Mr. Chairman, this is really a procedural point. I think we've really reversed ourselves and we're back to Recommendation 7. I think that this motion is entirely in order and can be put to the committee, but I think

it should be on the understanding that Recommendation 7 be withdrawn because it's clearly inaccurate. There is an annual audit done, I guess, under the authority of the Legislature by the Auditor General, so that Recommendation No. 7 literally has no meaning. I think that should be an understanding with respect to the motion before the committee now.

MR CHAIRMAN: I was going to make a similar point. I'm getting a little confused as to whether we're discussing a motion to bring the Auditor General in front of the committee, which is not mentioned in Recommendation 7 whatsoever -- and in his remarks addressing Recommendation No. 7, the Member for Calgary Buffalo requested an independent audit of the Alberta Heritage Savings Trust Fund and, by my memory, did make some remarks that he would prefer one other than that done by the Auditor General. If my memory serves me correctly, it was the Member for Edmonton Mill Woods who suggested that we could serve the same purpose by having the Auditor General in front of the committee. I don't think there was ever any question about that.

Perhaps we can now get down to the question on the motion put forward by the Member for Calgary Buffalo that we have the Auditor General in front of the committee this year, before writing the report of the committee for this year.

The Member for Calgary Buffalo.

MR SINDLINGER: Just to make sure that we're all talking about the same thing, Recommendation No. 7 says:

An annual audit of the [Alberta Heritage Savings Trust Fund] should be commissioned by the Select Standing Committee.

Following up on Mr. Pahl's comments, I would be pleased to withdraw that recommendation, subject to the one before's being accepted. That recommendation before says: that this committee call the Auditor General to meet with this committee at a mutually convenient time, but before this committee drafts its report to the Legislature.

MR CHAIRMAN: I thought that was what I said.

Those in favor? Those against? It appears to be unanimous.

Thirty-five minutes later we'll now go on to Recommendation C.2. Here we again have two recommendations: the one by the Member for Spirit River-Fairview and the one by the Member for Edmonton Mill Woods, which in basic content appear to be similar, removing the editorial comments that have been inserted. There is one real difference between Recommendation C.2 and C.3, and that is one says "immediately" and the other gives the Provincial Treasurer some discretion. Are the Member for Spirit River-Fairview and the Member for Edmonton Mill Woods prepared to have us discuss these two at the same time, to save going through the same discussion twice over? Is that acceptable to the two members?

Well, perhaps the Member for Spirit River-Fairview first and then the Member for Edmonton Mill Woods.

MR NOTLEY: Mr. Chairman, we can get into quite a debate over when we convert these debentures. Let me just say that I find it difficult to understand why it wasn't undertaken sometime in the last few months and, in my judgment, a delay in the next few months will mean a substantial loss of revenue to the fund. Mr. Chairman, the Provincial Treasurer, when he appeared before the committee, produced figures which were not only presented to the committee

but, in the form of a letter to the editor to *The Calgary Herald*, were presented to the people of Alberta, and those figures indicated that there would have been a loss to the fund. What is necessary, on looking at this, is to examine the time frame at which one makes the decision and, if you examine the time frame that the Provincial Treasurer took, which was a period of 18 months, yes, there would have been a loss, if you look at that time frame. But that time frame was somewhat misleading because it took a period of three months in 1979 when no one I know of anywhere in the province, either then or subsequently, would have recommended the conversion take place. It took the first two months of 1980, which is a normal downtime for the Syncrude operation, when machinery is being fixed up, repaired and cleaned, and what have you, and it took the same period of three months in 1981. So if you took that 18-month period of time, there's no question that it would have been better not to have converted in that period of time. However, if you look at 1980 as a year, it would have paid to convert; if you look more relevantly at April 1, 1980, to March 31, 1981, which is our reporting year, there would have been a net gain to the province of about \$11 million or \$12 million by converting.

What I think is important and relevant now is not to get bogged down in whether or not that conversion should have taken place sometime in 1980, or even in the first few months of 1981. The question is whether we convert now; whether we convert now. And the evidence is very clear. Syncrude is making money now. Syncrude will make money as a result of the energy agreement. And for us to continue to hold almost \$0.25 billion in debentures which bear interest at rates of 8 and one-eighth, and 8 and three-eighths at this stage of the game is just incomprehensible. To continue now, with the information we have available, in my judgment would invite the accurate attack that we in fact are just providing cheap money to large companies. In 1975 when these debentures were taken out, that was the going interest rate. But we all know that is not the going interest rate today. We know that the options are clear as to what we can do. We can convert into equity, and our own figures that we have in our report will tell us that we'll make more money if we remain as equity owners. If we want to look at the example of what the Alberta Energy Company did with its option several years ago, we could convert and sell, and then put the money into short-term debentures -- 30-day, 60-day, 90-day bank notes -- and we'd have a much, much higher interest rate than continuing the present debentures.

So in my view, Mr. Chairman, and I've gone over this and run past the figures so many times now that I just don't think there is any reason to sort of drift along with, yes, it's an interesting concept and we'll begin to do it. I think there's a certain amount of urgency. I certainly would be prepared to see resolution 3 accepted, providing that there is very clear understanding on the part of the committee that we see some urgency in moving on it and that it's not just kind of passive which, when we get around to it, we'll look at. Because we have clearly crossed the line where, in my judgment, the conversion is just so clearly the course, conversion of whether or not we keep the equity; we may very well choose not to keep the equity. I think we should keep the equity, but other members might not like that approach. Fine. At this stage of the game even if we chose not to keep the equity and sell it to the private sector and then just reinvest the money in higher-term deposits of one kind or another, we'd be getting a bigger return for the Provincial Treasury. We have a situation where, because of this convertibility feature, there's lots of time legally. We have until 1986, I

believe, in which to legally convert, but I don't think any of us would seriously entertain waiting until that long to convert.

So for those reasons, Mr. Chairman, I think it's quite important that we move ahead with either Recommendation 2 or 3. I have no particular quarrel with Mr. Pahl's recommendation, providing that serious consideration in fact is just that and not just a passive recommendation which may sit on the Provincial Treasurer's desk for many months, at a significant loss of interest.

MR PAHL: Mr. Chairman, I think the Member for Spirit River-Fairview has suggested his willingness to accommodate what I guess might be less of an inflammatory recommendation in 3. I still feel, though, with respect to the hon. member, that certainly the Provincial Treasurer seems quite confident to let his record of stewardship stand on the timing. I must say that to me there are a lot of imponderables in the equation and as an investment, because there's an option, it would seem to me that the period of time we need to consider as to whether it's a good idea or a bad idea from a purely investment decision is from the time the option first existed until it is either exercised or expires. That's really when, with the benefit of hindsight, we will indeed be able to see whether the hon. Member for Spirit River-Fairview was correct or the Provincial Treasurer was correct. I would suggest that although the operating record of Syncrude has tended to get better and better as you move up the learning curve, there are still, as happened last year, a fire and explosion. There is some uncertainty in the process, and the possibility of breakdowns or other problems still would occur to reduce the profitability.

Mr. Chairman, the other point I think we should be thinking about here, and perhaps when we're second guessing the Provincial Treasurer, is the fact that there's another -- at least, I would say hopefully another -- oil sands plant waiting in the wings. I would think that that \$0.25 million might have considerable relevance to that next plant. Whether we would want to, if you will, if we accept the hypotheses of the hon. Member for Spirit River-Fairview -- and I think he's right -- make a safe investment in the existing operation, or perhaps that \$0.25 million might become very important for startup seed money. I don't know. But I know for certain that if the option to convert that to equity is taken, it will not be available -- I think the hon. member would agree with me there -- unless you disposed of common shares, and you would probably run the risk of depressing the market, so you wouldn't get your money back.

I still think the Provincial Treasurer has made a reasonable case, but I would also say that this committee has identified a concern with this area. I would still like to see reference made to it in our recommendations, although after the Provincial Treasurer did appear before us I had a little better appreciation of some of the factors involved.

So I guess I would suggest, or at least express the hope, that we could amalgamate the two. If the hon. Member for Spirit River-Fairview is suggesting that he would accept Recommendation 3, with the emphasis that has been put on this issue by the committee . . . And I think it's well in the record, Mr. Chairman. We've asked the Provincial Treasurer to come back on it. There was a good deal of interest in the subject by everyone. So I think it's adequately highlighted. So if the hon. Member for Spirit River-Fairview is saying he will support 3 with the emphasis the committee has already given it, I certainly can't complain about that.

