

Standing Committee on Alberta Heritage Savings Trust Fund Act

Tuesday, August 17, 1982

Chairman: Dr. Reid

9:45 a.m.

MR. CHAIRMAN: [Not recorded] August 24 at 10 a.m. Perhaps we could have the Auditor General return at that time. That's a week today. Is that acceptable to the members of the committee?

MR. SINDLINGER: Inasmuch as I suspect the major reason for his return is the questions I asked him to consider, I wonder if we would be able to get responses to those prior to his attending so we could discuss them in an informed way.

MR. CHAIRMAN: That I don't know. But if we can, we will get them to you before then.

MR. SINDLINGER: Could we have his appearance contingent upon getting the responses prior to his being here? Because without having the information beforehand, his appearance isn't that meaningful.

MR. CHAIRMAN: We'll be into the same old problem of: how long before do you want them?

MR. SINDLINGER: Well, at least the day before.

MR. NOTLEY: We could have them on Monday.

MR. CHAIRMAN: On the Monday. Is that acceptable?

MR. SINDLINGER: That would be fine.

MR. CHAIRMAN: Okay then, we'll reschedule the Auditor General for the morning of Tuesday the 24th, and we'll get to you on the Monday the written replies to those he's willing to answer in writing.

We now have the Minister of Economic Development. Perhaps he would introduce the gentleman with him and then, if there are any preliminary remarks, make those before the members of the committee personally.

MR. PLANCHE: Thanks, Mr. Chairman. I appreciate the opportunity to be before the committee this morning. With me is Herman Young from my department.

We really don't have any opening comments, in that our direct involvement with the heritage fund at this stage encompasses only the hopper cars and, I guess, the Prince Rupert financing.

MR. R. SPEAKER: Mr. Chairman, to the minister, on a broader subject. When we established the Heritage Savings Trust Fund, one thrust was to try to strengthen and diversify the economy. We've debated back and forth in the Legislature as to whether the government has or hasn't and, from the observations on our economy, we've based it on the gas and oil industry and we're suffering therefrom. With the downturn in the economy, there is now a different pressure on the Heritage Savings Trust Fund, and that's a high

demand from very responsible industries for low or reasonable interest rates on money. In light of the new, changing conditions, I wonder if the minister, in his responsibilities as Minister of Economic Development, could just comment on how he sees it. In the minister's mind, can the Heritage Savings Trust Fund play a very important role in terms of money at reasonable interest rates? Has the heritage fund the capability to meet the demands in the market place at the present time? Is the demand something much greater than the heritage fund can even begin to meet?

I'd appreciate that from the minister, because I think that's a very basic question in our recommendations that will come from this committee. The political pressure is there for us to change the direction, to put it into some kind of loan program. There are mortgage programs which parallel that. I wonder how the minister sees the situation at the present time.

MR. PLANCHE: As I perceive them, the two main calls are really on some kind of interest break on mortgages -- and I guess that has two subsets to it. One side is the social consequence of high mortgage rates. The other is the issue of whether or not by changing mortgage rates you can facilitate construction. In other words, if an interest rate were dropped to 13 per cent from 19 per cent, should you then be able to qualify at the 13 per cent or the 19 per cent? That has to do with the duration of the fund and whether or not you can accelerate construction activity. That would be one call that might appropriately fall under the heritage fund, if government makes a decision to go that way.

The second call is for a sort of broad-brush interest rate break for business, predicated by some maximum employee sales ratio or something, which might be a unit that would be provided by the heritage fund in some manner.

Generally speaking, each call we've had is individual and peculiar in nature, and we haven't used the heritage fund to respond to the two specifics, which are Chembiomed and Global Thermo in Bassano. We have the capacity to guarantee loans, which would be a call on general revenue if there were a default. The problem is that, as we have discussed, most of the people in difficulty have been to the traditional markets. By the time they come to the government it's a last resort. They're generally in very bad financial condition and, the way it's presently structured, all we have to offer them is a loan guarantee, which doesn't solve their problem because they can't service the debt. So that's the sort of dilemma.

In terms of whether it's been an effective tool for economic development, I guess I would be disappointed in the timing of the reaction to the heritage fund for economic development, although I did a little research on this because people continually say, well, we're still dependent on oil, gas, and agriculture. I'm not persuaded that's a bad thing. Certainly it's bad to be dependent on conventional oil, but I think we have adequate gas reserves to do some diversification on that.

