

Standing Committee on The Alberta Heritage Savings Trust Fund Act

Tuesday, October 20, 1981

Chairman: Dr. Reid

9:30 a.m.

MR CHAIRMAN: The committee will now come to order. Mr. Notley is sick and won't be here this morning, but he has said that we can go ahead with anything that involves him, except for item C.18 which he wants to have discussed when he's here. Perhaps what we'll do is we'll take things in order as we are going through the Alberta investment division, and we go to the combination of 6, 7, and 8. I think I made a rather rash proposal that we include 12 and 13, but I'm not at all sure that we can actually put all five of those together. It gets pretty broad-based at that level.

Did the Member for Little Bow have any conversations with the other two gentlemen or not?

MR R SPEAKER: No, it seemed like at the end of the meeting that wasn't really the feeling of the committee, that they wanted to combine it, so I just dropped it.

MR CHAIRMAN: Well, will we try to take 6, 7, and 8 in conjunction? Can that be done?

Just for the benefit of the Member for Edmonton Mill Woods, Mr. Notley is sick today and won't be here, but he has said that he doesn't mind if we go ahead with the discussion of everything except for C.18, which is the only one he wants to specifically be here for, if it would expedite the committee's progress.

Now, we have the difficulty that No. 8 is the one that includes the doing away with the lender of last resort provision. Can we perhaps discuss 6, 7, and 8 together? Is that agreeable with the committee, and try to get a common recommendation out of them that we can vote on? I think Messrs. Speaker, Pahl, and Notley have already spoken. The next two speakers I had on my list were the Member for Edmonton Belmont and the Member for St. Albert, who will be a little late this morning.

Would you like to go ahead then?

MR MACK: Thank you, Mr. Chairman. Since we're handling the three of them, on Recommendation No. 8 I would oppose on principle the elimination of the "lender of last resort". As far as accomplishing the desired effect to assist small businesses and farmers, this could be achieved through the present provisions within the fund rather than disturbing the equilibrium of the financial institutions which are operating within the province and assisting more than just selective groups of citizens. I believe that if we change the terms of reference of how loans could be received from the fund, it would certainly have a very profound effect on other Albertans as well.

My other comment that I wish to raise in respect to the arguments that were proposed by the hon. Member for Little Bow in support of small business and farmers and beginning farmers, is perhaps a reiteration of my earlier comments in another setting. There are many Albertans today who are hurting from high

interest rates. They're hurting in those areas which are extremely, extremely important; that is, homes, the mortgages on their homes. I find it extremely difficult to isolate to any substantive measure the area of business and farming and forget about the average Albertan. I wish to speak on behalf of the average Albertans who are also struggling and having some very, very difficult times in renewing their mortgages, in paying the additional impact on their payments on their mortgages. We have to be sensitive. I support that concept that we should enhance and assist small business and the farmers. But I would have some very serious concerns if we change the rules to the degree that would insulate one group almost totally from that impact and forget about the majority of Albertans.

MR MUSGREAVE: Mr. Chairman, I had a question on item 6. Are the funds available to the Alberta Opportunity Company all used up? If not, the recommendation seems to be that we should consider it but only if the present funds are not available.

MR CHAIRMAN: I think the Minister of Tourism and Small Business indicated that they were not used up at the moment, but there was a difficulty if there was an expansion of the role that they have undertaken recently in consolidation of debts where a business is viable at the AOC rates but not at the commercial rates. That was the understanding I took from the minister's remarks, but I don't know if that's an accurate reflection of what he said without going to the transcript.

MR MUSGREAVE: Well, Mr. Chairman, the only comment I want to make then on item 7. I think politically it's always wise to be supporting small business men, senior citizens, farmers. Any politician who ever suggests that maybe they aren't the total community seems to be in jeopardy. However, having said that, our dear socialist friends, they don't like us to help multinational companies or those companies that may be working outside of Canada. In effect, what they seem to be saying is when you help the small business man within the community, we're going to get rich taking in each other's laundry. It might have helped the Chinese survive during the Depression in Canada, but I don't think it's going to help us survive today.

I'd like to give a "for instance". The Rockwell foundation, a very large company in the United States, encouraged its various subsidiaries to come with what in effect is world-scale plants or ideas that can be marketed on a world-wide basis. I think all of us are familiar with the Workmate collapsible work bench which is right now I think on the market for around \$50-\$60, somewhere in that range, anywhere from \$45 up to about \$80 right now. This thing is made on a world-wide basis in Ontario, and it's the kind of product that we should be encouraging development of in our community. I'd be very concerned if we put more money than perhaps we should into Alberta Opportunity Company for small businesses and yet at the same time ignore the opportunities to develop with organizations like Rockwell, or the 3M company. There are several companies that operate on a world-wide basis, and if we don't take advantage of developing technology, I can see us just being here as hewers of wood and drawers of water for the next 200 or 300 years.

MR FJORDBOTEN: Mr. Chairman, of all three recommendations, I'd have to say that segments of each are important. If I might go to No. 8 in saying in the interests of diversification and protection and development of Alberta-owned businesses, the government's policy of course is in diversification of the

economy and the expansion of agribusiness, related businesses in the provinces and small business in general. To say the allocation of funds should be increased to \$500 million might have merit. There certainly would not, as I understand it, be any shortage of funds, because the debenture funding would be there for whatever amount would be needed. The only merit I could see in the \$500 million figure would be that, it being significantly higher than the money we have out at the moment, it might give a target for them to maybe shoot for.

In resolution No. 6:

The Investment Committee of the AHSTF be prepared to consider increased debenture funding to the Alberta Opportunity Company, should its presently available funds be fully disbursed under its present or a broadened mandate.

The "broadened mandate" I think is something that has a lot of merit, and I would hope the Alberta Opportunity Company would have a broadened mandate to operate under. I would say that maybe there can be some combination of the three by maybe adding the first part of Resolution No. 8:

In the interest of diversification and the protection and development of Alberta owned businesses . . .

And go on from there. Whether we want to put a target of a figure on or not, I don't know.

MR CHAIRMAN: Perhaps at this stage, I should read what appears to be the distillation of the wisdom of the members for Little Bow and Edmonton Mill Woods:

The Investment Committee of the AHSTF support increased debenture funding to the Alberta Opportunity Company and the Agricultural Development Corporation should their present available funds be disbursed under a broadened mandate in diversifying and strengthening of the Alberta economy.

That seems to cover most of the bases mentioned by members this morning. Do I take it that this is, in actual fact, to cover 6, 7, 8, 12, and 13? It seems so to the Chair. All right, that sounds like it's unanimous, is it? All right, that's dealt with five recommendations at once, which is real progress in a short time.

We'll get that typed up and get it distributed to members so they know what they really did approve just now.

MR MUSGREAVE: We are taking out "lender of last resort" are we?

MR CHAIRMAN: We're not using any of them as they have been submitted. What was passed was this, which was an amalgamation of the five.

MR MUSGREAVE: And we'll have another look at the amalgamation?

MR CHAIRMAN: No.

MR MUSGREAVE: I'm opposed. I'd like to know what I'm voting on.

MR CHAIRMAN: The Investment Committee of the AHSTF support increased debenture funding to the Alberta Opportunity Company and the Agricultural Development Corporation should their present available funds be disbursed under a broadened mandate in diversifying and strengthening of the Alberta economy.

MR MUSGREAVE: I think rather than use the word "disbursed", I think what you need there is the word "capable of" or something. "Dispersed" is the wrong word, I think. The word should be "sufficient".

MR CHAIRMAN: Both of them are lending organizations. Surely dispersal of the funds means that they've all been loaned out.

The Investment Committee of the AHSTF support increased debenture funding to the Alberta Opportunity Company and the Agricultural Development Corporation should their present available funds be disbursed under a broadened mandate in diversifying and strengthening of the Alberta economy.

MR MUSGREAVE: Mr. Chairman, you're mixing past and present. You're saying, let's expand it, we're going to expand it now. But we haven't said, yes, it is expanded. Then if we expand it, then we say do you have enough money? Do you follow me?

MR FJORDBOTTEN: Mr. Chairman, under both the Alberta Opportunity or the Ag. Development Corporation, the supply of funds is not in question really. There will be more funds put in if they're needed. That's actually the mandate under which it operates. What this really does is make a suggestion of a broadened mandate. If there is that broadened mandate, there would be more funds put in. Dispersing of funds used in that context is certainly the proper terminology, I would think.

MR CHAIRMAN: Now, do we have unanimous agreement, or is there one opposing vote?

MR MUSGREAVE: I'm sorry, Mr. Chairman, it's not grammatically correct. That's all I'm saying. I'll pass.

MR MACK: Mr. Chairman, if I may. I think you, Mr. Pahl, and Mr. Speaker could review the wording that will say the same thing but more grammatically acceptable. Let's leave it at that.

MR CHAIRMAN: That's going to have to be done to a couple of other recommendations as well. I don't think that's a problem.

Perhaps we can go back to Recommendation C.4, the Member for Edmonton Whitemud.

MR KNAAK: Thank you, Mr. Chairman. I would like to propose Recommendation 4. I'll just read it into the record.

The program of lending to Alberta-based corporations up to two-thirds of the borrowings by the corporations be expanded [that's a description of the program] in order to facilitate increased diversification of the Alberta economy, and that the present minimum limit of \$1 million be reduced to \$100,000.

I might just remind the committee that the program I'm referring to here is the program announced by the Treasurer about a year ago. It's the program whereby the trust fund, on commercial terms, will invest a minimum of \$1 million in the debentures of corporations on the condition that at least one-third of it is being funded by a private lending institution.

Let me go back slightly. What's happening with the banking system -- we hear Mr. Whelan wailing, I guess would be a way to describe it, about it. There really is a problem in that most small businesses lend/borrow money at fluctuating short-term rates. I've talked about this before in the House. The result is that most small businesses -- and by small, it's those that borrow less than \$1 million or \$2 million -- are required to borrow at short-term rates, notwithstanding that it's for capital investment and in fact is a long-term investment.

Large companies like Luscar and others that have borrowed from the fund issue debentures and can lend at long-term rates, which are 14 per cent, while at the same time small businesses are borrowing at 22 to 24 per cent at that time. There's nothing wrong with borrowing at short-term rates if in fact it's for short-term purposes, but small businesses have long-term reasons for borrowing as well. It appears that the lending system isn't set up for small firms to get long-term rates for their long-term commitments.