MR CHAIRMAN: Can I take it that the Member for Spirit River-Fairview is willing to withdraw Recommendation 2, providing we emphasize the words "serious consideration" in Recommendation No. 3? Is that what I was able to take out of it?

MR NOTLEY: What I might suggest is give "serious and early consideration".

MR CHAIRMAN: Is that acceptable to the Member for Edmonton Mill Woods?

MR PAHL: Certainly.

MR CHAIRMAN: On that amended "serious and early consideration", those in favor?

MRS FYFE: My only concern about "early" is that I think we should also include the direction "at the most favorable time". Over the period of time this debenture has been held, there have been benefits to the fund itself that would not have accrued as an equity owner within this project. Obviously there has been consideration of exercising this option, but I think that rather than doing it tomorrow, if it's going to be of much greater benefit a few months from now, we must also add the caveat "at the most favorable time".

MR NOTLEY: That was really what I meant by saying "early" rather than "immediate". Personally, I think it should be immediate, but early means somewhat less of a specific mandate.

MR CHAIRMAN: Okay. At the moment, unless the Member for St. Albert is suggesting an amendment, I have it:

The Provincial Treasurer and the Investment Committee of the AHSTF give serious and early consideration to exercising the conversion to equity of the convertible debentures related to the Syncrude Project.

MRS FYFE: I won't add another amendment to it if the understanding is that we would seek the most favorable conditions we can.

MR CHAIRMAN: Those in favor of that recommendation? It's unanimous.
We'll go to Recommendation No. 5, the Member for Spirit River-Fairview.

MR NOTLEY: Mr. Chairman, Recommendation No. 5 may be a little less broadly and enthusiastically received. However, the basic point I want to raise with members of the committee is my own feeling that we have to shift away from debt instruments, but particularly debt instruments in corporations at interest rates which are considerably below prevailing interest rates at the moment.

We've just talked about the Syncrude debentures, where there is a significant difference between prevailing interest rates and current interest rates. That's the most obvious case, but I think there are several others that are worth noting in our annual report. The Calgary Power debt instrument, \$19,717,000 at 13.75. While the Provincial Treasurer now has the authority to invest in equity, where he didn't before, I would just bring to the attention of the committee that that Calgary Power debt instrument is worth taking a moment on. We're talking about 13.75, which matures on April 17, 1985, in a company which is a regulated public utility. Under the terms

of the public utilities Act, the rate of return which is guaranteed to the owners of the public utilities is now slightly above 15 per cent, 15.04 or something of that nature.

Now, in my view it is rather silly to take out a debt instrument in a regulated public utility when equity would earn us 15 per cent, unless our debt instrument gets us more than 15 per cent. If our debt instrument gets us 16, 17, or 18 per cent, then we take out the debt instrument. But when our debt instrument is less than equity, then it doesn't make much sense to me to take out a debt instrument when equity would earn us more, particularly in a regulated public utility.

The major reason I introduce Recommendation No. 5 is that it seems to me that this has to be the stress we take in the future. Other examples might be cited. The three I've pointed out suffice to make the point.

MR SINDLINGER: Mr. Chairman, I agree in principle with this recommendation. As I read it, and after having listened to Mr. Notley's remarks, I discern a difficulty I had with a recommendation that will be coming up for consideration, No. 19. Recommendation No. 19 reads as follows:

Longterm investments should be made only if they provide a rate of return of not less than 20 per cent on equity after tax on an annual basis over the term of the investment.

Personally, I'm not that satisfied with the wording in that recommendation of mine, but I had a great deal of difficulty doing that. It's the principle that's important in both these recommendations; that is, there should be some sort of management guidelines, target rates of return. For example, when we hear Shell talking about their proposed Alsands project, they say they have a target rate of return of somewhere in the vicinity of 20 per cent, I believe, and unless that target rate of return is met, they won't proceed. I think it would also be prudent for us to recommend, or the government to demonstrate in one way or another, that it does also have a target rate of return against which its decision-making can be based.

I think that's essentially what this recommendation says. Despite the difficulty in the wording of that one and mine, I would support the principle of this recommendation for that reason.

MR PAHL: Mr. Chairman, I have a little bit of a problem understanding the mix here. One is talking about an investment, which is presumably equity, which is the Recommendation No. 19. This one is regarding debentures. I'd ask the hon. member if he's aware of the implications that would suggest that we would only be providing loans of one month's duration. It's pretty well known that in this time of fluctuating interest rates, the best return now is in the short term, where it used to be in the longer term. I'm not sure we'd get a lot of people interested in renewing or renegotiating a substantial loan for a one-month duration, because that's when you'll get up to what's known as a prime interest rate.

I think the other point that's ignored by the hon. member, to be most charitable at all, is that I think everybody knows that if you can prove you don't need the money, you can get lots of it and at good rates. We really can't be talking about the rate Milt Pahl or other small business men in my constituency can borrow at as opposed to the government of Ontario or Bralorne or Calgary Power. So to suggest that there's some sort of financing of corporations through debentures at rates up to 10 per cent less than prime

interest rates is playing pretty fast and loose with the realities of the market place. I just don't think this resolution reflects the spirit of the Heritage Savings Trust Fund in any way.

When the commercial investment division was set up, it was set up to provide a commercial return on investment. I think we can raise the question -- and quite rightly so -- to say that in such volatile times we should be backing away from long-term debentures. But I just wouldn't leap to that conclusion based on the two contentions placed in this recommendation. In the absence of a lot of surgery, I couldn't support it. I'm not sure how much it would be worth if it got that much surgery.

MR CHAIRMAN: I thought I was the surgeon in the outfit. Are there any further remarks by the hon. Member for Spirit River-Fairview before we vote?

MR NOTLEY: Just to summarize, I think we are dealing with some fairly important philosophical questions here, I guess. Sure, certain large firms have the capacity to borrow money at lower interest rates, but we're not dealing here with the money of the Bank of Montreal or the Bank of Commerce; we're dealing with money which is owned by the people of Alberta. What we have is not the kind of difference one sees but some rather significant differences.

Now, we've gone part way with our recommendation on converting the Syncrude debentures, because in my view those are the two debentures that stand out more than anything else. But I think the other aspect that is important is that if you're talking about debt instruments, you might very well be better to look at the 30-day, 60-day, and 90-day market.

There's another element here; that is, instead of debt instruments, we should be looking at equity. While I don't anticipate that all my fellow members here are going to make that philosophical leap quite as enthusiastically as I would in terms of converting to equity, I would maintain that the track record would probably demonstrate that we get a higher return.

I do think Mr. Sindlinger's point about the guidelines is important, though. We can probably deal with that more appropriately under Recommendation No. 19, I believe.

MR CHAIRMAN: The question on Recommendation No. 5. Those in favor of the proposed recommendation? Those against? The recommendation is lost.

Again, on recommendations 6, 7, and 8, we're looking at three very similar recommendations. There are certain phrases in each of them that make them more specific. I think the biggest problem, on considering them together, is the last phrase in Recommendation No. 8 by the Member for Spirit River-Fairview, suggesting that the lender of last resort principle be dispensed with. Otherwise, I think the three recommendations are very similar, apart from this specificity of the sum of money in Recommendation No. 8. Now, I notice that the Member for Little Bow isn't present. Do you know if he's returning?

MR R CLARK: Yes, Mr. Chairman. Mr. Speaker will be returning in about 15 minutes.

MR CHAIRMAN: Perhaps we can hold these three over until he returns, then go back to them together, if that's acceptable to the members for Spirit River-Fairview and Edmonton Mill Woods. All right.

We have taken a sudden jump to Recommendation No. 13, the Member for Spirit River-Fairview.

MR NOTLEY: Mr. Chairman, I think it's fairly straightforward. Funds are made available by the Alberta Opportunity Company and the Agricultural Development Corporation at the present time, particularly with respect to the beginning farmer program for acquisition of land and some capital needs such as purchase of equipment, et cetera. But the question really is: what role should ADC and AOC play in terms of providing operating capital as opposed to the purchase of the business and equipping it, the purchase of the farm and getting machinery, and that kind of thing. Mr. Chairman, I would say that there is a strong case for the provision of loans for operating capital from both agencies as opposed to the simple guarantee of loans that's available now under The Agricultural Development Act, for example. The guarantee of loans gets people into interest rates at current bank rates, which frankly is a one-way ticket to bankruptcy.

Essentially, 13 is somewhat similar to the principle of 8 in terms of the lender of last resort. It would very substantially expand the role of both agencies from a role of being a lender to individuals who must be turned down, so their prospects must be bad enough that they're turned down by other financial institutions, to providing operating capital as well as loans in the first place to people in the market place as opposed to being a sort of last stop after you've been turned down by everyone else. I think that's fairly straightforward.