What we have done, though, through the heritage savings medical research trust and a sort of proliferation of R and D by government sponsorship, is begin a fairly significant research and development presence in Alberta. Last year about 16 fairly major R and D entities became resident in Alberta, which I think is pretty good. There is an interesting sort of critical mass building around R and D here. We'd like to get into the pharmaceutical medical health thing. I think it suits us well for a variety of reasons. It's high value, low freight. Pharmaceutical law in Canada precludes an involvement in human pharmaceuticals, and we then have to fall into either radiopharmaceuticals or veterinary pharmaceuticals. Then the question is: do you grow it here, or do you buy it and move it here? We've always been very reluctant to grant as a precedent, simply because those who are here are deserving of a better fate than having a competitor brought it in in a subsidy

way. We also still cling to the belief that things that come here should come here for a natural advantage, and that if they come for money, and money is a *raison d'etre* for being here and they have to be continually propped up by it, then those who build around it are going to be deceived over the longer term.

In a general way I guess that's my thought process as we pick our way through these things.

MR. R. SPEAKER: Mr. Chairman, a supplementary to the minister. Beyond what he has said, can the heritage fund play a larger role? Beyond even that, has there been any examination or study of what it would cost to provide lower interest money to many of the industries across the province? Has the fund even got the potential to meet that economic demand at the present time? The demand is to have money at a reasonable rate so that businesses can stay in place. It doesn't really build them or expand our economic opportunity. It just holds them in place. Has the minister done some studies with regard to that? I'm sure the department must be looking at that.

MR. PLANCHE: Mr. Chairman, our department generally doesn't concentrate its efforts on the current problems of small business. That falls generally under Boomer Adair's purview. I'm sure some estimates have been made and we have had exposure to some rough numbers. I guess in order to answer the question as to whether the heritage fund could handle the issue, the trick is to establish a term, try to forecast whether a two-year term is long enough to do this thing or whether you're doing a disservice by having a two-year term on things.

My numbers are going to be rough here, but the trucking industry is an example. In 1978 or 1979, I think there were 19 oil field haulers in the province and by the end of 1981 there were 62. If the oil industry is to come back to the 1978-79-80 field activity level, then clearly we're oversupplied with oil field haulers by something in the order of 30. I don't know what the truck distribution is.

To level out the market place shake-out that will necessarily have to take place, you do a disservice also to those who are survivors, who would be survivors in a pure market circumstance. That's a little bit of a worry too, because the thing has to be designed so that those who need support and will likely survive can get it, and it won't be available to those who probably will shake out. So I guess there's a term there that would predicate whether or not the Heritage Savings Trust Fund is a logical place for it. I don't think that decision's been made.

MR. NOTLEY: Mr. Chairman, I have a supplementary question before going on to my questions. My question deals with railroads and freight rates, but I have a supplementary to Mr. Speaker's question.

With respect to the heritage trust fund and diversification, Mr. Planche, where do things stand on the Foster report as far as the government is concerned, specifically the recommendations dealing with policy initiatives by the government. I'll just cite the citations and read them out. Page 16:

Only with major public policy initiatives will the Provincial economy be able to reduce its dependence on the resource sectors, and diversify its relatively small manufacturing base.

Page 33:

Diversification will not occur to any significant degree as an inevitable result of the massive energy sector developments

prospective for the next decade. It will only occur as a result of the implementation of specific strategies by government.

Then page B-57:

One reason advanced for the current Japanese and European success in the innovative and commercial development process, is the national focus on industrial policy, which integrates business, government and quasi-government planning and recognizes that total reliance on free market forces is not adequate to optimize economic growth.

With those three quotes, I'd ask Mr. Planche if he could respond to the committee as to just where the government sees the Foster report, what further initiatives, in the judgment of the government, are required to strengthen the economic base.

MR. PLANCHE: The Foster report really was at a different time than we're in now in 1982. There were some fairly simplistic conclusions in the thing, in my judgment. We generally subscribe to their comments, with a few exceptions. One would be that you could hardly compare our ability to move Alberta with the ability of nations like Japan and Germany to move their economies, simply because they're fully integrated through their industry, banking, and government systems. We don't have that luxury.