The suggestion here is that the two-thirds/one-third ratio not be changed but that the minimum of \$1 million now established before the trust fund will invest in debentures of companies be reduced to \$100,000, to expand the scope and opportunities for Alberta businesses to obtain borrowings at long-term rates. As we've seen before in the House, the difference is substantial. The difference in rates is probably as high as 7 percentage points at times.

There is no suggestion that the security requirements be reduced or that the Alberta government significantly increase the risks it takes in lending. The funds would have to be fully secured, and a private investor would have to feel confident with that kind of investment as well.

MR D ANDERSON: Mr. Chairman, I would support this resolution. Further to the questioning of the Provincial Treasurer in this committee's hearings earlier, I think this is a necessary direction, at least to make some suggestions as to how this particular program would work better. By the Provincial Treasurer's testimony and in fact the lending that has taken place, it is obvious that this program hasn't been overly subscribed to, to say the least, and that we have to look at some options in ways of dealing with that. My only concern would be the wording. It is somewhat awkward, and I would think we would have to rework that wording or that Mr. Knaak might want to do that, should this resolution proceed. But I would support this direction. In terms of purely making investments to gain income for the fund, I think this is one vehicle we can expand. I agree with the proviso placed on it by the hon. member, that this lending would have to take place with no increased risk to the government in such lending. But I would agree with the resolution and support it.

MR PAHL: Mr. Chairman, I would be supportive of this except I really think the reduction to \$100,000 is a wee bit on the small side. I think you have to recognize that there's a cost to making a loan, whether it's \$1 million, \$100 million, \$100,000, or \$10,000. I think we would be moving into an area that I would say is well covered by the banks and finance companies.

I think the hon. Member for Edmonton Whitemud has made a good point, that really -- well, he didn't say it specifically -- when a business is considering an investment, they really need to know what the cost of that

investment will be, whether it's high or low. In fact, they can accept the certainty of higher rates much better than they can accept the uncertainty of a fluctuating rate which may put into question the viability of the investment. So I don't think there should be any suggestion in this program of lending to Alberta-based corporations that it would be at anything but commercial rates, but those commercial rates would provide a measure of stability and, depending on the credit worthiness of the corporation, would also provide perhaps an advantage over the short-term market.

I would like to suggest to the hon. member that the reduction to \$100,000, when you're talking about two-thirds of the borrowing, puts it into the small league, quite frankly, because \$100,000 really won't even buy you a decent-sized piece of equipment. So in the interests of making sure, because they are public funds, I would think it will have to be well investigated and will have to be a reputable corporation. Although maybe \$1 million is high, I would suggest that \$100,000 is low.

MR MUSGREAVE: Mr. Chairman, the Member for Edmonton Mill Woods made most of my points. I think that just the idea of getting into bonds at \$100,000 is way, way too low. The cost of running through the process itself is quite substantial.

I have a couple of questions, though. He mentioned that it would retain private investor confidence as he ended his remarks. I just wonder what he meant by that. Also, I understand the bond market right now has practically disappeared except our favorite in eastern Canada, which is holding 19.5 per cent loans, which in effect means they're going to keep the interest rates up at that level for the next year. I would like him to tell me just what he meant by retaining the private investors' confidence when they can get 19.5 from the federal government. Is there any connection between the two?

MR ZAGZIRNY: Mr. Chairman, I hadn't intended to participate in this debate because I think it's an eminently sensible proposal and would get prompt approval by this committee. So I take the opportunity to participate, based upon the comments of the members for Edmonton Mill Woods and Calgary McKnight in terms of the minimum requirement. It seems to me that the essence of the recommendation is that in fact we are not making available to the small businesses which, in many instances, are those most in need of the kind of certainty of cost of borrowing, the program as it's presently constituted. Therefore, I think it's very important that the minimum limit be reduced to something that is feasible for the small business in Alberta.

It seems to me that the argument being advanced in opposition to the \$100,000 minimum limit is in terms of the cost of placement of the loan. I would suggest, with due respect to the observations of the members, that it isn't that much more difficult than the conventional borrowing, if you wish, of \$100,000 by a small business from a lending institution. This obviously depends on the way the program is structured, so I think it becomes incumbent on the program to ensure that the administrative costs are kept as reasonable as possible. At the time the Provincial Treasurer introduced the program, I thought it didn't at that time help the people who needed the help most. I think the proposal the Member for Edmonton Whitemud has put forward would be a step in that direction, albeit at commercial rates. I see that as a positive step and would support the motion as it is presently constituted.

MR MUSGREAVE: The more I listen to the hon. Member for Calgary Forest Lawn, the more I choose to disagree with him. However, the point I want to make is

that I don't think this is set up to lend money to a mom and pop operation. That's essentially what you're talking about when you get down to the \$100,000 range. I just couldn't support the motion.

MR ISLEY: Mr. Chairman, if I understand correctly what is being suggested here, I have to share some of the concerns of the Member for Edmonton Mill Woods. If we're going to move into the area of loaning out from the heritage fund two-thirds of a project that would total \$150,000, it would seem to me that we couldn't operate it under the same mechanism that we're operating the \$1 million program. I think what we've done, in essence, is replace AOC and ADC. If it's our intention to go this way, I think we'd have to think of creating a new mechanism, possibly an agricultural lending division in the Treasury Branch and a commercial lending division, and have the fund loan large amounts of money to the Treasury Branch at the rates it is doing with the \$1 million loans, allow the Treasury Branch to tack on their 1 or 1.5 per cent for administration, then get into the loaning business.

I think you have to look at it in the impact it's going to have on AOC and ADC. I can't visualize a farming operation starting in this province today at less than \$150,000. It would be a very small business that wasn't in that bracket. If we're thinking of a total revolutionizing of the financing of small business, agriculture, and the rest of it, let's lay it on the table and debate it. What I'm saying is that I don't think what we have here is workable.

MR KNAAK: Mr. Chairman, I'm not concluding debate, which I'd like to reserve until all the other speakers have addressed the point. I just want to clarify something. The intent of the proposal is not to substitute for the Alberta Opportunity Company or any other lending institution of last resort. It is not intended to be a last-resort lending alternative. Investments would not be made to new businesses necessarily. The investment has to be a safe, stable investment. It has to be the same security a bank would expect. So we're not talking about a new project starting out for \$100,000. We're talking about a company that may have a net worth of \$500,000. It might be a company with assets of \$1.2 million, and it needs another \$100,000 or \$200,000 to expand. So it has to be a fully secured loan, and it has to be a safe investment. It has to be in the interests of the Heritage Savings Trust Fund, at commercial rates.

To give an example, the trust fund lent to Quebec Hydro at a fixed rate of somewhere in the neighborhood of 11, 12, or 13 per cent. I can't remember now exactly what it is, but it's a very low rate, fixed for 25 years. It was a market rate at that time. At the same time, smaller businesses in Alberta were borrowing from banks at a floating rate which may at the time have been 16 or 17 per cent and which went all the way up to 24.5, in terms of prime plus 2, if that's what we're talking about, and now is in the neighborhood of 21 or 22 per cent.

The purpose of this recommendation is to combine a safe, profitable investment for the trust fund with an opportunity by small companies to borrow at a fixed rate for a longer period of time. There is no increased risk to the trust fund, because it's a precondition of this loan that it's fully secure. There is a small increase in administrative costs, since the administrative costs don't change very much whether you're issuing a \$15 million debenture or a \$200,000 debenture. In fact, it could be more expensive for a \$200,000 debenture than for a \$15 million expenditure because you have to review the credit of the small client more extensively.

Nevertheless, if I as an MLA had to support some proposition or another, in terms of incurring civil service costs, I'm prepared to say that to the extent there is a subsidy by increasing civil service costs in administering this program, it can provide an avenue of strengthening and diversifying an area of our economy that is really suffering to date and, at the same time, provide exciting investment opportunities for the Heritage Savings Trust Fund that are not now open to it.

I'm not talking about a \$100,000 business when I'm talking about, say, a \$150,000 debenture, two-thirds of \$150,000 being \$100,000. But if there's a problem with the committee in terms of the \$100,000 minimum, I would suggest that we increase that to \$200,000. I'm prepared to propose right now that we increase that to \$200,000. Again, I'm not talking about a \$200,000 business; I'm talking about a \$1 million operation that can fully secure a \$200,000 loan. Well, it would be a \$300,000 loan because the trust fund only takes two-thirds of it.

MR D ANDERSON: Mr. Chairman, I think my points have been made by the hon. member, primarily. I'd just like to say that I see this resolution as a facilitating one that would allow the investment committee to invest in companies which may not require the funding of \$1 million but now, I guess, it's \$200,000. I see it as facilitating, obviously, the criteria which apply to the commercial investment division in terms of making money for the fund and which would apply automatically. Therefore, if you weren't going to make money by investing in a company of that size or by making that much of a loan, you wouldn't invest. As simple as it is, in terms of this it is facilitating, not requiring that investments be made at that level.

MR R SPEAKER: Mr. Chairman, in principle, I have no disagreement with the intent of the resolution. The numbers are what I'm most likely having trouble with. Even the \$200,000, I don't know what that means in the area of debenture borrowing. As a committee, our responsibility is to give policy direction. I wonder if we put at the end of that statement "and that the present minimum limit of \$1 million be reduced significantly". Then the investment committee, after examining the real figures, what's out there, or what's happening, can come up with a figure that's realistic. If we fix them to \$200,000, what's going to come back in the report next year is that \$200,000 is not realistic because . . . Then they don't deal with the principle of our policy. So I would just suggest to the mover, if he saw no problem with that, that the investment committee must deal with our principle rather than numbers.

MR CHAIRMAN: What does the proponent have to say about that?

MR KNAAK: I would agree with that suggestion.

MR CHAIRMAN: Can we have the question on the amended proposal, which is that after the words "\$1 million" the words "be reduced significantly". Those in favor? Those against? The amended proposal is passed.

Now we can go to proposed Recommendation No. 9, the Member for Edmonton Whitemud. I think we have another typographical error here. My apologies. I think the last line should be "the adverse risk of inflation inherent in investing in fixed yield debentures."