MRS FYFE: Mr. Chairman, I think it might be better to discuss this with recommendations 6, 7, and 8, seeing that there are similar principles.

MR CHAIRMAN: Okay. I think that could be done. I'm giving it some consideration, but I think if the committee is willing, we'll discuss them together.

Recommendation No. 14, proposed by the Member for Calgary Buffalo.

MR SINDLINGER: Mr. Chairman, I'd like to point out that the reason I'm reading these recommendations when I present them is that unless that is done, they don't appear in the transcripts. Going over the transcripts from previous years, I had a great deal of difficulty following them unless I could find the recommendations. Those recommendations get lost over the years. It's for that reason that I am reading the recommendations, and I would suggest to other members or perhaps to you that prior to consideration being given to them, they do be read into the record.

Recommendation 14 reads as follows:

The AHSTF should purchase Alberta municipal debt instruments held outside Canada and hold them as an investment, thereby relieving municipalities of added burdens inherent in meeting foreign exchange.

The purpose of this recommendation is solely to keep funds in the province rather than having them going out of the country. One problem may be that there would be low interest rates on these instruments but, on the other hand, the market price should be fairly low, giving us a high rate of return pursuant to Recommendation 19 that we should have a target rate of return. So I present that for consideration by the members, Mr. Chairman.

MRS FYFE: As municipalities have been borrowing from the Alberta Municipal Financing Corporation for quite a number of years, I'm not aware that there is debt outside of the province. If there is, I'm sure it would be at rates considerably lower than current rates. I wonder if the member has additional information.

MR SINDLINGER: I would suggest that we change the recommendation. Rather than saying "should purchase", say "should give consideration to purchasing". It is my understanding that there are still some of these debt instruments outstanding, notwithstanding the point Mrs. Fyfe just made that a large share of the recent funds have been obtained from the Alberta Municipal Financing Corporation.

MR CHAIRMAN: My understanding is that there are some held in the United States and some held in Europe. The trouble is that in the United States there is a benefit to the municipality in having the debt instrument purchased at this time because of exchange rates. But in Japan, Germany, or anywhere in west Europe, I understand that in exchange rates the Canadian dollar has been going up vis-a-vis other currencies. So in actual fact it might penalize the municipality or the province to take them over through the heritage fund.

MR R CLARK: Mr. Chairman, with the change the member put in, which I interpreted to mean "should consider the possibility", I could support the resolution on that basis, having regard for the fact that in considering the possibility, we'd look at the relative advantages to the municipalities, because that's really the group we're trying to help here. I assume it would only be done if in fact there was a benefit to the municipalities.

MRS FYFE: Mr. Chairman, I don't think this is consistent with our present lending to municipalities. If this were a recommendation that had come through the Alberta Urban Municipalities or the Municipal Districts and Counties, I think it's something that should be considered in the regular budget of Municipal Affairs, to convert debentures through the Alberta Municipal Financing Corporation, which this fund lends money to. I just think this is totally inconsistent with our present system.

MR LITTLE: Mr. Chairman, I find this is much too complex for me to give a reasonable decision or vote. When I mention it's complex, it's an advantage to have other countries pump dollars in here by purchasing our debt instruments. On the other hand, it's a disadvantage that the interest payments go out. As Mrs. Fyfe pointed out, it's an advantage to have purchased them at lower debt rates than today. So I find it's much, much too complex. I'd need a great deal more information before I could make an intelligent vote.

MR PAHL: I thought the Member for Olds-Didsbury was on to something, so perhaps he might want to elaborate. I defer to him.

MR R CLARK: Mr. Chairman, I would just ask the Member for Calgary McCall, recognizing his knowledge in this broad, general area, the purpose of the recommendation before us is that consideration should be given to the advisability, Mr. Little, of this debt being taken. I certainly don't recognize all the pitfalls that may be involved here, but the bottom line is that the beneficiary would be the municipalities and that there would be

discussion, certainly within Treasury, the Alberta Municipal Financing Corporation board of directors, and Municipal Affairs. The presumption I have and why I'm able to support the suggestion is that that would only be done if it were going to be to the benefit of Alberta municipalities. That's why I think it's important that we put the "consideration be given" in 14.

MR FJORDBOTEN: Mr. Chairman, with regard to this recommendation, even saying "consideration be given", I have great difficulty with supporting it because of what Mrs. Fyfe raised. Working through the Municipal Financing Corporation -- and they receive their funding from the Heritage Savings Trust Fund -- I just have some difficulty believing that this recommendation belongs in what recommendations we could make. I think it's a suggestion that's out there now. I certainly haven't heard from the Urban Municipalities Association or anyone that this is a concern or problem. However, having had it raised in this committee, I'm certain that if it is a problem, it'll be handled through the Municipal Financing Corporation.

MR SINDLINGER: In summing up, I sympathize with Mr. Little. I really don't have the expertise to comment on this recommendation in detail. I can't properly identify the problem or put some sort of bench mark in place where we could. I view it not as a problem but more as an opportunity to assist the municipalities if in fact circumstances such as this do exist. If nothing else, I'm glad I've had the opportunity to bring this forward today. Perhaps from having had it brought forward today, there will be more discussion in the future, at the levels pointed out by the members.

MR LITTLE: Is the Member for Calgary Buffalo prepared to put in the rider to give consideration?

MR CHAIRMAN: I think he did at the beginning. I took that as an amendment to the proposed recommendation.

MR PAHL: Could you read the amendment as now proposed?

MR CHAIRMAN:

The AHSTF should give consideration to the purchase of Alberta municipal debt instruments held outside Canada and hold them as an investment, thereby relieving municipalities of added burdens inherent in meeting foreign exchange.

I presume foreign exchange rates.

MR PAHL: Mr. Chairman, I was all for jumping on the wagon and accepting it, but I guess there's a presumption here. First of all, there's no burden to the municipalities of meeting any foreign exchange payments. The burden and benefit is really to the country as a whole. Unless the recommendation he's proposing is that the Alberta Heritage Savings Trust Fund retire the obligation upon the municipalities, it's a zero sum as far as the municipalities are concerned. If I understand it, we're really talking about the flow of interest payments, because the principal will have to go outside the country. So it's not clear to me that there is any debt upon the municipalities by virtue of foreign exchange alone. I'm really mixed up now.

MR CHAIRMAN: I think we're getting into the esoterics of foreign exchange, the balance of payments, internal and external trade deficits, and I don't know what all else here. I think members are going to have difficulty voting on it. Perhaps what we should do is just draw the attention of the Provincial Treasurer to the concept and leave it at that, if that's all right with the committee. I think members are indicating considerable difficulties understanding just what's involved in the whole idea.

MR SINDLINGER: That's an excellent suggestion, Mr. Chairman.

MR CHAIRMAN: Is it agreeable to the Member for Calgary Buffalo that we withdraw it, because we really don't know the exact things we're to be voting for or against, and that the concept be drawn to the Provincial Treasurer by the Chairman?

MR SINDLINGER: Yes, Mr. Chairman.

MR CHAIRMAN: Can we proceed, then, with Recommendation No. 15, the Member for Spirit-River Fairview.

MR NOTLEY: Recommendation 15:

That a study be commissioned into the feasibility and desirability of the creation of province/municipal revenue sharing fund, such fund substantially to take the place both of the current labyrinth provincial guide grant programs and of debenture funding through the Alberta Municipal Finance Corporation for municipal revenue purposes.

Mr. Chairman, one could argue that this particular proposal is not one which has anything to do with the Heritage Savings Trust Fund. I'm not suggesting that part of the 30 per cent which goes into the trust fund at this stage should be designated for revenue sharing with municipalities. But it seems to me that if we're going to begin to seriously address some of the things we've talked about already that have capital implications -- the other day we passed the recommendation with respect to light rapid transit, which is going to have an enormous impact not only on the fund but also on the implications of city budgeting, both for Edmonton and Calgary.