A second impediment would be the issue of federal jurisdiction over interprovincial and international trade in terms of pricing and permitting, which is causing us some difficulty. I think Alberta could do better with some basic corrections. One would be the Crow rate. Aside from the issue of the cost to the farmer, which is something that has to be worked on as part of the whole, it seems to me that if we could get compensatory rates for finished products and raw products instead of one or the other, that would be an enormous upboost to secondary processing of ag. products, particularly meat and oilseeds. I think we're on the way to doing that. It may be premature to debate the basis on which it's going to be done, but that clearly has been an impediment to our secondary processing in agriculture.

I think we have an enormous opportunity to take advantage of China as an emerging market that's really consistent in a lot of ways with what we're able to do. But that's going to be a longer term thing, and we've begun that. I think the petrochemical thing is one example of an imaginative thrust that has a natural advantage in being here. But we are now faced with the problem of the natural gas and gas liquids tax that overlies the price of ethylene to where it's making us uncompetitive with distressed Gulf Coast prices on the short term.

I think the deregulation of gas in the United States will be a big boost to us. We have the restraint of the window in time from the Middle East in terms of their capital expenditures, so we do have a time problem that we have to address.

I think we've made some pretty significant strides in recognizing and curing the anomalies of our transportation system. I think we've faced squarely the issue of undercapacity of our transportation system totally. I think we're coming to recognize that we're shut out of the EEC and things that we had aspired to do previously, and we will trade west. I think that will come. We've done a great deal of work in trying to assess industries that have presently located disregarding energy sources and prices. They are now moving at least part of their upgrading to places where energy is secure in terms of both supply and price. We see some advantages there. My only comment is that if you take a logical -- an example of that would be aluminum. The aluminum industry is in some kind of distress worldwide, and they're not making the

capital expenditures we hoped they would make as early as a year and a half ago.

I'm wandering, but it was a fairly general question. Anyway, that's my thought process.

MR. NOTLEY: A supplementary question, Mr. Chairman. Mr. Planche, what formalized procedure is there in the department, or in the government for that matter, to evaluate options? I look back over the last few years. Both of us were in the Legislature in the mid-70s. The government took a very firm position that there should be no export of natural gas unless concessions for red meats and petrochemicals were given by the United States. You may recall when Vice-President Mondale was here in 1978 or 1977, I believe. Obviously conditions change. The question, however, is: what is the procedure for evaluation? Is there an interdepartmental committee? There's no sort of formalized planning board as such, but how do we decide, for example, whether moving on the Crow rate in, let us say, the Gilson report proposal makes sense for Alberta? What studies have been commissioned and who in fact would do them? What is the formalized process for making some of these judgments? I ask that question with reference to the initiatives suggested by the Foster report.

MR. PLANCHE: The problem we have in Economic Development is that there isn't a consistency to each problem posed. You almost have to hand carry each one. We extensively use consulting services from people we judge to have expertise in an area. I don't think we have been very successful in trying to trade things in tandem. I think you sort of have to address one issue at a time. It's clear that Alberta tends to travel too much in synchronization with rises and falls in demand in the U.S. market. Lumber is a good case in point. We have a disaster on our hands in dimensional lumber because our main market is the United States. The question then is: how do you develop other markets as long as you have major U.S. corporations who are joint venture owners in our resources and lumber? That's something we are addressing ourselves to, and I think there will be some indications of that bearing fruit over time.

We are in an unfortunate position again with our red meat into the United States, because every time we have a surplus of red meat, so does the United States. Every time our prices fall here, so do theirs. They tend to be protectionist with non-tariff barriers and a variety of other things. So we should be looking further abroad for that. We were very disappointed in the results of the last GATT round in terms of getting boxed beef into the European market. We were badly outraded by the United States on that and came up light. We were highly resentful of that and would like very much to have at least observer status with our GATT team.

Alberta also recognizes that we are different from the rest of Canada to this extent: we often get traded for high value added manufacturing in tradeoffs. We think that's unfortunate. A case in point is the issue of stopping the Japanese cars at Vancouver. Countervail would then come to those things that Japan buys from us which affect Alberta very directly. So to protect a market in one part of the country, a market in another part of the country was put at risk. We think that's unfair, and we're addressing those issues constantly. It's part of a deeper issue, I guess, in terms of say so, in terms of population, and so on. But we're recognizing those. We're recognizing that we need to have a much wider market for our agricultural products than just our traditional U.S. neighbor for that reason.