MR KNAAK: Mr. Chairman, one of the real difficulties of any investor, whether it's the government or a pension fund, is to be able to predict what will happen to the rate of inflation; in other words, the real value of the dollar over time, given the inflationary pressure. Back in the 1960s, the most sophisticated investors bought 25-year debentures at fixed yields of 5 and 6 per cent. History showed them to be poor investors. In 1929, investors who bought securities at 5 or 6 per cent turned out to be extremely wise, because the market dropped as low as 3 or 4 per cent during the Depression. So no one can predict what the rate of inflation will do. As a result of that, it's almost impossible to balance the desirability of a debenture being an extremely safe investment and the desirability of having a net return over the rate of inflation, because it's impossible to foresee what the inflation rate will do. The market interest rate is not a good indicator of what will happen in the future. People just can't foresee.

As a result, my recommendation is to be a little more imaginative in terms of our investments and start considering the possibility of investing in convertible debentures which are convertible into equity of various companies. The same limitation would apply as the 5 per cent limitation we now have as a matter of policy in holding equities in large companies.

The other possibility, which is a sort of new approach in terms of debenture lending, is to participate in the profits of the business, where the interest yield of the debenture is not just a fixed rate but is tied to the profits of the business. As the profits of the business increase, the rate on the debenture increases over time. The reason for putting forward this proposal is really to encourage a more imaginative look at the investments of the trust fund in the area of debenture borrowing.

MR CHAIRMAN: Are there any further comments on this proposed recommendation?

MR PAHL: Mr. Chairman, I think what the member is really saying is that it would make sense to have more balance, if you will, in the Heritage Savings Trust Fund investments. In fairness to the managers of the fund, over time I think there was some lack of appreciation as to what the future was going to be for the fund. I think there was also a full awareness that they were dealing in public funds, and the commitment was made at the outset only to invest in debentures. Now, over the past few years, with the investment division, with the corporate debt investments -- although that's less so -- with the energy investment division, we're seeing steps to go toward a more balanced portfolio.

I would voice similar caution on the other side of the market place, that equity carries a larger return but it also carries some risk. Although in the long run, averaged over all investments, equity has shown to be a better one in the long term. But within the long term there are some disasters as well.

So I guess I would be supportive of the recommendation, although I think it might have a more general terminology that would support the moves the investment committee has taken, over the past two years particularly, in moving to a more balanced portfolio in the income-earning side of the Heritage Savings Trust Fund.

So I'm not really taking issue with the suggestion contained in Recommendation 9, but it might be opportune to have a more general recommendation that acknowledges that the fund is moving to a more balanced portfolio and that trend be encouraged rather than restrict itself simply to a sort of modification, if you will, in the debenture instrument.

MR KNAAK: Mr. Chairman, I should point out that my recommendation and my comments are not intended in any way to be critical of the management of the fund as is. Given the parameters initially established by the Legislature, it's not easy to do much else than invest in debentures, in fact they could not, under the investment portion of the fund.

The purpose of this recommendation is to meld our policy in our amendment to the Heritage Savings Trust Fund, whereby investments can now take place in equity. We could already invest in debentures. The purpose of this recommendation is to assure we don't miss that security which falls in the middle, which is a convertible debenture or participatory debentures. The purpose of making this recommendation is to assure that middle ground, convertible debentures and participatory debentures are not overlooked and are in fact emphasized because, as we know, in terms of convertible debentures, although the interest rate is lower, there is a fixed return. Because they're convertible, if one converts, one gets the benefit of share and equity participation and the inflationary aspect thereto. That's the reason for making this recommendation.

MR CHAIRMAN: Now can we have the question on proposal C.9? Those in favor? Those against? I guess it's unanimous then.

Proposal C.10, the Member for Bonnyville.

MR ISLEY: Thank you, Mr. Chairman. Proposal C.10 proposes that the Alberta Heritage Savings Trust Fund

should seek involvement in new mega projects, the range of equity being greater than the 5 per cent limit in the Commercial Division of the Fund, but less than majority interest or control. In addition to non-conventional oil projects, such equity involvement be sought in the petro-chemical, pipeline, general chemical [I would insert the word " electrical"] and forest-related industries.

Basically, Mr. Chairman, I think two principles are involved here. One is the principle of equity investment. The second is the principle that government equity should be less than the majority position and that private industry should continue to be the operator. With that, I'll leave it open to debate.

MR MUSGREAVE: I just have a question, Mr. Chairman. I wonder if the hon. member is restricting his investment to those industries operating within the province or, for example, could we invest, say, 5 per cent if a new rail line were built to the west coast or a pipeline or this kind of thing.

MR ISLEY: I would have no problem with investments outside the province but within the country, particularly in transportation-related activities.

MR CHAIRMAN: So if we were to change it to say: in addition to non-conventional oil projects, and put something in to say, for example, these other industries, would that be acceptable? All right.

MR ISLEY: And leave it open-ended.

MR CHAIRMAN: I think it will have to be cleaned up a bit.

MR SINDLINGER: I'm sorry, Mr. Chairman, I didn't get that amendment. Does the amendment read so that investments in coal megaprojects would be included as well? I'm making the suggestion that coal and perhaps sulphur megaprojects should be included.

MR CHAIRMAN: My understanding is that we're amending it to use the ones that are listed as examples, take away the restriction. In other words, it's not restricted to those industries but would be available for any megaproject, not restricted to the ones on the list. I think that's the correct interpretation of what he's suggesting, that these be examples but are not restrictive.

MR SINDLINGER: Just to expand the scope of the examples, could we consider adding the word "coal" developments as well?

MR CHAIRMAN: Any advance on coal and sulphur? Any other remarks to make? If we could go to the question on proposed Recommendation No. C.10 with an amendment that . . .

MR KNAAK: I'm sorry I had to be out, Mr. Chairman. Under 10, is it understood or has it been indicated that the Alberta Heritage Savings Trust Fund involvement is confined to megaprojects in Alberta? [interjection] You mean we're not confining it to Alberta?

MR MUSGREAVE: While you were out, I suggested an amendment that it could involve other megaprojects, such as transportation facilities to get products to the west coast or anywhere in Canada.

MR CHAIRMAN: As it reads, it is not restrictive to the province of Alberta.

MR KNAAK: I would like to move an amendment then that the Alberta Heritage Savings Trust Fund seek involvement in new megaprojects in Alberta.

MR CHAIRMAN: You're moving that as an amendment? All right. Is there any discussion on the amendment?

MR ISLEY: Mr. Chairman, the exchange that took place while the member was out, between the Member for Calgary McKnight and myself, I think related to such things, let's say, as a coal slurry pipeline, that type of thing. I said that I would be quite comfortable with investments in megaprojects outside the province but within the country, and particularly related to transportation projects.

MR MUSGREAVE: The Member for Bonnyville made my point.

MR PAHL: Mr. Chairman, I just note that the motion says we "should seek involvement" and "equity involvement should be sought" in the petroleum and chemical industry. While we're on the amendments, I would rather see "consider", in the first instance, and, rather than "sought" in the second last line, "be considered". Just for clarification, I'd like it if the mover would accept those qualifications because I don't think we should be clamoring to get in on every activity because if it's well demonstrated that private funds are available to make it happen and it's an acceptable area of endeavor without public involvement, then I'd be happy to see it occur that way. Could

I ask the mover if he might just read the whole thing as it now reads? He may wish to comment on my contribution at the same time.

MR CHAIRMAN: Perhaps we could deal with the amendment proposed by the Member for Edmonton Whitemud first.

MR PAHL: [Inaudible] sense of the whole recommendation, I'm sorry, taking mine out if you like, but I don't know what it says other than in Alberta.

MR CHAIRMAN: We really have two different and separate amendments in front of us, and we can't consider them together. So if we could go to the Member for Edmonton Whitemud.

MR KNAAK: Mr. Chairman, I would like to withdraw that amendment and propose the one that includes Mr. Pahl's suggestion. I overlooked that. My amendment then: the Alberta Heritage Savings Trust Fund may consider involvement in megaprojects in the province of Alberta, and then it goes on, the range of equity being greater than the 5 per cent.

MR CHAIRMAN: The Chair is having a bit of difficulty. We're now getting the two amendments coming forward at one time.

MR KNAAK: No, it's one amendment now. It's my one amendment. I withdrew the last one, Mr. Chairman, and am replacing it with this one.

I really want to comment on the problem about going outside the province, in terms of speaking to my own amendment, which Mr. Pahl addressed. We can do it all over again if I'm creating confusion for the Chair.

The real problem is that in Alberta we have allowed the Heritage Savings Trust Fund to invest in equity without limitation. In other words, there's no 5 per cent rule under the Alberta investment division. There's a reason for that, and the reason is that even though we do not have control of the business, we have legislative jurisdiction in the province of Alberta. So in terms of Syncrude, the proposed Alsands project, the proposed Esso Resources project, it's true we will not have control of the company, and we do not want control of the company. However, as owner we have jurisdiction over the resource, and we have jurisdiction in the province of Alberta over primarily most business matters. Once we start talking about interprovincial undertakings, which are pipelines, railways, and things of that sort, the province loses jurisdiction and in fact does not have any jurisdiction over interprovincial undertakings. They're the exclusive jurisdiction of the federal government. Therefore, any businesses that run these undertakings will be under federal jurisdiction. It says here that we do not control the business. As a result of that, there is no control by the Alberta government whatsoever, other than being a shareholder of the company, in a minority position.

The trust fund being the kind of trust fund it is, for the future generations of our children, I think, would be investing in a very sensitive area where the province has virtually no control at all and is really subject to the whim of the federal government. It's for that reason that I wanted to confine that particular recommendation to Alberta.

MR MUSGREAVE: Mr. Chairman, my understanding of the motion was that the 5 per cent limit was, in effect, to indicate to the public at large and to companies concerned, that the government did not want to be in there influencing it. If

I understand the hon. member, what he is in effect saying is that while on the surface we're restricting our involvement to 5 per cent, by the back door we're going to make you do as you're told so that the 95 per cent equity you may hold is not of any relevance to us as a government because we're going to run this show anyway. I certainly wouldn't want to be party to a thing like that.