The reason I suggest we have a study is that, first of all, over the next five years, the province of Alberta is going to be collecting \$64 billion, we're told, from the energy agreement. Is it feasible that there be a system of revenue sharing on that resource income? The government has indicated that they don't prefer this route. On the other hand, we have the Alberta Urban Municipalities Association suggesting a figure of 8 per cent. Is it possible or not to undertake revenue sharing? Do we have expenditure projections which would rule out the possibility of revenue sharing? As far as I know, we don't. But, it seems to me, this is the kind of thing that becomes just a subject of conjecture and value judgments in the absence of a thorough, properly conducted study. That is not only with respect to some of the ongoing costs municipalities have to face, but even more so with the kind of capital calls which are made on our resource revenue. The more we can put this entire matter in some sort of reasonable context, it seems to me the better we can invest our funds, and not get into piecemeal proposals so we're going to say LRT is an issue, fine; we'll throw some heritage trust fund money

into that; that's a good issue. Or we decide we're going to throw some money into airport construction. Why not have a major study of the fiscal requirements so we can begin to look at where the gaps are, so that our resource yield from both an investment and savings point of view can be most appropriately directed.

That's why I think that while, technically, this wouldn't come under the purview of the Heritage Savings Trust Fund, so many of the recommendations we have to discuss every year and so many of the things the investment committee has to decide, especially with respect to the capital works division, would be better dealt with if we had a fully comprehensive, updated study into the feasibility of province/municipal revenue sharing.

MR CHAIRMAN: Can the Chair just have a little clarification? I presumed from this recommendation that the member was recommending that the committee would recommend to the government to conduct a study, not that the committee do the study.

MR NOTLEY: That's correct. The committee would recommend to the government that there be a major feasibility study.

Just one additional comment, Mr. Chairman. Some of the preliminary figures I intend to present to the Legislature in the next day or two when I speak in the general debate would lead me to the conclusion that we could proceed with some form of revenue sharing -- just for the sake of argument, taking the 8 per cent that municipalities discussed in Calgary a few weeks ago -- and still have sufficient latitude to increase our allocation to the fund over the next five years from 30 to 40 per cent. But there's no magic in this figure of 30 per cent. The Legislature may decide next year it's going to be 35 per cent, 38 per cent, or whatever the case may be. That becomes the subject of an annual vote in the Legislature. But surely in terms of addressing the capital requirements, having this kind of study, where the estimates of expenditure are laid out in advance, gives us all a better idea of where we're at. No one can say it's going to be absolutely perfect, but a better idea of where we're at.

I recall that during the period '67 to '71, there was a committee of the Legislature which addressed the question of expenditure and revenue at that time, and came up with a report that was tabled in the Legislature. I wasn't in the Legislature at the time but, having had an opportunity to review it, found it a useful document.

MRS FYFE: I have some concern about this recommendation related to a study which I think is probably more properly handled through the Legislature in legislative debate. If in fact we pass this resolution, we are agreeing to a study that would take a proportion of the moneys allocated to the trust fund or some benefit from the trust fund. If we're talking about a sharing of revenue that is now within general revenue -- and there is considerable assistance that goes to municipalities through the subsidy they receive through Alberta Municipal Financing Corporation in their debt. I have some figures from municipalities in my constituency, and they have received considerable assistance through that vehicle. If we think back at what is the bottom line, what are municipalities' objectives, obviously it is to provide basic services that traditionally have had their revenue from the property tax. We know there are some areas of great difficulty, some of the growth areas, areas where new schools put pressure on property tax.

These are all concerns I think everyone in this Assembly is extremely sympathetic with, but is it appropriate for this committee to say that a study should be commissioned to look at that form of assistance? I feel it would be far more productive to continue the work that has been done -- there was a detailed report done through the Municipal Financing Corporation members and members of the AUMA, the rural municipalities, and a member of the Legislature made some significant suggestions to the Legislature in the report that was released last year.

So areas have been studied in depth, and I think that is certainly the route we should continue and not one that would see the recommendation coming from this committee, which I think then gives it at least that flavor or color that we're suggesting that the fund should be used in this way.

MR PAHL: Mr. Chairman, I was looking around for my colleague the Member for Edmonton Whitemud to give what I call his 70/30 speech. I think the herring here is that we're really dealing with 30 per cent of the non-renewable resource revenue; the other 70 per cent is dedicated to the operation of government at both levels. As much as I think that perhaps the idea is timely and perhaps should be debated by the Legislature, I just reject it out of hand as being part of the savings part of the Heritage Savings Trust Fund, which is where we are -- or at least the renewable revenue side. It's not out of the 30 unless we have compelling reason to do that -- unless we're suggesting we have heritage savings trust funds at the municipal level. I really don't think that's what the hon. member is proposing. Although I would be pleased to participate in a debate on such a resolution in the full Legislature, I can't support it as being an appropriate recommendation from this committee.

MR CHAIRMAN: Any further remarks by the hon. Member for Spirit River-Fairview.

MR NOTLEY: Except to say that this kind of recommendation would certainly be the sort of thing we as the government should do. I think we have to take a look at our revenues and expenditures over the next five years, and I feel quite strongly about this. The other day in the House, in an exchange between Mr. Moore and Dr. Buck, we had figures thrown out that the Provincial Treasurer advises me that there may be up to \$2 billion or thereabouts of revenue. Members of the Legislature and leaders of this province at the local level cannot be satisfied with answer like "there may be". We have to know. Where possible, we have to have facts and figures. We just can't have these things drawn out of a hat. We have to have an idea of where we're at, it seems to me, before we make recommendations.

This is the sort of thing we should have had before we in fact made the recommendation on the LRT. In terms of the \$625 million we have in the Alberta Municipal Financing Corporation, we already have part of that 30 per cent. It's fine to say that we're dealing with the 70 per cent, but a portion of that 30 per cent has already been invested in municipal debentures. We're now asking the Provincial Treasurer to look into the feasibility of going way back into the past to look at other debentures which are held outside the country, so already part of the 30 per cent is very much being examined in the context of the Heritage Savings Trust Fund and municipal commitments of one kind or another.

I'm just saying to the members of the committee that if we're serious about discharging our responsibility, even in terms of the investments from the 30 per cent, this kind of major study is required. It's certainly required as a province. There's absolutely no doubt in my mind on that score. But in terms

of discharging our responsibilities, it certainly would make it much easier to do the kind of comparative job that is required -- for example, where funds should go, one place versus another -- if we have this kind of background information. We're going to have to have it.

I just underscore for the committee what happened in the 1960s with the revenue and expenditure committee. Alberta is going to have to produce something similar, with the \$64 billion that comes in over the next five years, or we're going to be sitting ducks. We have to be able to show people what we propose to do with it and not just say, we need it, end of statement; period. End of statement: we need it. We have to be able to show why in fact we need it, or is there a possibility of revenue sharing, or we'll find that it'll just be a source of continued aggravation in other parts of the country.

Frankly, I think there's a case for a substantial increase in the percentage. I really think we have to take a look at moving that 30 per cent up to 40 per cent of the trust fund. But we shouldn't be doing that on the basis of just kind of general discussion. We should have the facts and figures, and those facts and figures should be readily available to all the members of the Assembly and to the people of Alberta so that kind of rational judgment on what we do can be made.

MR CHAIRMAN: Okay. The question on Recommendation C.15. Those in favor? Those against? The recommendation is defeated.

Recommendation No. C.16, the Member for St. Albert.

MRS FYFE: Mr. Chairman, this recommendation is pretty straightforward. We have received significant input that the amount of moneys in the fund is limited, and rather than curtail expenditures with Alberta Government Telephones or the Alberta Municipal Financing Corporation, we recommend that they be allowed to go to the open market for additional funds, if necessary, rather than curtail programs that are presently financed through the fund and probably contribute significantly to the objectives of the fund itself.

MR R CLARK: I'd simply like to ask the mover of the motion -- and this really relates back to the motion just defeated on a 4 to 3 vote -- what's the basis for making Recommendation No. 16? By passing this recommendation, are we conceding that the fund isn't going to have enough money to go around and that the committee, without the basis of the kind of studies we just voted down, is in fact determining that we should pull the call on the fund of AGT and the Municipal Financing Corporation out of the hat and say that we no longer will finance them, really without the benefit of the kind of study we just turned down?

MRS FYFE: I guess my concern was that borrowing such as borrowing through the Housing Corporation or the Home Mortgage Corporation not be limited because of lack of funds that are in the trust fund to date, so that there are sufficient and adequate funds for Albertans through the Alberta investment division, that these two corporations -- and these are just examples -- be encouraged to borrow elsewhere rather than limit the present type of borrowing that assists Albertans in a very direct way.

MR R CLARK: Mr. Chairman, I have no problem with that. In fact I would be enthusiastic about personally supporting a recommendation that said we should give priority to Alberta Housing Corporation and the Home Mortgage Corporation. I think that may be -- I was going to say a better way; that

would be a different way of getting to the point that I think the member is saying: let's give priority to shelter over a large number of other things we're presently financing out of the fund. I can support that proposition. I have some difficulty supporting this, just for the reason I outlined.