A lot of what Economic Development does, Mr. Chairman, is trace back to the impediments to the success of things and try to straighten those around. They're generally very basic and take some considerable work and thought. We don't have a sort of magic committee that assesses them, because they're all

different. Almost everything we do is hand carried. It's unfortunate in a way, because it consumes a great deal of time and is a lot of anguish for the applicants, but I don't know how else to do it.

MR. NOTLEY: A supplementary question. The minister talked about the competition we have with the United States in the cattle industry. Do I take it, then, from your response, Mr. Planche, that Alberta has concluded that the great markets we thought existed in the middle and late '70s in fact aren't really there in practical terms because of competition from the American cattle industry, and that we have to look elsewhere in the world?

MR. PLANCHE: I didn't mean to leave that impression. In the northwest part of the United States, more people buy meat we could supply than there are in all of Canada. We spend a great deal of time with my colleagues in a multidisciplinary way, as the issues affect them. We also spend a great deal of time with the U.S. ag. attache in Ottawa and the U.S. consular service here, looking for opportunities to do bilateral trading. Our Premier has been very active in that area, as you know. But we don't have the authorization to negotiate on behalf of Canada internationally.

For instance, in my judgment some of the things we need to do are that the packing plant in Lethbridge should be servicing Montana as well as Alberta. The product from that plant should be going to Alaska, Hawaii, the United States, and Canada as a multi-use thing. The Americans don't have any trouble coming in and approving the plant for its cleanliness and giving it a licence to operate. The difficulty comes when it comes to grading a carcass. They won't come and grade a carcass, so we then have a non-tariff barrier on our hands that we have to handle somehow. Those are the issues we are trying to address. We're trying to get an acquiescence from the United States that we have a peculiar circumstance and that we need to have our carcasses classed in such a way that we can take them on the retail market. There is some indication that we're getting a sympathetic ear, but it's something you just have to keep at, particularly in times of low farm incomes when the United States has every reason to try to be protectionist.

What I'm saying to you is that we need to broaden our horizons. We now have an opportunity to ship boxed beef in charter belly cargoes. We've managed to get that through the Canadian Transport Commission. That would open up the belly cargo for boxed beef on Wardair's charters to Hawaii, for instance. But again, we're in the grading problem. There are a lot of things involved, and you just have to tackle them one at a time to get them cleaned up. We are absolutely persuaded there's a market for our products in Hong Kong and China. We just have to cut differently and be more aggressive. And I don't think that's necessarily a government function at all. I think the government's position in this thing should be to aid and abet initiatives from the private sector who want to expand their volumes through their packing plants. That's another conundrum that needs settling.

MR. NOTLEY: A supplementary on that, Mr. Planche. Were any concessions made by the United States in the most recent GATT round of discussions with respect to Alberta beef and petrochemicals? You talked about non-tariff barriers that are still there. Were any concessions made at all, and have those concessions led to any significant increase in the penetration of the American market by Alberta products?

MR. PLANCHE: I can't answer it on beef. I think beef came out of it in a status quo. On petrochemicals we came out worse than we went in. The tariffs on gas-based petrochemicals are less fair coming and going than they were before that round, which is a source of very real irritation to this

government. We now have on retainer the United States' key negotiator in GATT on their behalf, with the feeling that if they could win that way, perhaps we'll do better with him on our side when it starts again. Because of a variety of statements from Ottawa, the climate for bilaterals with the U.S. is not good now. Until that's corrected, we're in a hold pattern on logistics for bilaterals.

MR. NOTLEY: One more supplementary question. I take it that because of the growing mood of protectionism in the United States and also a generally softened gas market, it is no longer practical to pursue the policy pursued in '76-77, that there should in fact be a trade-off. If there are to be exports of gas to the States, there should be some commitment on the part of the United States to open the doors for boxed beef and petrochemicals. What the minister is saying is that that position no longer seems practical in the current situation. Would that be a correct assessment?