The reason I suggested going outside the province is: let's face it; we have 2 million people here, we have lots of resources to develop, and we have a lot of things to do, but we have to have the co-operation and support of other Canadians. A lot of opportunities are going to arise. We could be involved in a big megaproject processing fish on the east coast and it might be an excellent investment for us. Are we going to be prevented because we don't want to go outside Alberta? I just couldn't support that amendment at all.

MR D ANDERSON: Mr. Chairman, I would support the amendment as suggested. I have some concern with respect to widespread equity investment and the difficulties we get into in assessing the availability of investment, then controlling our equity participation in such investments. I think the Member for Edmonton Whitemud has properly identified how we might better be able to control this within the province. I very much approve of the qualifications added by the Member for Edmonton Mill Woods and find the resolution much more palatable with those suggestions. So I'm not sure where we're at, Mr. Chairman, whether we're debating the total reworded amendment by the Member for Edmonton Whitemud or just the aspect dealing with the Alberta versus nation-wide investment possibilities, but I would support both.

MR CHAIRMAN: My understanding is that the Member for Edmonton Whitemud withdrew his original amendment, and we're now considering an amendment which is an amalgamation of his and a proposed amendment by the Member for Edmonton Mill Woods that it's "consider" rather than "seek" and that it is limited to the province of Alberta. Now, does anybody have any further discussion on the amendment to the proposed recommendation?

MR ISLEY: I would suggest that we deal with them as two separate amendments. I can support one, but I can't support the other one.

MR CHAIRMAN: Obviously, other people have the same confusion as the Chair. Can we first of all go to the amendment restricting this to within the provincial boundaries. Those in favor of that amendment that it be restricted to the province of Alberta? Those against? The amendment is defeated.

Can we now go to discussion of the amendment proposed by the Member for Edmonton Mill Woods that the Alberta Heritage Savings Trust Fund "consider" involvement in new megaprojects and that "involvement be considered" in the next to bottom line, rather than the words "seek" and "sought". Any discussion of that amendment? Those in favor of that amendment? Those against? That's carried unanimously.

Now, can we go to discussion of the proposed recommendation? Are there any more remarks on the amended recommendation? Those in favor of amended Recommendation No. C.10? Those against? The recommendation is carried.

If we can now go to proposed Recommendation No. 11, the Member for Calgary Currie.

MR D ANDERSON: Mr. Chairman, this recommendation has a number of purposes, if I might just read it. I'd like to add a qualifier to the first part of that, Mr. Chairman, which we've done to a number of resolutions. Basically, it would read: "The committee recommends that consideration to the possibility of", then delete "A", and it would follow as it reads:

A Crown Corporation be funded from the AHSTF, to facilitate expansion of existing small Alberta companies through lending funds for purchase of equity by employees, preference to be given to those entities which would diversify the economy.

MR CHAIRMAN: Could I please have the amendment at the beginning read out? I don't have that bit.

MR D ANDERSON: The amendment at the beginning would be: "The committee recommends that consideration be given to the possibility of establishing a Crown Corporation", then cut out "be established", and the rest of the resolution follows as written.

The purpose of this resolution, as I mentioned, has several dimensions. The obvious ones are to fund the expansion of small Alberta companies, thereby encouraging Alberta companies which have been successful to participate further in the market place. The obvious proviso at the end of the resolution would give preference to those diversifying the economy, and therefore move towards our objective of the heritage fund in so doing. But the primary purpose of it is to encourage employees in small Alberta companies to become more directly involved with the companies they're now participating in, in an employment sense, and therefore to encourage companies which would seek this funding source -- which I would suggest would be to a fairly small limit; maybe \$500,000 would be the maximum loan to the company, as a possibility -- to be more directly involved in the market place.

In a number of experiments and a number of companies throughout Alberta, as well as in other parts of the nation, it's been shown that companies that have involved the employees more in terms of equity investment in a direct sense have had more motivation, more commitment, more direct involvement with the market place. They've been able to deal more with the needs of the company and to understand its operations and, generally speaking, have broken down what has developed to a large extent, in terms of a barrier between employees and employers. The difficulties we've faced in the labor area are not inherent to the same degree -- in fact, to a much lesser degree -- in companies that have the equity involvement of employees. This is certainly a carrot approach to trying to further that direction by encouraging employers to invite employees to be involved in a direct equity participation in the company. I'd be happy to answer any questions or concerns there might be.

MRS FYFE: Mr. Chairman, I have a question. From reading this and listening to the discussion and explanation of the resolution, it's my understanding that the principle involved is the establishment of an additional corporation. Employees now can become involved in equity positions through AOC or the existing commercial agencies, so I just wanted to confirm that that's correct. It's really the establishment of an additional corporation to lend to the specific group.

MR D ANDERSON: It's true that it's the establishment of another corporation, though I suppose that with respect to the venture capital corporation

mentioned earlier, one could meet the same ends by applying the proviso that preference be given to companies having employee stock ownership plans. But the main difference is that the money would go to companies that would be lending that money to employees to purchase the shares; in other words, they'd be capitalizing their company through the purchase of shares by employees. This would be a loan for that purpose.

MR MUSGREAVE: Mr. Chairman, this is a new twist on an old idea. One of the difficulties I have with this . . . Let's say you loaned an employee \$10,000 and he was going to buy some stock in a company that was worth \$1 million, let's say; then the company collapsed. Now, who does he pay the \$10,000 back to? The Heritage Savings Trust Fund? We'd be put in a rather difficult position.

The other arguments the Member for Calgary Currie made are very valid. A lot of companies in the United States in particular, and some in Canada, do have plans whereby employees can buy stock. One of the big ones in the United States is Sears. In comparing Sears to Penny's and some of these other agencies, the proponents of the plan argue that the productivity, the rate of return on invested dollars, labor problems, are all less in those companies where you have participation like this.

The way it is more or less successful, and the way we could achieve the same objective, would be through special tax treatment by the provincial government of those companies that allow their employees to purchase stock through a regular participation program. That way, we don't have to set up a company. We are achieving the same objectives, which is expanding the capital base of the company. We're involving the employee. We're making him happier and, hopefully, more productive. And we don't put any public money at risk.

MR KNAAK: Mr. Chairman, I just have a couple of questions. Is the return to the Heritage Savings Trust Fund intended to be a commercial return; in other words, a return commensurate with the risk? Is the security to be taken by the Heritage Savings Trust Fund; in other words, will the shares be hypothecated or encumbered by the Heritage Savings Trust Fund? The third question is: generally, in all companies the majority shareholder is also an employee of the company, as a president, general manager, or something else. In his capacity as an employee, would he be permitted as well as the other employees to borrow on behalf of the company? Is there any question about whether the non-control employees have a limit in terms of their percentage? The fourth question is: is there any minimum proposed with respect to this proposal; in other words, an employee cannot borrow less than \$200,000 or \$500,000? Is there intended to be some limit like that? Again, it's similar to my recommendation. The expense associated with lending becomes very, very large unless the loans are reasonably large. The intent of this recommendation is not only to have employees owners, which I think is a good idea, but to fund companies so they can expand and diversify. That's the purpose of my question.

MR D ANDERSON: Mr. Chairman, if I might answer the questions raised by both Mr. Musgreave and the Member for Edmonton Whitemud. In terms of the questions from the Member for Edmonton Whitemud: yes, it would be at commercial rates, in my opinion, much like AOC. In fact, the corporation would be very much along the lines of AOC, which are somewhat below commercial rates. I would see this following a floating rate situation. Yes, as well, I would see the shares held as security.

In terms of the other details, I think those are things we could argue back and forth in terms of what would be the minimum and maximum. But I'd like to see the general concept forwarded, and it's one reason the proviso "consideration be given to establishing" is there. I would see us trying to encourage the small Alberta company, and therefore not too large a size of investment. In terms of the degree of equity participation by the employees, I would think that would be determined by the company. The company would be applying for the funds, and the corporation would have to make the decision regarding whether or not that equity participation met the overall guideline that the employee stock ownership was a major goal of the corporation. But the company applying would of course make that suggestion and would have to show proof that their employees were indeed willing to participate.

In terms of whether the owner would also be an employee, it's an interesting thought. I wouldn't think that would differ too much from a sole proprietorship, depending on how you apply it. I guess that's a possibility that could be looked at, though I wouldn't want it to circumvent the purpose of the resolution, which would be to involve employees generally more with the market place. I would hope that consideration might be given to funding the main investor share, but it would have to meet the criterion involving the employees in general.

The comments by the Member for Calgary McKnight are indeed correct. I think the tax incentives are a good and positive way of encouraging this but, because of our low tax level, Alberta has so few tax incentives we can give for this kind of thing that, in the investigation I've done so far, I believe you would have to do both. I personally suggest that it be both, but of course the tax incentive part is not a proper part of the discussion under the Heritage Savings Trust Fund, so I haven't raised that issue.

MR. ZAOZIRNY: Mr. Chairman, I too support the principle here of the value of employee participation on an equity basis in the company they are employed by. But I too share the misgivings of the Member for Calgary McKnight as to whether or not this is the proper vehicle to achieve that laudable goal. I guess I have some concern that surely we as a government, each time we have an idea or concept we think deserves encouragement, shouldn't be setting up a new Crown corporation to try to achieve that laudable goal. It seems to me that there must and can be other ways to encourage that equity participation. If in fact the suggestion by the Member for Calgary McKnight isn't practicable because of our low taxation levels on Alberta businesses, then I think we should search out what other possible means there might be to encourage this. I just have some real concern in establishing a Crown corporation, with all the costs and increased staffing that would require. I'm just not satisfied we should be moving with that kind of infrastructure to encourage one particular goal, as laudable as it may be.

So, with some misgiving, I would not be able to support the resolution for that reason.

MR D ANDERSON: Mr. Chairman, I know we're dealing with further amendments but, rather than mentioning a Crown corporation, I'd be happy to say:

investigate the possibility of facilitating expansion of existing small Alberta companies through lending funds for purchase of equity by employees, preference to be given to those entities which would diversify the economy.

thereby leaving it open as to how that be done: investigated through a venture capital company or through AOC -- though as I look through it I can't see how AOC could do it -- or through the possibility of a mechanism like this. I'd be willing to take out "establishing a Crown corporation funded from the Alberta Heritage Savings Trust Fund" and only "investigate the possibility of facilitating the expansion of small Alberta companies through lending funds" et cetera.