MR D ANDERSON: Mr. Chairman, I guess my concerns are somewhat along the same lines as the Member for Olds-Didsbury. In particular with the Alberta Municipal Financing Corporation, I'm not sure I would be willing at this time to make a firm recommendation that we in fact fund them from other areas. However, if the member would be willing to add the term "that the government investigate the possibility of funding selected crown corporations", et cetera, I'd be much more inclined to support a motion that looked to that investigation. I guess at this point in time, lacking the list of trade-offs there are in terms of funding that the investment committee has to make decisions on, I'd find it difficult to make a firm suggestion that we move in this direction, though I think it would be reasonable to investigate that possibility.

MRS FYFE: I have no problem in broadening the definition that we investigate the possibility. I don't disagree with that.

MR R CLARK: Could I ask the Member for St. Albert again: did I misunderstand the comments, Mrs. Fyfe, that really in essence what we're trying to do here is just give assurance the Home Mortgage Corporation or the Housing Corporation are in fact going to have the necessary funds?

MRS FYFE: I used that as an example. The corporations listed in the recommendations are also examples. It reads "funding of selected crown corporations such as Alberta Government Telephones and the Alberta Municipal Finance Corporation . . .". Rather than say that one has a priority over the other -- I don't have that information. I'm just saying that some of these corporations may have to look elsewhere from the fund if we are not going to curtail certain programs. So, rather than be specific and give a priority, I'm not recommending that. I'm just allowing more latitude for these corporations to borrow outside of the funds.

MR D ANDERSON: On the point, for clarification, of the Member for Olds-Didsbury, my understanding is not that this resolution gives priority to any two areas, rather that it looks at other methods of financing. In fact, I guess I would wonder about the final impact of financing the Alberta Municipal Financing Corporation elsewhere, where market rates apply directly and the subsidy, therefore, might be a difficulty. Could we get further clarification? Is that true? We're not trying to give priority to any given spot, but look at alternative means of funding agencies that are now funded by the Heritage Savings Trust Fund.

MRS FYFE: Yes, that's correct. The subsidy, remember, does not come from the fund itself. The subsidy comes through general revenue and is voted on within the Legislature. So, it's just a recommendation that would allow more latitude in these various corporations seeking sufficient funds to finance their various programs.

MR CHAIRMAN: Any further remarks before putting the vote? Those in favor of proposed Recommendation No. 16, as amended:

The government investigate the possibility of the funding of selected crown corporations such as Alberta Government Telephones and the Alberta Municipal Finance Corporation should be secured in part or in whole in the market, rather than from the Alberta Heritage Savings Trust Fund.

Those in favor of the recommendation? Five. Those against? I have two here who didn't vote, so I presume they're supporting it. The recommendation is passed.

We'll go to Recommendation No. 18, the Member for Spirit River-Fairview.

MR NOTLEY: Mr. Chairman, I would ask that Recommendation No. 18 be held over. It seems just a couple of words may be missing, so I'll just check that out and will bring it up tomorrow, if I may.

MR CHAIRMAN: I think I may have the original.

MR NOTLEY: The words weren't left out by you, Mr. Chairman. They were left out in my office. If I could just ask that it be held over, we'll come back to it.

MR CHAIRMAN: It may well be a typographical error. No, it does read essentially as it was submitted.

MR NOTLEY: Mr. Chairman, could I ask the committee to hold it over until tomorrow?

HON MEMBERS: Agreed.

MR CHAIRMAN: We'll go to Recommendation No. 20, the Member for Spirit River-Fairview.

MR NOTLEY: Mr. Chairman, Recommendation No. 20:

Detailed quarterly reports on the Fund's interest in the Syncrude Project and any other interesting proposed joint ventures be provided to both the Select Committee and the Alberta public at large, thus permitting a proper evaluation of the merits of those investments.

Mr. Chairman, the reason for Recommendation No. 20 is that with respect to the quarterly reports, members will notice a small amount of information -- participation in the Syncrude project investments -- but we have not had the kind of ongoing information, in my judgment, to the select committee on the Syncrude project which is necessary for us to make a judgment. That is not just a judgment that we take one little snapshot on, forever and a day. It's our money and, particularly as long as this investment is considered a heritage trust fund investment, as members of the committee we must have a detailed report on it.

The other day -- and I'm not sure how many members have had an opportunity to review it -- the government supplied information pursuant to a motion for a return that I proposed in the spring session on the investment in Syncrude. But I might just point out that almost four or five years have passed without that kind of information. I don't believe it is adequate for us to have this

information once every four or five years. Much of the debate that occurred between the Provincial Treasurer and I need not have occurred if we had had more comprehensive information. As members of the committee, it seems to me that if we're dealing in megaprojects in any kind of fashion, but particularly in terms of an equity holding which is part of the heritage trust fund portfolio, it is reasonable that we should be supplied with adequate financial information. I would defy anyone to say that we could be talking about an in-depth assessment of the heritage trust fund on the basis of the information we get in our quarterly report, or even in the annual report, on our Syncrude investment. The kind of information that was tabled in the Legislature the other day as a result of one motion for a return, it seems to me, is the minimum amount of information that this committee, entrusted with the responsibilities we have pursuant to the Act, should have on a regular basis.

MR PAHL: Mr. Chairman, this recommendation flies in the face of an earlier recommendation, particularly when you're dealing with providing information to the public at large. I recall my sentiment was that I thought the annual report was readable, but we had a motion No. 2 that recommended that there be a suitable report prepared and distributed to all Alberta households on the fund, giving it in laymen's language, in a more readable form. Here we have this recommendation moving us the other way.

I think that request on the basis of an ongoing effort -- and especially when it's "any other interesting proposed joint ventures". I know the position of this government with respect to its actions, and I'm sure this would apply to investments, is not on what was considered or not considered but what was done. So, here we have all sorts of cranking out detailed reports, basically on speculation, because they're not necessarily the joint ventures that are under way but the proposed joint ventures. It sounds to me that it would be a very, very difficult task indeed.

I would support the background of the contention of the hon. Member for Spirit River-Fairview that when we as a committee wish perhaps to review in depth a particular investment of the nature of Syncrude in our committee study, we should have the capacity to perhaps ask for something more detailed than, if you will, the public consumption report. Obviously if we're looking at something, we want to look deeper than what's available at the first blush.

So, I wouldn't support this recommendation because implied is a lot of number crunching and printing and whatnot, for both existing and proposed joint ventures. So, I just don't think it's practical and it's a backward step in terms of providing more detail rather than less. But I would support the concept that should we decide, for example, with some reasonable lead time that we would want to look in depth at the Syncrude project, Alberta Energy, or whatever, we would be able to ask the Provincial Treasurer for something a little more than the standard fare.

MR NOTLEY: I think there are a couple of areas that I certainly think we might look at as far as interesting proposed joint ventures. When I read that into the record, without doing any injustice to even the flow of this recommendation, I think I could strike out "interesting proposed". So we're talking about reports on the Syncrude project "and any other joint ventures"

Then, it seems to me, the question the Member for Edmonton Mill Woods has raised dealing with the public at large -- I think that is the kind of information that should be made available from time to time. And that perhaps could be made available on a yearly basis through the Legislature. So, in terms of an amendment, I would be prepared to strike that out. What I think

is important is that as a select committee we have regular reports on the fund's interest in whatever joint ventures the fund is involved in. I think that's the fundamental principle, not if we just decide that we will look into it but on the basis that that is our responsibility. If as a result of these reports we choose not to look into it, that's fine. But the idea that this committee, of all committees, should not have access to financial reports on the fund's interest in joint ventures, in my view, is a rather staggering proposition.

As for the public at large, I think that's a different matter. I'm willing to accept the point the member has made. That can be introduced in a formal motion for a return, tabled in the Legislature, once a year or whatever the case may be, as a result of a legislative vote. But on the question of this committee, I think we need it.

Whether it should be done on a quarterly basis or be a detailed annual report, I'm open on. I think the quarterly basis gives us a better opportunity to review it to determine whether or not we want to have full discussions when we go through our scheduled hearings in the fall. But I think that, at the very least, the principle that there should be the supply of adequate financial information similar to the information tabled in the House the other day to this committee is an absolute mandatory responsibility on our part, in my judgment, to request and insist that we have it.

MR SINDLINGER: I'd just like to indicate my support for this recommendation, Mr. Chairman. I believe it's a very important principle. I think that we as a committee must have adequate information in order to assess and evaluate dispensation of heritage savings trust funds. As it is right now, we do not have adequate information to do that.