MR. PLANCHE: I think I'd rather have it stated this way. Our experience indicates to us that trading products concurrently is not as effective as trading products bilaterally on an individual basis. In terms of the gas thing into the U.S., I guess that will depend somewhat on the U.S. economy, but more than that on a decision as whether the Alaska pipeline will or will not go. If the Alaska pipeline doesn't go, we have Alaska very seriously into liquids without any fallback position for their producers on gas to the lower States. We also have a realization by some of the utility companies who may have been involved in the Alaska gas thing that they won't be able to get gas through a pipeline and indeed will have to buy it as an LNG or something else at the coast or buy from Canada. There has to be a recognition that Canada is able to sell at different prices into different jurisdictions in an opportunity market across the whole 49th from east to west. There has to be a recognition by the National Energy Board that in fact we have the ability to ship excess quantities of gas over a longer term.

I guess what I don't have a good feeling for at this point in time is the supply/demand advantage of all that. Over time I think it will be clear that we will have a supply advantage in the negotiation, but right now the U.S. has a great deal of gas. While the reserves aren't increasing, certainly their discoveries are. So I think it's more of a timing thing than anything else. I think you're probably looking at the mid-80s. That's the best . . .

MR. NOTLEY: The question I'm asking though, Mr. Planche, is whether the *quid pro quo* is dead. If there is to be any more export of natural gas, there must be concessions as far as boxed beef and petrochemicals. I refer you to the Premier's speeches of '76 and '77.

MR. PLANCHE: I think we would be well satisfied to trade one item at a time in 1982.

MR. KESLER: Mr. Chairman, just a supplementary. In a comment to Mr. Notley, Mr. Minister, you mentioned a desire to encourage processing in Alberta. The two mentioned were the beef industry and oilseeds. I'm wondering if the Alberta government has recently made that stand known to the federal government. The reason I ask that is because of the large amount of subsidy and loans to the tune of \$400 million to the construction of a rape-crushing plant in Ontario where, in fact, they can't grow an acre of rape. As we talk about encouragement of processing in Alberta, I'm wondering if we're letting our federal counterparts know that those things should be going on here and that they shouldn't be going on in central Canada where, in fact, they can't even produce the product.

MR. PLANCHE: I'm not familiar with the \$400 million figure, Mr. Chairman.

MR. KESLER: Four million.

MR. PLANCHE: In general terms, Ontario's success in agricultural processing is due to the anomalies in the freight rates. There is going to be some serious opposition from both Ontario and Quebec as those corrections get to the federal caucus for deliberation. We anticipated that. We simply think that in equity it's appropriate that whatever people can do best across Canada, they should be able to do without anomalies. That's our position, and I think that's stated. Certainly I've made it known to my counterpart as we've been negotiating our way through a correction of the rates. The thing that really brought it to a head was the clear recognition that we're going to have a shortfall in capacity. We really are without a choice in a time frame to negotiate rates. Everything then falls into that time frame. We've been in very close contact with our federal counterparts. I don't have our precise statement here on the Crow rate issue, but for sure there are to be no continuing anomalies that affect our agricultural upgrading.

MR. KESLER: A question then, unrelated and more specific, on the boxcars. We now have 1,000 proud blue boxcars running around the province and Canada. As I understand it, manufacturing and providing those boxcars has traditionally been a federal responsibility. Now we're into the boxcar business here in Alberta with the Heritage Savings Trust Fund. My concern is: what control do we have? The movement of those cars through the system is a federal responsibility. What kind of control does the government of Alberta have over the movement of those cars? In fact if we have no control over it, how effective are they in getting the job done?

MR. PLANCHE: When we made the contract to put the cars into service, it was with the undertaking that if the cars moved east of Thunder Bay or into the U.S. market, it would be only after our permission and there would be a rate charged. In fact that has happened.

By the end of next week I think we will have the capacity to track any car at any time by its serial number -- not only where it presently is, but its history and turnaround time and so on and so forth. Until now, had we had the requirement to do it, we've been able to use the Canadian Wheat Board computer system to do the same thing. I guess a very real issue is that the number of hopper cars required is a function of the turnaround time. The turnaround time is a function of the rate structure. I think you could be optimistic that when a compensatory rate is charged for the cargo carried in hopper cars, the turnaround time will quickly decrease. That would be our hope. In turn, that should affect the number of cars needed in the fleet.