MR CHAIRMAN: Could you read it out as it would now be written?

MR D ANDERSON: Yes:

That we recommend that consideration be given to the possibility of facilitating the expansion of existing small Alberta companies . . .

All the rest follows.

MR CHAIRMAN: I'm having trouble, because I don't see where the Heritage Savings Trust Fund comes into it now.

MR D ANDERSON: The Heritage Savings Trust Fund would be the one to lend money. It's how it would be lent that would be the question. We would leave that open.

MR CHAIRMAN: Just leaving in the presumption that the funds come from the Heritage Savings Trust Fund?

MR D ANDERSON: Yes. If you would be more comfortable with it, Mr. Chairman, we could put the Heritage Savings Trust Fund in there somewhere, but I think that would follow logically.

MR ZAOZIRNY: I applaud the efforts of the Member for Calgary Currie to modify the resolution to meet some of the concerns that have been expressed. It seems to be that what we may be trying to do, even with the reconstituted resolution, is to fit a concept one thinks is admirable into the Heritage Savings Trust Fund somehow. It seems to me that the resolution, even with the deletion of the Crown corporation concept, is still saying that you're going to want to expand businesses because they have employee-participation programs. I think we should encourage business expansion for economic reasons primarily, in terms of the return both to the fund and the need for that economic diversification.

So, again, I'm struggling. As I say, I don't think too many people would argue against employee equity participation. But I don't think you lend money for that reason, or you want to expand those businesses in preference to other businesses. As I say, I just think the concept is a good one, but I don't really see it fitting in a specific way in the context of a preference. I think we have to make the decisions based on sound economic reasons and find some other means of perhaps encouraging the goal the member seeks here.

MR D ANDERSON: Mr. Chairman, I guess I would disagree with the comments by the hon. Member for Calgary Forest Lawn. I believe that, indeed, we have to make investments from a large part of the fund, based on economic reasons. We've made, though, a number of exceptions in terms of how you go about doing that. The restrictions in AOC are an example. The investments in this same

division, the Alberta investment division, for Alberta Housing or the Agricultural Development Corporation are all meant not only to meet some economic goals but to achieve an end that's desirable for the people of Alberta. I would submit that for future generations, it's a goal we would like to see achieved, that individual Albertans be more involved with the businesses they work for. It's a goal we should be trying to meet as well as in making some investments, as we've tried to achieve other goals in agriculture or in housing or in encouraging small business -- primarily by giving a preferential rate outside the two urban areas. I might add, in the AOC's case -- in those directions.

So, I think this fits quite in with that direction with the taking out of "Crown corporation". I'm quite willing to use another vehicle if it's available. I haven't seen it yet, but I think we could still investigate, especially if we move into the venture capital area, depending on how we move in that area, whether it's through another corporation or through existing mechanisms.

MRS FYFE: Just one final comment to say that while I think the objectives are laudable, I can't support it as such because I don't understand the mechanism under which the moneys would be lent. I don't like to see an additional corporation, but I think there are ways this type of lending could be done. I certainly urge the member to bring this forward in the Legislature rather than through the trust fund committee, because I don't see this as the appropriate vehicle.

MR ZAOZIRNY: One more kick at the can. I'm still suffering from the same disadvantage as the Member for St. Albert in really not being clear, apart from the concept the member wants, how this would all come about. Is he saying that if, for example, we have a finite amount of money to be lent in a particular division, you give preference? Is it a preferential situation to those businesses which happen to have an employee participation plan? So that is one doesn't for a variety of reasons, which might include that employees frankly don't want one, that business even if we wanted to see it grow would rank second in place to one that happened to have an employee participation plan, even if it wasn't as necessary for the diversification of the economy or some other reason? Is it a preferential situation or are we supposed to be actively seeking out these businesses that have employee participation plans?

Again, the concept is good, but there's really nothing here in terms of the mechanics of how that would be achieved. Frankly, I think that to make the resolution viable, we have to have some sense of how it would happen. Otherwise, it's a rather limp resolution. Although something of a motherhood issue, it really doesn't say a heck of a lot.

MR D ANDERSON: Mr. Chairman, I find it interesting that the member who talked me into making the change is now arguing that there is no mechanism. I could see a number of possible mechanisms. Yes, there would be preference given for a percentage of money that would be allocated for lending for that purpose. Obviously, we have AOC. We have the division we just dealt with in the motion of the hon. Member for Edmonton Whitemud, which lends money for other purposes. We have the Agricultural Development Corporation lending money for other purposes. This is suggesting that money be set aside that would be lent for this purpose.

The mechanism originally suggested was a Crown corporation, which the hon. Member for Calgary Forest Lawn disagreed with. But I think another mechanism

that could be used is you could take a venture capital funding company and earmark a percentage of the funds which would be spent in that regard -- \$50 million or \$100 million -- for lending for this specific purpose. Priority would be given in that part of the company's activities for that end. I suppose there may be other mechanisms, but this motion leaves it open to look at the mechanism, which I think we do in quite a number of the resolutions. We suggest to the investment committee that it take a look at the most appropriate mechanism, but it would be from the Heritage Savings Trust Fund, be it a separate corporation or a portion of the venture capital corporation or, if some way is found through AOC, though I doubt that would be the mechanism. In looking through details on AOC, I think there might be a conflict between the lender of last resort and other qualifications, and this direction.

MR CHAIRMAN: The Chair is finding this a very interesting pre-lunch discussion. We have an amended resolution in front of us. I think perhaps we should bring it to a vote at this time. Those in favor of the amended Recommendation No. 11? Those against. The proposed recommendation is defeated.

Perhaps we can now go to the proposed Recommendation No. 17, the Member for Calgary Buffalo.

MR SINDLINGER: Mr. Chairman, proposed Recommendation No. 17 reads as follows:

The Alberta Heritage Savings Trust Fund should make loans to Albertans at a "made in Alberta" interest rate, independent of external financial market factors.

I present that for consideration to the members.

MR CHAIRMAN: Any further comments on proposal No. C.17?

MR KNAAK: Mr. Chairman, I thought this was a misprint. I thought this was initially suggested by Social Credit, but I see it must be correct then.

I guess the only questions I have is whether this suggestion is to use the trust fund to displace the present banking system in Alberta, by lending to Albertans? That's question one. The second question is, what is an Albertan? Is it a person who was born here, has been here six months, one year, two years, three years? What's an Alberta-made interest rate? Is it more than the current market rate or is it less? I think this thing is nonsense.

MR CHAIRMAN: Any further comments on Recommendation C.17?

MR R SPEAKER: Mr. Chairman, I would like to just make a comment. I know the hon. member wants me to say something about this. I think that in terms of -- maybe the resolution as such isn't supportable, but there are situations we have to face, in terms of mortgages, people in difficulty relative to interest rates. I think selective things can be done in terms of helping these kinds of people.

In terms of "independent of external financial market factors", I think anybody who is doing the responsible thing would leave a factor such as that out of consideration. But there are local Alberta things that are happening that could be supported by preferred interest rates.

I think the argument that should be brought to light here is that our Premier stands in his place and argues that Canada should not follow the American interest rates as they go up and down, that we should have a Canadian-made interest rate. If that holds true on that basis, the same argument holds true that where we have funds of our own here in Alberta that can help Albertans in unusual or extraordinary situations, we could have an Alberta interest rate, independent of the Canadian and American situations. We know there are Albertans who need some help, and there is logic to that -- the same logic the Premier uses in criticizing the federal government.

MR ISLEY: Mr. Chairman, the last speaker motivated me to get into it. I agree that there are problems out there in certain situations. This resolution is global. It's not specifying any problem areas and suggesting a method of attack. But I find his argument that we can take the same argument we use about a Canada-made interest rate and apply it to Alberta ludicrous. Surely if we are a province in a country, and the national government of that country controls the economic policies and the interest rates, you cannot create a sheltered island as part of that country.

MR R SPEAKER: No, but you can control the heritage fund.

MR ISLEY: That's different. If you're advocating that we take the heritage fund and subsidize federal government interest rates, you're going to pour that fund away for no useful purpose.

I get the impression -- and my question is this, Mr. Chairman -- that what the Member for Calgary Buffalo is proposing, and his supporter the hon. Leader of the Opposition, is economic separation. I would like them to address that issue.

MR CHAIRMAN: The hon. Member for Edmonton Mill Woods, followed by the hon. Member for St. Albert.

MR PAHL: Mr. Chairman, my contribution will be not to contribute. Thank you.

MRS FYFE: Maybe I should take the same tack. I just want to make the comment that it seems to me that every time the argument comes up that instead of having a savings fund it should be used for short-term assistance -- you know, there is no one who doesn't sympathize tremendously with people who are in financial difficulties. This has been a problem that western Canadians and Canadians as a whole have had in the whole history of our country. You think of the pioneers when they came to this country and how little they had, how they survived in a harsh climate without any assistance from government; probably some assistance from their neighbors and their extended family, but certainly no government assistance. At a point in time when we've developed the technology to produce our resources, to develop them, and to reap the profits of it, is it fair to take those profits and to resolve short-term problems?

The other aspect of this whole argument of saying that the trust fund is just simply a big bag of money and let's get the best ideas and let's get it spent as fast as we can, is the social problems it causes within our province. We've already experienced a great number of social problems of people coming to this province, looking for a land of honey, a land of streets paved with gold. It simply doesn't happen that way. Yet the more benefits we accrue to

the residents now with long-term capital revenue, means that those social problems are going to compound even further than they are now.

I don't think the people I talk to within Alberta want to see us compound those problems. I think the majority of people within Alberta like the aspect of ensuring that we have some stability for the future, that we have funds set aside that will offset revenues in the future. To look at the possibility of having a 6 per cent, a 10 per cent -- whatever a made-in-Alberta interest rate would be -- is foolish, because it will simply, if you look at the amount of money that is lent within Alberta .#.#. I don't have total figures, but I have heard estimates of the amount that is lent within Alberta, and it is hundreds of billions of dollars. That fund that's available would not even be a drop in the bucket in resolving interest problems of borrowers within this province who are facing difficulty. It's a problem much greater than any trust fund can ever resolve.