In regard to Mr. Pahl's comment about the earlier recommendation in regard to providing information to the public at large, it's true that we have recommended we do that. This type of information, however, serves a specific purpose and it's one that should be met; that is, the provision of adequate information to ensure responsible assessment and evaluation of fund use.

The second point that Mr. Pahl made was that it was an impractical thing to do that would involve a lot of number crunching and would entail a great deal of expense. I seem to recall such an objection being presented to the Provincial Treasurer when he was here before us. The Provincial Treasurer's reply was somewhat along the lines that it didn't matter what the cost of these sorts of things were if there was a need to be met. Well, then certainly that need should be met, regardless of the cost and time and effort it would put the civil servants to. We do have the capability to provide that information and certainly we do need to have that. I think the principle applies not only to the Syncrude investments and joint ventures but to anything else that comes up in the annual report.

Thank you.

MRS FYFE: Mr. Chairman, I support the basic premise that additional ways of reporting would be, I think, very useful to those of us who have the responsibility for reviewing the performance of the fund. On the other hand, we have to ensure that we strike a balance in that type of reporting, so that any proposed venture in the future, or any venture that is being considered is not subject to continuing daily or every three month scrutiny, which would simply frustrate the ventures going ahead. I can see many groups simply steering clear of joint venture if it's going to be throttled by the public continuing to look at short-term performance. We know that through investment

you have to look at more than just a few days or a few months. You have to take a performance over a period of time, and not just within that very short time.

So, I think it's very important that we strike the balance between the responsibility to reporting for this fund yet, on the other hand, allowing enough flexibility that we will not scare prospective private enterprise from joining into any ventures borrowing through the fund or debentures through the fund, or whatever the system may be. We're going to have an ongoing concern that we have adequate place to invest dollars out of that fund, so we want to ensure that the climate is one that is positive and not one that is continually being raked because of short-term problems or short-term poor performance which may be a very long-term healthy investment.

MR R SPEAKER: Mr. Chairman, I'm sure, in my mind, that any joint venture participant would have at least an annual reporting system and that the details would be there. Now, maybe quarterly is a little too often, but I'm sure they have quarterly reports as well, updated. I really don't see that difficulty there in asking for it. I believe the principle in the recommendation is right, that we should have that kind of information. Maybe at this point the minimum that would be acceptable, if we said "Detailed [annual] reports on the Fund's interest". That could co-ordinate with the fiscal year of the joint venture. I would recommend that amendment if that meets the acceptance of the mover.

MR CHAIRMAN: Is that agreeable to the Member for Spirit River-Fairview?

MR NOTLEY: Agreed.

MR PAHL: Mr. Chairman, I think we're zeroing down, and that's good. I also feel that if we're to do our job adequately, by necessity we'll probably have to, particularly as time goes on -- and I think we're even finding it here in our work right now: we really manage by exception. We don't go through everything with a fine-toothed comb. We look for the exceptions. It would seem to me, Mr. Chairman, that the people of Alberta would be better served by us in our function if we continued to manage, if you will, or review, or go into depth by exception.

It would seem to me that what we really need is perhaps the normal reporting that will give us an indication of a problem or concern, then we need the capacity or wherewithal to request further detail, not based on a routine pile of paper coming over our desks, be it yearly or whatever, but we perhaps ask the Provincial Treasurer to investigate the practicality of providing us either annual or quarterly reports on selected projects and what sort of time frame it would require to make them available to us.

Mr. Chairman, I just don't think our function is going to be enhanced by a blizzard of paper, because we have in history managed by exception and I would hope that we would serve our public best by doing that in the future. So I would ask hon. members if they could think about the concept of opening that door but not to ask the flow to start, but that we have the capacity or find out the practicality of being a little more specific and zeroing on that which we want to approach and not just take a, send us everything and we'll tell you what's interesting later on. I have a little problem with that.

MR D ANDERSON: Mr. Chairman, my question is basically one of clarification. I would have no problem with the motion proposed if indeed all the suggested

amendments are now inherent in the resolution, but I'm not sure where we're at. Could we have some clarification on that issue from either the hon. member presenting it or the Chairman?

MR NOTLEY: Mr. Chairman, I could read it as I would like to propose it, with several amendments:

Detailed annual reports on the Fund's interest in the Syncrude Project and any other joint ventures be provided to the Select Committee, thus permitting a proper evaluation of the merits of those investments.

So you would strike out "quarterly" and insert "annual"; you would strike out "interesting proposed"; and you would strike out "provided to both" and "and the Alberta public at large".

Mr. Chairman, I want to respond briefly. Mr. Pahl has made the comment that this committee works by looking at the exceptions. The Provincial Treasurer has told the people of Alberta, of course, that we conduct an in-depth study of the heritage trust fund, so I think we have to be fairly careful. If that's what he told the people of Alberta, in a very, very broadly distributed document, we certainly wouldn't want to have him mislead the folks in the province.

Let me just take that business of looking for exceptions. How do you look for exceptions? You look for exceptions by having information to determine whether or not things are going well. To be able to make the judgment as to whether we should be zeroing in on Syncrude or perhaps Simpson Timber or some other investment we may have, you have to have information. As Mr. Speaker pointed out, there wouldn't be any of the participants in a joint venture that for one second would question whether or not they need information. As a matter of fact, some of the information we get on the Syncrude thing we get through bits and pieces of information from the participants. But we are a participant in a joint venture through the heritage trust fund, and we're the watchdog on our investment in these joint ventures.

I just find it very, very difficult to accept the proposition that somehow an annual financial report that gives us adequate information is going to be a blizzard of information which this watchdog committee with strong teeth and this mandate of doing the in-depth survey can't handle. I'm sure we can. As a result of that information, we may well find that we'll be able to zero in on the exceptions, as Mr. Pahl has said. But you need the information to know where to look. I just don't think there's any reasonable argument against setting aside all the other partisan differences that exist in this committee. Just set them all aside. Forget where this recommendation comes from. There is no reasonable argument for turning down this recommendation, in my judgment.

The question that it might have some impact on the outlook for the company, as Mrs. Fyfe raised . . .

AN HON MEMBER: Let's hope it does.

MR NOTLEY: Well, it may well. But we're dealing with public money. We can't take the position that what the public doesn't know won't hurt them, then over the long run it may work out all right. If you get into a joint venture with the public, both the people in that joint venture and the government making

the investment on behalf of the public have to recognize they're dealing with public money.

Of course some participants will say, we don't want to associate with this kind of thing; we'll look for somebody in the private sector to go into joint venture with, because we don't want the possibility that this will be discussed in the select committee of the Legislature. Fair enough. Then we don't go into that kind of joint venture. But to suggest that this kind of very, very modest request, at this stage, for an annual report is too much, I just find totally unacceptable. I think the committee has to ask for it. It's not unreasonable. It will allow us the opportunity to discharge our responsibilities in determining, as Mr. Pahl has said, which of the exceptions we want to give the in-depth review to.

MR CHAIRMAN: The Chair is having a little problem. Two further members have to leave, which is going to reduce us below the quorum level. I still have two people who want to speak on this particular one, so perhaps we could adjourn until tomorrow morning at 9:30, if that's agreeable to the rest of the committee.

AN HON MEMBER: [Inaudible]

MR CHAIRMAN: We have two more, Messrs. Sindlinger and Pahl, who wish to speak on it, unless it's going to be very quick.

MR SINDLINGER: I don't understand what the quorum is. I thought the quorum was five. If two more leave, we still have a quorum.

MR CHAIRMAN: My understanding was that the quorum is six.

MR SINDLINGER: I'm referring to *Standing Orders* now. The quorum is one-third of the members. There are 15 members on this committee, and one-third of 15 would be five.

MR CHAIRMAN: We again have a difference of opinion.

MR SINDLINGER: The quorum is five under *Standing Orders*.

MR CHAIRMAN: That's correct, so we can carry on. I was just going by the number Shelley gave me. The hon. Member for Calgary Buffalo is next, then.

MR SINDLINGER: Mr. Chairman, I would just like to take exception to the comments in regard to management by exception, made by Mr. Pahl. Mr. Pahl is talking about our doing our job adequately, and to do so we should do it by management by looking for exceptions. I think that's an acceptable management procedure in the private sector, but I'd just like to remind the member that we are in the public sector and have a greater public responsibility. To ensure that we meet that responsibility, we have to have adequate information on which to base our assessment.