MR. KESLER: A supplementary question to the minister. Are plans in place now for building or providing more hopper cars through the heritage fund?

MR. PLANCHE: No.

MR. PAHL: Mr. Chairman, actually the last exchange more or less answered my question. It was with respect to one of our earlier committee meetings where a commitment was made to develop a system that would monitor the use and turnaround of the hopper cars. I suppose the only additional question I might have is: would this be a computerized system developed exclusively for this, and is there a cost/benefit to that exercise other than simply being assured that our . . . Is there an ability to control it once you know about it, I guess?

MR. PLANCHE: As I remember, this interchange took place at the last meeting. I guess there's a certain amount of futility in knowing where the hell the cars are if you can't do anything about where they are. The other side of that is that we have \$50 million worth of cars sitting around someplace. Somebody ought to know where they are. What we wanted to do was design a system that would respond to a question about where a specific car is, cost a minimum to the taxpayers and add nobody to our staff, simply to be responsible. That's what we've done. I think the program's going to cost us about \$7,000 altogether, a nominal sum a month to maintain and no staff. It may not be as sophisticated as you would need to run the whole railroad, but it would certainly look after the question that might be asked by anybody who is a taxpayer in Alberta: where a car is, what it's been doing, and how long it's been where it is. And it is computerized.

MR. PAHL: Mr. Chairman, I suppose it would be fair to say that the benefit of the system is to users who perhaps would be tempted to let the car stray outside those areas where compensation wouldn't be required. As a control means with railway car users, it could well provide a significant benefit over the cost of the keeping-track operation. Is that correct?

MR. PLANCHE: I guess the reason it would be most effective is a negative reason. The railroads are now aware of the fact that we have it, and it will be more encumbent on them to live within the spirit of the agreement, although I have no reason to believe they haven't been. In fact we have had requests to have cars go to the Three Rivers facility from Thunder Bay. When we didn't need them and got authority from those who are knowledgeable in grain traffic, we released them on the condition that they were immediately returned. We got a fee for that, but that isn't their primary use.

MR. SINDLINGER: Mr. Planche, you indicated that some cars were in the United States. I wonder if you happen to have information as to how many. I thought you said that at one time you had received requests for cars going east of Thunder Bay and into the United States.

MR. PLANCHE: I'm sorry, to Three Rivers.

MR. SINDLINGER: Oh, none have gone to the United States then?

MR. PLANCHE: Not that I know of. I could check that for you. To my knowledge, there's never been a heritage fund car in the United States. Do you want me to check that?

MR. SINDLINGER: I thought you had said that by request some cars had gone to the United States.

MR. PLANCHE: What I intended to say was that a requirement is that they must ask our permission to take them east of Thunder Bay or into the United States and that would be for a fee. We have been asked to take them from Thunder Bay to Three Rivers and have received a fee.

MR. KESLER: A supplementary question, Mr. Chairman. Could the hon. minister indicate whether the hopper cars are being used for the transportation of other materials and what those other products might be?

MR. PLANCHE: No, they haven't that I know of, but we are not locked into a situation where we couldn't use them to back haul other products if that were deemed advisable. I'm thinking particularly of alumina or some other non-

toxic particle types of things that wouldn't affect the quality of food on the other haul. We haven't done it, but we aren't precluded from doing it.

Incidentally, I would like to add that that would change the fee structure of course. We would expect a fee for hauling other than grain.

MR. SINDLINGER: Mr. Planche, I was just wondering what was being done with regard to the logos and lettering that are peeling off the heritage fund tank cars. Are they being replaced, and who is being held responsible?

MR. PLANCHE: The first time I checked that was when we got some nasty four-letter words on our heritage cars. As I understand it, that comes under the contract with the railways for maintenance. In other words, the railways undertake to maintain at no cost to us. In turn, we undertake to dedicate the cars for their specific use at no cost to the railway.

MR. SINDLINGER: Is the railway replacing the words and the logo?

MR. PLANCHE: If the logo is specifically a transfer, I'm not certain about that. The paint, maintenance and the general appearance of the cars are part of the maintenance contract. As to a supply of the sticker, I'd have to get that. I just don't know. We'd probably provide it, and they'd put it on.

MR. SINDLINGER: There's quite a bit of problem with those. They're decals rather than being painted on. They've been stripped off. That's how you came up with your four-letter words.