So while you may be able to help a few individuals for a short period of time, what happens next year when the fund's gone, and they're still in difficulty and interest rates are still high? This is foolish.

MR CHAIRMAN: Any further comments? The Member for Calgary Buffalo to sum up.

MR SINDLINGER: Just a closing comment. Mr. Chairman, when I first considered this recommendation, I wanted it to read: the Alberta Heritage Savings Trust Fund should make loans to Calgary Buffalonians at a made-in-Calgary-Buffalo interest rate. I was just picking up on what the Premier had said, you know, we can have a made-in-Canada interest rate, so why not a made-in-Calgary-Buffalo interest rate. But, that would be foolish. So I had to amend it to say: have a made-in-Alberta interest rate.

Thank you.

MR CHAIRMAN: Those in favor of Recommendation C.17? Those against? The recommendation is defeated.

Recommendation C.19. The Member for Calgary Buffalo.

MR SINDLINGER: Mr. Chairman, this recommendation was discussed in conjunction with a previous recommendation considered by the committee, and therefore I withdraw it.

MR CHAIRMAN: Do we take a vote on it? Are you suggesting we go straight to a vote?

MR SINDLINGER: I'd just like to withdraw it, if I could please. May I please withdraw the recommendation.

MR CHAIRMAN: All right. Recommendation No. C.21. The Member for Calgary Buffalo.

MR SINDLINGER: Mr. Chairman, this recommendation reads as follows:

The Select Standing Committee commission [an] assessment of the investment in Bralorne Resources debentures to ascertain how that investment met the objectives for investments specified in the Alberta Heritage Savings Trust Fund Act.

Over the last few years I've been on the committee, one question that continuously arises is: what criteria are used to select between various investment opportunities? Now the only ones I know of that are written are those which are in The Alberta Heritage Savings Trust Fund Act. They are: one, that it should benefit future generations; two, that there should be long-term social/economic benefits; three, there should be a strengthening or diversification of the province; and finally, a rate of return

The investment in Bralorne Resources, I'm not too sure meets those criteria. In the first instance, the money received by the company for the debenture was used to retire debt. So that doesn't do anything new for the economy. Second, the company does the major portion of its business in the United States. Neither one of those two things, I think, are conducive to the objectives as set out in the Heritage Savings Trust Fund. So I think what we could benefit by in making assessment of the investment in this debenture is to have an independent viewpoint giving us an assessment of that investment. Therefore, I put that forward for the consideration of the members.

MR CHAIRMAN: Any further remarks.

MR R SPEAKER: Mr. Chairman, I'd certainly support this type of an objective. Even in terms of all our recommendations -- and I'll relate that to the end of our report -- I think even there we should maybe go back over our recommendations and see how some of those criteria have been met, then prioritize them as to which have met it the best. But in terms of a more formal assessment, I think that would be a good idea. It would reassure ourselves in the committee that those objectives have been met and that we do get more, I think, detailed information, which we really haven't had at our fingertips at the present time. I think it would be good for us to select a project like this and do as requested.

MR MUSGREAVE: Well, Mr. Chairman, I don't have any quarrel with the philosophy outlined by the Leader of the Opposition that we may select a project for educational purposes, but I wonder about this one.

According to the Member for Calgary Buffalo, he says the company retired its debts. He doesn't think that's a good reason to lend them money. I'm surprised a man of his background would raise that point, because quite frequently companies go into long-term funding so they can get rid of their bank loans, which are usually at a higher rate of interest.

The second point he makes is that the company has gone to the States and is making money in the States. I don't know what's wrong with that. I thought the idea was that we'd try to make money wherever we could. I find that rather strange. And if the company is making money in the States, then obviously they're going to be paying shareholders here. They're also going to be paying off their loans here. That is going to be paid with American dollars. I understand one of our problems with our interest rate, even though we may not be completely in line with American rates, is the fact that we have borrowed such huge amounts of money outside the country, and we're paying for it in foreign dollars. So anytime we have an opportunity to make some of those dollars, I would imagine we'd want to do it.

MR KNAAK: It isn't quite clear here whether the Bralorne Resources debenture was acquired by the trust fund pursuant to its general investment ability or under the Alberta investment division, and it makes a difference as to the purpose for lending funds to Bralorne. But let's assume it was invested under

the Alberta investment division. It doesn't necessarily have to have been invested that way. If it is invested that way, it must meet the criteria that the investment strengthens or diversifies the Alberta economy. The investment would have to meet the test. If, in turn, it was under the general investment criteria, then it would merely have to be a commercial return. It should also be a commercial return under the Alberta investment division, although that's not as strict a criteria there if it strengthens or diversifies the economy.

However, the question seems to me if you don't have an inquiry, it's a very simple matter; it's holding the minister to account for this particular investment the next time he appears before the committee. I'm surprised the question wasn't asked of the minister when he was here. But it seems to me that the Member for Calgary Buffalo should just hold this in abeyance until next time around the investment is made -- it's not going to change -- and question the minister on whether or not it's investment under the Alberta investment division or some other division, and whether in fact it meets the test. And he'll respond.

I think I'm not prepared to recommend an expenditure of funds without even knowing under what division it was invested. So my recommendation would be that we defeat the motion, but also make it clear that there's no objection at all -- as a matter of fact, if there is a question, it should be asked of the minister the next time he appears before the committee next year.

MR CHAIRMAN: The Member for Calgary Buffalo to sum up.

MR SINDLINGER: Peter, I did ask the Provincial Treasurer this question -- and I did at length -- and we had quite a discussion about it. I just guess you must have been out of the room at that particular point in time, otherwise you'd remember that, knowing you as I do and the good memory you have.

I don't have another closing comment, except that perhaps some uncertainty was expressed about the guidelines or: does it or does it not meet the test? I would just submit that we do not have adequate information before the committee to determine whether or not it does in fact meet the test.

Thank you.

MR CHAIRMAN: The question on proposed Recommendation C.21. Those in favor of the recommendation? Those against? The recommendation is defeated.

If we can go to part D, the Energy Investment Division, we have three recommendations which all apply to Alberta utilities, two very specifically with the electrical industry and the other applying to Alberta private utilities. I imagine both are the electrical and the gas system. The information I got was that Mr. Notley had no objection to us proceeding with Recommendation No. D.2. I wonder if we can possibly discuss these again as one recommendation, but I don't think so. I see they seem to be different concepts. So perhaps we can go to the Member for Bonnyville on Recommendation No. D.1

MR ISLEY: Thank you, Mr. Chairman. Recommendation D.1 proposes that:

The Energy Investment Division consider purchasing one or both of the generating or distribution systems of Alberta electrical utilities.

I've debated this one before in public forums, and I usually end up being accused of being anti-free enterprise as soon as I make the suggestion. First

of all, I would lay on the table that I think there's a significant difference between free enterprise and private enterprise. To me, one of the important ingredients of free enterprise is competition and that the consumer should have a choice as to where he purchases his services. That does not exist in the purchasing of electrical energy throughout this province. You either deal with the company that has a franchise for servicing your area or you don't have the service. Hence, I would rule out the argument of free enterprise.

I think what we're talking about here is a government controlled, highly controlled, private enterprise. We're talking about a utility, something comparable to our gas distribution systems, which we've got involved in; something comparable to our telephones that we're involved in. I think it would be an ideal place for a long-term investment of Alberta Heritage Savings Trust Fund moneys. Many of our neighboring provinces have their own heritage funds, except they're known as hydro corporations. It may be a direction we should be moving in. With that, I will leave myself open to the onslaught and respond at the end.

MR R SPEAKER: I just want to put it on record that I'm against the resolution and any concept of public power or infringement on the utility systems by the government in terms of ownership. I just want that on the record.

MR MUSGREAVE: On this motion, I want it known that I support the position of Mr. R. Speaker.

MR CHAIRMAN: This is your briefest speech today.

MR KNAAK: Well, I think I could make it almost that short as well. But I do want to say something in defence of the power system in Alberta and, generally, private enterprise. It's true there is a difference between free enterprise and private enterprise. I think the distinction was correctly made. But the only free enterprise to the unfortunate detriment of the farmers is the farmers. They're suffering because they're in a free-enterprise environment. Nevertheless, our economy is generally one referred to as a private enterprise, and there are different degrees of competition. We've always acknowledged that there are certain situations called natural monopolies. Those natural monopolies are the utilities. Their profit and procedure is regulated by a Public Utilities Board.

One really important matter that a government has to resist itself from is to take over something that has been really created through a considerable investment and risk of private investments. It's true when you look back, it may seem like there was no risk. But the growth of Alberta was not predictable at the rate it was and so on. It's always easy to say once events have gone by: now that really was an easy decision. Yet when the decision is made to invest millions of dollars, it's not that easy.

So I am against the principle of taking over any private companies that are serving the public interests of Albertans. We're talking about taking over existing businesses. I haven't addressed the question of future participation, but will address that when we get to a different recommendation.

The problem with taking over things generally is that it's totally non-productive. Investments have been made. The thing is in existence. It seems to me when we're talking about diversifying the Alberta economy and making it stronger, we should use our efforts and energies in supporting private enterprise, create new businesses, and do new things; and not use our funds to

take over existing working operations. So both in terms of principle, I oppose the concept of taking over private businesses, including the utilities. I oppose the principle of using trust funds in any way to take over existing business rather than using it to aid business for future expansion.

MR ZAOZIRNY: I, too, would line up with the hon. Leader of the Opposition and others who have spoken in terms of the specifics of this resolution. However, the reason that I've entered the debate is not to simply say, me too, but in fairness to the member who has raised this resolution make clear that government should be properly addressing a real difficulty within the province; namely, the disparity of rates for electrical power that do exist.

There's no question that the availability and reasonable pricing of electric energy is crucial to the development and economic well-being of this province. We are faced with a lot of wide gaps in that cost at the present time. I'm sure the member who proposed this resolution could speak much better and more specifically than I about the substantial costs of electrical energy in northern Alberta, when compared, for example, to costs in certain areas that are much more densely populated.

To that extent while this may not be a resolution I can support -- and it is not -- I think government does have an obligation to try to reduce to some extent those disparities, to try to some extent to rationalize electrical energy rates to the extent that it is necessary to ensure the availability of reasonably priced electrical energy in the province.