It's one thing to look at this annual report, which tells us what the situation is on a particular day at the end of the accounting year. We can compare it to the annual report of last year, which deals with a particular accounting day. But in between, all sorts of things can happen. We don't know what's happened in between, if there have been changes here or changes there. I think that in order to enlighten ourselves about what does go on on

a continuous basis over the year, we do have to have more thorough, detailed reports, particularly in regard to the Syncrude projects and projects of that nature.

MR PAHL: Mr. Chairman, it's interesting how the hon. Member for Spirit River-Fairview starts out with "Detailed quarterly reports on the Fund's interest in the Syncrude Project and any other interesting proposed" projects, and that they be provided to the whole world. All of a sudden -- not all of a sudden but with patient and gentle advice -- he decides he can stand to have annual reports, and maybe it isn't quite fair to fish for all interesting proposed joint ventures, and maybe we really just have to report to those bodies that report to the Legislature. In other words, we're sort of forgetting that there is a government in office. It reports to the Legislature and is accountable to the people. We're going to take on the whole world here, it looks like.

You know, that's what really offends me somewhat. It's not a matter of what we are doing as a committee, but let's see how good we can do on a fishing trip. With the greatest respect, I don't think this recommendation is really aimed at serving the select committee in terms of its efforts in terms of reviewing the report from the Provincial Treasurer on the Heritage Savings Trust Fund. It's a broad fishing trip. If I thought broad fishing trips were helpful to this select committee, I'd certainly support it. But going with reports that, depending on the joint venture, really may or may not have relevance to the reporting period we're looking at, I think we have to be a little more reserved in this motion.

We've provided some surgery to the hon. member's recommendation and, because I do see a germ of value to this, I'd like to add a transplant as well. That would be that the motion be amended to read:

That the committee have the capacity to request detailed annual reports on the Fund's interest in the Syncrude Project and any other joint ventures be provided to the Select Committee, thus permitting a full evaluation of those investments.

What I'm trying to direct the committee to is that we certainly have the opportunity, reviewing this, to establish exceptions, but that we should zero in within the responsible time frame of our mandate and not be having a lot of hoops jumped through simply because it might be of interest. I think we have to remember who we are and what our mandate is. I would support having the capacity, but I wouldn't want to open the door of turning us into the day to day managers of the projects.

MR CHAIRMAN: The Member for Little Bow. The discussion's getting protracted.

MR R SPEAKER: Mr. Chairman, I think we could have had a vote on the resolution a few moments ago and accomplished what we needed to accomplish. To me, the amendment is unacceptable because basically, certainly we can ask for things. I think material should come to us in an open, organized way and on a regular basis, and that's what we're talking about. If we have to come to the committee each year, make requests for it, and then we're given a lead time for the groups to prepare their report . . . If we get them on an annual, regular basis now it will be automatic, open, public information that will come to us in the Legislature without any feeling of hiding something.

The way the amendment stands, the government will attempt to hide or keep something in the closet until we ferret it out. Certainly, as opposition we'll try to do that, but I don't think that's how we should set up our organizational scheme.

MR CHAIRMAN: Right. Can we have a vote on this recommendation?
The Member for Spirit River-Fairview.

MR NOTLEY: Mr. Chairman, on the proposed amendment, do you really think that this committee should be putting in a recommendation that says, "... the committee have the capacity to request ..."? My heavens. With great respect, Mr. Pahl, it sounds as if it was worded by Mackenzie King. "... the committee has the capacity to request ..." What kind of watchdog committee is that? "... the committee have the capacity to request ...", not that detailed annual reports be provided, but "... the committee have the capacity to request ...". You know, we would all be yanking out our watchdog teeth, with this kind ... Vote it down, if you disagree with the principle. "That the committee have the capacity to request ...", in my view, is the sort of thing that, with great respect, makes the entire committee look silly.

The issue is very simple: should this information where we have joint ventures be provided on an annual basis? That is not an unreasonable thing to request when we are dealing with the investment of public money.

To top it off, surely we want this kind of information, because our job here collectively -- regardless of where we sit -- is to enhance the role of the committee in being a watchdog and meeting the objective that the Provincial Treasurer has set for us, that we're doing an in-depth study. If we have to go through the kind of vote every time before we request information on joint ventures that we ought to have as a matter of course, dealing with the public's money that is held by the heritage trust fund, and we are the watchdog committee to supervise that, surely it makes sense, rather than going through that painful process, to have the information supplied on an annual basis. It's not too much to ask.

MR SINDLINGER: Mr. Chairman, with regard to the proposal by Mr. Pahl that we have the capacity, I must echo the comments made by Mr. Notley. We don't have to do that and, if we need any authority, we can always look at The Legislative Assembly Act which indicates therein that we as a committee can compel anyone to come before us and provide any information that we deem necessary to perform our function. So that's a rather meaningless proposal of my good friend Mr. Pahl.

We do need this recommendation in regard to the Syncrude project, and one of the objections Mr. Pahl has put forward is that this is too general, that we ought to be more specific and focus in on something rather than going on a fishing expedition. Well, certainly it talks about the Syncrude project here and you can't be any more specific than that. I would like him to consider that when he deliberates and votes on this particular recommendation. It's essential that we have more information on the investments of the fund in order to do our job properly.

MR LITTLE: Mr. Chairman, isn't it true that an annual report of Syncrude is published?

MR NOTLEY: Mr. Chairman, information can be obtained from the participants. If one wants to look at the Imperial Oil annual report and Gulf annual report, there's reference to Syncrude, but in terms of an annual report on Syncrude itself, it's not published.

MR CHAIRMAN: Recommendation No. C.20. Are there any more remarks by the Member for Spirit River-Fairview? Those in favor of Recommendation . . .

MRS FYFE: Could we have the motion read, please?

MR CHAIRMAN: As I have it, and as it will go in the record if it's passed:

Detailed annual reports on the Fund's interest in the Syncrude Project and any other joint ventures be provided to the select committee, thus permitting a proper evaluation of the merits of those investments.

Is that correct? Those in favor of proposed Recommendation C.20? Those against? Was that 4 to 4?

SECRETARY: It was 4 to 4.

MR CHAIRMAN: So we shall pass it on the vote of the chairman, 5 to 4.

There are three participants on numbers 6, 7, 8, and 13, I believe. The Member for Edmonton Mill Woods to start.

MR PAHL: I'm sorry. Which one are we on?

MR CHAIRMAN: Recommendations 6, 7, 8, the three to do with the funding of the Alberta Opportunity Company, and Recommendation No. 13, which is the recommendation by the Member for Spirit River-Fairview with regard to the Alberta Opportunity Company and the Agricultural Development Corporation. The suggestion was made that these four be discussed at the same time.

MR PAHL: Thank you. Well, Mr. Chairman, I have supported the view of other members of this committee, whom I shall protect with their anonymity, that the Alberta Opportunity Company could be doing more with respect to strengthening and diversifying the economy. However, I do not agree that to do more it needs to be removed from its position of lender of last resort. So the intent of Recommendation 6 was to leave open the option or, in fact, suggest the option of a broadened mandate, and I don't think it's necessarily a broadened mandate so much as a wider enactment of its present mandate; that is to say, really implies that as a lender of last resort it could do more if was prepared to accept a higher risk factor in its lender of last resort function and, perhaps -- although this suggests higher risks, but it's not necessarily the same thing -- reduce the amount of capital that may be required by the person or company applying.

Just moving to the other three motions, I don't think that number 7 does particular violence to my concept. I think that Recommendation 8 is suggesting a specific figure, and maybe that is one way to inspire the Alberta Opportunity Company to broaden its risk. I don't know; I really don't have a strong opinion on that, but I would object to the lender of last resort function being dispensed with.

Speaking to Recommendation 13, it was my understanding that to some extent the Alberta Opportunity Company and the Agricultural Development Corporation do address operating capital needs, perhaps more in an indirect way than direct, but in most small businesses the pockets between capital and operating are not all that distinct on a day to day basis, so when you make those distinctions in smaller businesses you're really talking about robbing Peter to pay Paul. I wouldn't think that that is a particularly big issue.

The other point I would make with respect to Recommendation 13 is that in part it's already being done in the sense that the rates are preferential. I would suggest they are relatively stable, compared to the rest of the money available, if you will. I would suggest that if we emphasize stable preferential rates too much, we would then tend to distort by too much the economics of a particular proposal that comes before these lending agencies. Because if you leave the interest rates so far below the norm, then you're really ignoring the overall economics of the venture, the cost of capital. There are lots of reasons why. I guess the main reason is that you can have a viable operation that can accept a reasonable cost of capital, and it should, because you can't subsidize indefinitely, and I don't think the hon. Member for Spirit River-Fairview is suggesting that.