MR ISLEY: I realize when I'm swimming upstream and the current is stronger than I am. I won't prolong the debate.

MR CHAIRMAN: Those in favor of Recommendation No. D.1? Those against? The proposed recommendation is defeated.

I've just remembered that we have a fair number of recommendations still under section B. So perhaps we can leave over Recommendation No. D.2 and go to Recommendation D.3. The Member for Edmonton Mill Woods.

MR PAHL: Thank you, Mr. Chairman. I saved my lining up on Recommendation 1 for the opportunity to speak on Recommendation 3. I quite agree that to expend public funds to replace private funds in investments already made contributes nothing to building the economy of the country and the province. It may be justified on the basis of a long-term investment of public funds. But I doubt it, because you then remove the operating efficiencies of the private sector in such an investment.

However, in the context of Alberta's unique situation, where we do have a Heritage Savings Trust Fund, we do have a projection of tremendous growth in our electrical needs by the Electric Utility Planning Council, and the suggestion is not the request for substantial public funds dedicated to building increased capacity in power generation. Given that unique opportunity, I would suggest it's quite simply a very good investment for heritage savings trust funds. It builds for the future. It provides a stream of benefits and revenue to future generations. It's just quite simply a good investment.

I would not recommend we go any farther than that. I think it stands pretty well on its own, but I'd be pleased to respond to comments by the members.

MR FJORDBOTEN: I have some difficulty with Recommendation 3. In consideration of the Minister of Utilities and Telephones announcing that he

was looking at, I think, an electrical marketing agency and, hopefully, as I understand the concept, it would encourage a lot more smaller operators to get in the generation of electrical energy, whether it be through wind generation or whatever. Then I look at the recommendation, and I certainly couldn't go along with the "dominant equity" part of it. Neither could I go along with all future electrical generation in Alberta. Now if it was watered down to the concept that it could assist, or something, in some way, I would even be apprehensive about that. But I would consider it.

Thank you.

MR MUSGREAVE: This proposal has been suggested before in a slightly different form. I recall making it about three or four years ago, and the only person on the committee at that time who supported me was the hon. Member for Spirit River-Fairview. I'm glad to see it come back again.

The concept I would like to see advocated is that we found and own, say, the power generating plants, which are going to cost upwards of the billions, but they be managed by the power companies; and that the rates of power would reflect the investment by the province in those plants. This would help us in two ways. One, it would help the consumers benefit from the ownership -- and most of us have seen these advertisements on television saying that the people of Alberta are not sharing in the fund. I think of the farmers with their hopper cars, their agricultural loans; and I think of the people in the small-business community with their loans, and on and on it goes. So obviously a lot of people are benefiting but, on the other hand, some people don't benefit directly. Maybe this is an opportunity to do that.

The other benefit would be that the cities are complaining bitterly that they don't have enough money. Now I don't think they are as good stewards of their money as they might be -- and we have some problems in that area ourselves. But this would help them, particularly the city of Edmonton, if we suddenly said to them: you don't have to worry about generating power any more. Then they wouldn't be looking at going out and buying gas at \$0.5 billion a throw and all the rest of it.

Now I understand a study is under way in northern Alberta to do this very thing, to build a large plant and have it operated by the power industry. But I support the motion as it is presented. With those comments I've made in consideration of it, I think there should be some way of helping the people of Alberta through lower rates, subsidized rates, or whatever. But I certainly wouldn't want any government agency running that facility.

MR KNAAK: Mr. Chairman, I too have some difficulties with the word "dominant". I might point out that even though I voted against it -- I think there was a 6-3 split on the vote -- the resolution was passed that any investments by the trust fund in equity be less than 50 per cent. This "dominant" would certainly be inconsistent with that one already passed. That was a resolution supported by the Member for Edmonton Mill Woods. So I have some real concern with "dominant". I would even have a concern if we moved much above the 10 per cent level in any equity. And I have a problem with "all future". I think what is meant there is not all future electrical power generation but all future electrical megapower generation projects. Even assuming that's the case, I think we have to consider two principles. The principle about one way or another taking more control of the power generating industry by in fact controlling and expansion I disagree with and would not support. The principle I can see for the Heritage Savings Trust Fund is to measure each investment in an equity sense as to whether or not it would generate a

significant return to the fund; in other words, the motivation is not so much to take anything over or to, in one way or the other -- I'm talking about a period of time now. If you take a dominant position in the growth, at some point in time the industry will be taken over indirectly. That's the sense I'm talking about it.

The motivation shouldn't be in the taking over sense. The motivation should be with respect to what makes sense from the point of view of an investment for the Heritage Savings Trust Fund. If an investment opportunity presents itself and it's a good return to the trust fund, we should keep the same rules we have generally for the trust fund; that is, to take an equity position if it pays a good return to the fund, but only then, and not be obligated to do so, and certainly no where close to control. Our commercial investment division, which is somewhat analogous to this, has a limit of 5 per cent equity. That would be the limit I'd like to see with respect to this as well.

MR PAHL: Mr. Chairman, I appreciate the comments and advice of members. With respect to the concerns of the Member for Macleod, I quite agree with him. I would immediately request that we change "all future" to "in major" electrical power generation projects. I quite agree that there are, if you will, the micro power generation projects -- maybe not so micro -- such as co-generation of power at . . . Pulp and paper plants, for example. In addition, with the concerns of energy conservation, it could very well be that individual householders will become generators of power. The concept of having power generated when sunshine is in a surplus and electrical demand is very low, where the individual consumer runs his meter backwards, if you will, would get to be a ridiculous situation if we were going that direction.

With respect to the Member for Calgary McKnight and, to the same extent, the Member for Edmonton Whitemud, I agree and I want it to reflect equity, not management. "Substantial" is a much better word than "dominant" and I propose that amendment. But I want it to reflect that it certainly be greater than 5 per cent, but also less than 50 per cent. Responding again to the Member for Edmonton Whitemud, it's a question of investment, not control. The control I think government should be concerned with with respect to power generation is exercised by the Public Utilities Board. I would be completely satisfied to see that condition remain.

In responding to the Member for Calgary McKnight, I want to assure him. As a citizen and, I guess, as a shareholder in some ways in Edmonton Power, I have no desire to push Edmonton Power out of investing to their capabilities as citizens of Edmonton in power generation. I would also submit that they're good managers and soon will be regulated by the Public Utilities Board. So I have no problem there either.

With respect to control, which many consider to be an issue in terms of the eventual control by default that the Member for Edmonton Whitemud suggested, the concept I had in mind would be a subsidiary power generating company, specific to major electrical power generation projects. In a situation analogous to the Syncrude project, where Alberta Energy, for example, owns the power generation plant, so you would have a substantial equity investment position by the Heritage Savings Trust Fund in a number of power generating sites -- say, Dunvegan dam, or whatever -- which would not reach into control in the distribution company and into the ownership of the existing investments of the privately or publicly owned utility companies.

To conclude, Mr. Chairman, I would request that the committee view the recommendation to now read:

The Alberta Heritage Savings Trust Fund investment committee consider substantial equity investment in major future electrical power generation projects in Alberta.

MR CHAIRMAN: Can we have the question on the proposed Recommendation D.3? Those in favor? Those against? The recommendation is defeated.

We have now several that got left behind. One is proposed Recommendation No. A.7, which is to do with the discussions we had about the Provincial Auditor. Before we adjourn this morning, I'd like to discuss the timing of that. Then we have a group that I had unfortunately not noticed, which is at the end of section B, Nos. B.26 through 32, which are all by the Member for Calgary Buffalo. Perhaps we can finish with item A.7 first. Has the Member for Calgary Buffalo anything further to say about A.7?

MR SINDLINGER: A.7 I understand was to be withdrawn pursuant to acceptance of the recommendation having the Auditor General here before us.

MR CHAIRMAN: That's now withdrawn, is that right?

MR SINDLINGER: Yes.

MR CHAIRMAN: We'll go to proposed Recommendation B.26.

MR SINDLINGER: Mr. Chairman, Recommendation B.26 reads as follows:

A portion of the Alberta Heritage Savings Trust Fund should be set aside to provide matching grants for any undertaking by a senior citizens' organization.

Mr. Chairman, in addition to Recommendation No. 26, Recommendation 28 reads:

A portion of the interest earned by the Alberta Heritage Savings Trust Fund should be set aside to assist in the development or operation of any project designed for or by senior citizens.

Mr. Chairman, the principle and intent of these two recommendations is similar to several that have already been discussed, and I don't believe there is any need to discuss either Recommendation 26 or 28 further. Therefore, I wish to withdraw them.

If I may go on, Mr. Chairman, I would like to withdraw Recommendation No. 30; therefore, direct our attention to Recommendation No. 31. May I address Recommendation No. 31, Mr. Chairman?

MR CHAIRMAN: We still have recommendations 27, 29, 31, and 32. Is that correct?

MR SINDLINGER: Since they're all my recommendations, Mr. Chairman, I wonder if I might proceed in this fashion. It might expedite the meeting a little more if I did it that way.

MR CHAIRMAN: It doesn't matter to me which order. Perhaps we can go to Recommendation 31.

MR SINDLINGER: Please, Mr. Chairman. I think we can handle the remaining ones of mine quite quickly if we do it in this order. We've already dropped 26 and 28 for the reasons I've given. I've asked that Recommendation 30 be withdrawn as well. Looking at Recommendation 29:

The Select Standing Committee commission an analysis of the capital projects expenditures over the last five years to determine if fair value has been received for money expended.

Although that recommendation is quite general, I have a specific objective in mind. That was an assessment of the irrigation rehabilitation expansion program and irrigation headworks improvement program. I've just received a memorandum from the minister responsible for those programs which has satisfied my curiosity, and therefore Recommendation 29 is now redundant and not necessary. So I would strike that one as well.

Recommendation 31 reads as follows:

The Alberta Housing Corporation should be renamed the Alberta Heritage Trust Fund Housing Corporation.

Mr. Chairman, I would like the committee to consider this one, and I would also like the committee to consider Recommendation 32 at the same time, which reads:

The Alberta Home Mortgage Corporation should be renamed the Alberta Heritage Trust Fund Home Mortgage Corporation.

Mr. Chairman, I've made these recommendations for two reasons; one is that it has generally been agreed among many members over the last couple of years that we should make an extended effort to identify the heritage fund projects throughout the province. To that end we've developed a logo, an advertising campaign, and we now intend to go forward with a program which would lay out the heritage fund in laymen's terms for the public at large. I think this is consistent with those decisions because the Alberta Housing Corporation and the Alberta Home Mortgage Corporation are essentially entities of the heritage fund; that is, they get most of their money from the heritage fund. The Alberta Home Mortgage Corporation has received almost 90 per cent of its total assets from the heritage fund. The Alberta Housing Corporation has received almost 65 per cent of its total assets from the heritage fund.

So I think it's important for us to ensure that Albertans recognize that the heritage fund is in fact working for them. I can think of no better way to demonstrate that than to rename these two organizations after the Alberta Heritage Savings Trust Fund. Thank you.

MR CHAIRMAN: The member has settled one concern I had when I first saw these. The member is accepting the fact that this does not imply 100 per cent funding by the Alberta Heritage Savings Trust Fund by his remarks. Is that right?

MR SINDLINGER: No, they're not 100 per cent funded but their major portion of funding comes from the heritage fund.

MR CHAIRMAN: I didn't check with the Minister of Consumer and Corporate Affairs that this might be misleading advertising. That was the concern I had.

MR PAHL: Mr. Chairman, I think there's an excellent thought behind this, and I think it probably would overcome some of the communication problems we could be experiencing, except that we would then introduce another fairly substantial communication problem, and that is that part of general revenues in the subsidy that goes to the homeowners and renters, in the case of the Housing Corporation, is really from the 70 per cent, not the 30 per cent. So it has some attraction from the point of view of helping Albertans see where the money is being directed. I think the hon. Leader of the Opposition would verify that there is a continuing communication challenge out there. However, I would suggest that the initiatives and recommendations made by the committee last year were accepted by the Provincial Treasurer and the investment committee would be a more appropriate vehicle. That was to have projects that were funded by the Heritage Savings Trust Fund to be so identified in any communications regarding the programs and in fact, as in the case of the hopper cars, with the identification of the logo.

I would suggest that flowing out of these two very good recommendations, because of the sort of pitfalls they would have with them in addition to the benefit, I would be more inclined to see us as a committee reinforce our recommendation of last year with respect to the identification of projects or activities that are funded by the Heritage Savings Trust Fund. If my memory serves me correctly, the response was that if a program was not totally funded by the Heritage Savings Trust Fund, it was not so identified. I think this committee would have good grounds for saying that in the case of housing, it would be well advised to perhaps have an identification with the logo and some comment as to the fact that a major portion of heritage savings funds are dedicated to the maintenance of this project.

So I would throw that out for the committee's consideration.

MR ISLEY: Mr. Chairman, I'm having a little trouble trying to determine what principle we're dealing with here. It seems to me the two recommendations are aiming at a communication problem as opposed to any basic principle. I would have the same concern that the hon. Member for Edmonton Mill Woods mentioned, and that is that the extra benefits that go to the users of these two programs are paid out of general revenue, or out of the 70 per cent, not the 30 per cent. I would suspect that if we were to use the method of renaming agencies or organizations to overcome our communication problems, we get into a continuous game. I can think of the Agricultural Development Corporation that derives its funds from the heritage fund, the Alberta Opportunity Company, the Alberta Municipal Financing Corporation, and who knows what other ones in the future.

So I don't think it's the approach to use to solve a communications problem.

MR CHAIRMAN: Any further comments? Does the Member for Calgary Buffalo wish to wrap up?

MR SINDLINGER: I really think the government is missing a good opportunity here when you do something like this. I have the two annual reports here of the Alberta Housing Corporation and the Alberta Home Mortgage Corporation. Again, the Alberta Home Mortgage Corporation gets 90 per cent of its money from the heritage fund. And you know what? You can't find the words "heritage fund" in either one of these annual reports. When I asked the Housing minister when he was here, why not? He said because we get the money from the Provincial Treasurer. Maybe that is the guy who writes the cheque and hands it over, but this is where the money comes from: the heritage fund.

Whether or not the subsidy through those plans comes through general revenue, the fact remains that 90 per cent comes out of the heritage fund.

That's not a bad idea. Why not change ADC and AOC to the heritage fund? People are out there saying, as Mr. Speaker says, what are these things doing for me today? I'll tell you what they're doing for you today. Where do you think all those billions of dollars came from for your home mortgages? They came from the heritage fund; it's working for you. There should be logos there, and those projects should be identified.

MR CHAIRMAN: Can we have the question on Recommendation 31? Those in favor of the renaming of the Alberta Housing Corporation? Those against? That recommendation is lost. On Recommendation 32, the renaming of the Home Mortgage Corporation.

MR PAHL: Mr. Chairman, I would not wish to see a very good point lost by the committee. If there's not a mechanism for making another recommendation reinforcing our identification one, then I would hope the mover of Recommendation 32 would consider framing an amendment that would communicate the sentiment that I think most members of the committee would agree with; that in some way we have to reach beyond that sort of administrative separation where substantial heritage trust fund moneys are being dedicated to projects that are in aid of Albertans' daily living. I wonder if there's room for that, either in our communication somehow or in another recommendation. I feel quite strongly that that sentiment shouldn't be dropped.

MR FJORDBOTEN: Mr. Chairman, I voted against the last one. The feeling I had when I did that was equivalent, I would think, to covering your navel and rejecting your mother. It is something I think certainly needs to be communicated. I think the member brought up something that disturbs me very much to think that two annual reports come out and the amount of money that comes from the heritage trust fund that makes that possible and it's not even identified is something that is disturbing. I certainly agree with the Member for Edmonton Mill Woods. Even though I think that administratively and in a number of ways I don't know how Recommendation 32 would work, I think I would vote in favor of it unless we can come up with a different recommendation to get the point across. The Member for Calgary Buffalo has an excellent point, and I don't think it should be lost.

MR CHAIRMAN: Has the Member for Calgary Buffalo any ideas?

MR SINDLINGER: Perhaps either of the two could suggest an amendment that would accommodate their concerns.

MR CHAIRMAN: That's one possibility. Another possibility is to put it in the body of the report instead of having a recommendation.

MR FJORDBOTEN: Mr. Chairman, I think there should be a strong recommendation in the report that does more than suggest, that any programs that are funded by the heritage fund in any communication that is done with regard to those programs should have it prominently identified that that money came from the heritage fund. I don't know how we would do that, but I think there should be the strongest wording possible in the report to that effect.

MR PAHL: Mr. Chairman, I'd like to propose the amendment:

The Alberta Home Mortgage Corporation and the Alberta Housing Corporation should acknowledge the proportion of its debentures that come from the Alberta Heritage Savings Trust Fund in all its public communications.

MR CHAIRMAN: Can the Chair make a suggestion? If you're going to amend it that drastically, that we add something about identifying the projects?

MR PAHL: That would be a suitable editorial addition.

MR ISLEY: I can support that if you extend the concept to the Agricultural Development Corporation, the Alberta Opportunity Company, and the Alberta Municipal Financing Corporation -- and any others I may have missed.

MR CHAIRMAN: It's going to get pretty clumsy by the time we add all of these.

MR PAHL: Perhaps, Mr. Chairman, the committee could agree by consensus that in the introduction or somewhere in the body of the report the Chairman is going to make that he acknowledges the acceptance of our earlier recommendation with respect to identification of projects and communication, but that it be extended in the general direction that was discussed here this morning.

MR CHAIRMAN: What about the Member for Calgary Buffalo, because I'm sure he wants back into this discussion at this stage.

MR SINDLINGER: I've said all I can say about it, Mr. Chairman.

MR CHAIRMAN: It's a matter that has come up several times during the last few weeks, the identification of what the heritage fund is doing. Perhaps a separate paragraph in the general introduction to the report, emphasizing the point, if this particular recommendation is defeated -- we haven't voted on it yet. It has come up in several different discussions to do with several different organizations and entities.

MR PAHL: Mr. Chairman, I think we all have to acknowledge the problem of trying to draft recommendations in the body of our meetings. This is another one that suffers from that problem. I would be prepared to withdraw my suggested amendment on the understanding that we could, if not vote, agree as a committee to incorporate, as you've suggested, somewhere in the report the further recommendation on communication.

MR CHAIRMAN: If I could suggest that in the general part of the report, we emphasize the importance of identifying the source of funds from the Alberta Heritage Savings Trust Fund in any report of the entities that are funded by it, and identify the source on the projects that are funded from those entities. Would that cover the concern of the Member for Calgary Buffalo?

MR SINDLINGER: If it's neat and tidy for the committee, that's fine.

MR FJORDBOTEN: Mr. Chairman, I don't think "report" is enough. Report or communications . . .

MR CHAIRMAN: By the entities that receive funds from the heritage funds. In other words, it's identified in both communications they put out, annual

reports they put out, and any projects that are funded by Heritage Savings Trust Fund moneys. This is getting very complicated. Perhaps we can vote on this Recommendation No. 32. Those in favor of Recommendation 32? I understand the Member for Edmonton Mill Woods has withdrawn his amendment. Those against? You're in favor? All right. Those in favor of Recommendation 32, reading:

The Alberta Home Mortgage Corporation should be renamed the Alberta Heritage Savings Trust Fund Home Mortgage Corporation.

Those in favor? Those against? It's 5 and 5 again. After all that time, we got nowhere. I think this time the Chairman is going to vote against the recommendation and put it into the body of the report the way it has been discussed, if that's acceptable to the committee.

Before we adjourn, the possibilities for the Auditor General appearing before the committee are next Monday morning or next Tuesday morning, because that's the only time the Chamber and members seem to be available. Which would suit the members of the committee best? Those in favor of Tuesday? Those in favor of Monday? I guess Tuesday it is. I'll arrange that with the Auditor General, next Tuesday at 9:30. Possibly following his appearance, if there's time, we can discuss the outstanding items of B.4 and the two items by the Member for Spirit River-Fairview that were left out today.

MR SINDLINGER: There is still one recommendation standing in my name, and that's No. 27.

MR CHAIRMAN: That's correct. The outstanding recommendation is there if there is time following the appearance of the provincial Auditor next Tuesday. The committee is adjourned until next Tuesday at 9:30.

*The meeting adjourned at 12:04 p.m.*