Most ventures have to accept some reasonable cost of capital. What they may not have is sufficient equity in the first instance to bear that burden in the early going, and there may be room for adjustment there, but I wouldn't suggest that we distort the economic viability of a venture by going too far below what is a contemporary cost of capital.

In summary, the only one of the four I would have real concern with the general intent of, is that we not move away from the lender of last resort function, because I think the Alberta Opportunity Company and, in fact, the Alberta Agricultural Development Corporation can function well and do more within that mandate.

MR R SPEAKER: Mr. Chairman, the reasons for our putting forward this recommendation with regard to the Alberta Opportunity Company were, one, to provide more capital to small businesses or people who wish to start an enterprise and certainly diversify Alberta's economy. Two is with regard to a number of businesses in operation at the present time that are feeling the pressure of interest rates. Interest relief or long-term credit at a reasonable rate and with assurance would stabilize some of these businesses in our communities across the province. I think it's rather disgusting that the government has made loans available to other provinces at from 9.75 per cent to even 13.375 per cent for a guaranteed period of time of 20 years.

The Premier can sit in his place on the other side of this Assembly and say that we borrowed it at the going rates at that time. I accept that statement. But the fact of the matter is that young farmers and businessmen do not get 20 years of guaranteed interest rates, guaranteed by the Heritage Savings Trust Fund.

Individuals in Alberta -- and I'm going to say the same thing in terms of the ADC -- do not get long-term guarantees. Young farmers -- what is it? Three years at 6 per cent, then they go to a going interest rate. Operating loans: 1 per cent above prime, floating. Floating. Well, when these loans were put in place with the other provinces and some of the corporate groups, floating interest rates were a thing of the time, not fixed long-term interest rates.

The principle that was established for these other large groups -- provinces, corporations -- should be made available to individuals or small

groups of individuals who wish to really diversify and build the economy of Alberta. Times are rough, and there's a taxpayer out there who is required to pay the tax bill of Alberta and to send taxes down to Ottawa. Who is it going to be? The small business man who stays in Alberta. We really haven't put much money into trusting that individual. Less than 1 per cent of the small businesses in this province even qualify for the loans here. That's not very much.

I think it's time we changed the emphasis of this Heritage Savings Trust Fund in this specific area, so that we show individual Albertans, small groups of Albertans who really put the fibre into Alberta, who really carry Alberta when the going gets rough, that we really have some confidence in them. To me, that's why it's important to support the principle I have in this recommendation.

MR NOTLEY: Mr. Chairman, I think I would certainly second many of the comments that Mr. Speaker has made. The suggestion, I believe, came forward by Mr. Pahl a little earlier in our debates that larger companies such as Calgary Power or governments of other provinces are in a better position to borrow money and, of course, we all know that's true. But the question that, I suppose, Albertans right across the province are asking is that if we have agencies like the Agricultural Development Corporation and the Alberta opportunity fund, why isn't it possible to provide similar kinds of loans to them through the aegis of these agencies? Why, with our own money -- because after all this is our own money -- do we have to apply the banker's approach through agencies that are established by the Crown?

In a sense we've already backed away from that because we have programs like the beginning farmer program, but unfortunately they get so laden down in bureaucracy that many of the good aspects of them vanish. We have the guaranteed loan program but, as Mr. Speaker points out, it's not much good if it's floating on top of the interest rate: 1 per cent above prime. That still gets the person into trouble. We have the lender of last resort concept, and we all know what that does. That allows the agency to fit the applications to the budget that we've made available. We have a situation where we then end up taking the particular cases which no bank would touch with a 10-foot pole.

Really, in terms of investing our money in diversification, we should be trying to get our share of some of the positive prospects, not just the ones where it's very questionable whether they will succeed. The reason I raised dropping this lender of last resort, I think there may be some major overhaul of that concept, but as long as you've got the lender of last resort in, you get . . . Members in this House can tell you -- I'm sure I can -- of the ridiculous steps people have to go through to get money from the Alberta Opportunity Company; even the sort of sly comments that are made to people: well, you know, if you go to such and such a bank you'll get turned down for sure. That kind of thing. It's just nonsense. In my judgment, it's a very foolish way to run a provincial agency, and at least in part because we have not funded it. We had both the Minister of Agriculture and the minister of business development sitting here saying, nobody's ever been turned down because enough money hasn't been made available. That's true, but you can make sure nobody ever is turned down for want of money as long as you can set your regulations in such a way that you bottle up the applications long enough that you can fit them into a budget year.

But I don't think any of us in this Legislature, in this committee, can seriously sit here and suggest with any degree of credibility at all that if we made more money available than is presently going into the Alberta

Opportunity Company, that could not be properly invested in the small business sector, or more money through the Agricultural Development Corporation could not be properly invested and strengthen the agricultural base of this province. I think we have to make that point loud and clear. I think that as a province we have the potential -- not to shield everybody from all the problems of the current financial and economic malaise in North America, but at least within given areas, especially as it relates to diversification. Surely we should do more than make \$15 million available out of a total heritage trust fund increase of \$2.1 billion. Fifteen million goes to the Alberta Opportunity Company. Surely we can do better than that.

MR LITTLE: Mr. Chairman, I find this continual criticism of these loans to other provinces at long guaranteed rates a little bit tiresome. I have some guaranteed bonds, Mr. Chairman, 20 years, at 6, 6.25, 6.50. I'd love it if the organization issuing those bonds had cut the period much shorter. The finest thing in the investment game is hindsight. You know the old advice: buy low, sell high. You can't beat it. But I think those were very reasonable loans and if the reverse had taken place, if the going rate today was 6 per cent, they'd be considered very, very wise loans. I see in this morning's news that the President of the United States announced that they are in a recession, so obviously their methods to cool out the economy have taken place, and we are going to see lower rates. In fact I would like to predict that everybody sitting here right now will live to see 3 per cent bonds once more in our economy.

The other point I would like to make, Mr. Chairman, is this lender of last resort be dispensed with -- I would like to echo the remarks of Mr. Pahl that this is the whole principle of the fund: lender of last resort. If a person can make a loan somewhere else, they obviously don't come to the Alberta Opportunity Company. This is the whole benefit of the fund and I'm quite prepared at any time to defend the failures they have, because they're in a higher risk business. But if we were to take out that section of the Alberta Opportunity Company, its whole value to the businessmen of this province would be gone.

MR CHAIRMAN: I still have some people who wish to speak on this one, and it's now one minute to noon. I have a suggestion to make and this is almost an editorial one: perhaps in this discussion we should be including Recommendation No. 12 by the Member for Little Bow, as we've already tied in No. 13 by the Member for Spirit River-Fairview. They're all essentially the same recommendation.

MR R SPEAKER: Mr. Chairman, I'm not sure who the persons are, but now that we've had a short discussion, would it be of advantage to make some attempt to put together one resolution? Or do you want to continue to do that?

MR CHAIRMAN: I was going to suggest that maybe before tomorrow the three participants get together and come up with one joint resolution which we can discuss, if that's possible, for numbers 6, 7, 8, 12, and 13.

MR FJORDBOTTEN: Mr. Chairman, I think it's a good idea to put them together, but I would say that Recommendation No. 12, on asking increased funding for the Ag. Development Corporation, is pretty well open-ended now. Whatever funds are needed will be put into it. I think that's something that should be taken into consideration when we consider the recommendation.

MR CHAIRMAN: Perhaps the three gentlemen will consider that. The Member for St. Albert.

MRS FYFE: With due respect, Mr. Chairman, I think we have some difficulty combining these resolutions, because some very different principles are put forward, even though they're all related to lending and to the agencies within the province which lend to the respective sectors. I think that we should deal with some of the very basic principles, such as: do we agree that these agencies should continue as a lender of last resort? That's a basic principle, and I think that's a different principle from number 6, for example, which says that there should be increased funding available, but not changing the basic concept of the agencies.

MR CHAIRMAN: I'm sure from what I know of the two gentlemen concerned, if they're irreconcilable we'll be voting separately on them.

MR PAHL: Mr. Chairman, I'm willing to cut cloth, but I think it's worth a little more debate because from what I'm hearing in the debate, it's back to a lot of things that don't seem to have a lot to do with the Heritage Savings Trust Fund and its funding of the Alberta Opportunity Company and the Alberta Agricultural Development Corporation. So, it's almost sounding like Trudeau: I'd be willing to meet but not change my views.

MR CHAIRMAN: Perhaps we can discuss it.

The committee is adjourned and will meet again tomorrow at 9:30 a.m.

The committee adjourned at 12:02 p.m.