MR. PLANCHE: Well, without trying to get out from under the question of whether they are stickers and whether they stay on or not, that really came under Government Services. I didn't have a lot to do with it, but I can sure check to find out whether we provide the stickers to the railroad if they come off, who in turn put them on under the maintenance contract. Physically we don't have anybody in place who fiddles around with the cars at all, painting them, greasing them or doing whatever else. Except for keeping track of them on this computer, we have nothing to do with the cars.

MR. ISLEY: Mr. Chairman, through you to the minister, I'd be interested in an update on the Prince Rupert terminal: the financing package, Alberta government participation, how much of that will be from the heritage fund and what you see as a projected time line on the project.

MR. PLANCHE: I was at the Rupert site within the last two weeks. Three projects are running concurrently there. The train for the grain terminal is prepared. The road and rail access beds are in place. The project is presently struck. Just the same, we estimate it will be ready for use in the fall of 1984. When the strike is broken, the ATCO trailers are on there and will begin manning the construction forces to begin the construction of the terminal. We are at \$106.25 million in heritage fund compensatory commercial bonds. The balance is in performance bonds, with the exception of a cost-sharing grant with the federal government for site preparation -- rail, road, and terrain access.

MR. SINDLINGER: Mr. Planche, I wonder if you could tell us exactly what the cash call on the Heritage Savings Trust Fund will be, and from which division that cash call will be placed.

MR. PLANCHE: There are two kinds of bonds, Mr. Chairman. One is the commercial bonds, and they will be a heritage fund investment. The other is

performance bonds, and they will come out of General Revenue. My understanding is that the call will be upon General Revenue bonds first, the heritage fund second.

MR. SINDLINGER: To make sure I understand, there is no primary cash call on the Heritage Savings Trust Fund.

MR. PLANCHE: The only reason I'm a little reluctant to be positive about my answer is that I'm not certain whether the calls will be concurrent on the two classes of bonds. My memory is that the performance bonds will be called upon first, and then the commercial bonds. So that would be a call on General Revenue first and then the heritage fund.

MR. SINDLINGER: I'm not too sure about the terminology. I don't know if you're using "commercial" in the traditional or conventional sense, or do you mean that it will come from the commercial investment division in the Heritage Savings Trust Fund?

MR. PLANCHE: I'm saying that one set of debentures has an arm's length commercial sticker on it; the other one will be paid out of the income of the operation, if and when. Those will be from the General Revenue Fund.

MR. SINDLINGER: But will that portion from the heritage fund come under the auspices of the capital investment division?

MR. PLANCHE: The capital investment division, I am advised.

MR. SINDLINGER: Then I presume that approval will be sought from the Legislative Assembly this fall when the capital projects budget is presented.

MR. PLANCHE: I am advised, Mr. Sindlinger, that capital projects come for negotiation in the Legislature. The investment portfolio does not, and this will be part of the investment portfolio.

MR. SINDLINGER: There will be no prior approval then. We're saying it will be after the fact. Is that correct?

MR. PLANCHE: The commitment is made now. That's what I'm saying.

MR. CHAIRMAN: Does the Member for Olds-Didsbury have a supplementary question, or is this another question?

MR. KESLER: It relates to the question on Prince Rupert, so it's a bit of a different question.

To the minister. The costs have already escalated considerably, and percentage involvement, overall dollar value, and provincial government participation in the Prince Rupert project. My understanding is that the cost of road construction through muskeg areas in the project has escalated from an estimated \$2 million per mile to possibly \$4 million-plus per mile because of 30 feet of muskeg in which heavy equipment is disappearing and so forth. I wonder if the government perceives that there will be additional costs and if there will be further adjustments in escalation in overall cost in the project before its completion.

MR. PLANCHE: The terrain is undulating rock with a sort of slop and muskeg in between, so it has to be done seasonally. The blasting for the access road is complete. And I think you're right; certainly it's over double what was

originally estimated, and that was part of our grant participation which is committed. On the issue of the costs of the elevator, I think the site costs and access costs are now fixed and firm. I think that's mostly complete and in place. So I don't expect any more escalation there.

The question of escalation on the terminal is of some considerable concern and we are doing what we can to be certain that doesn't happen. Our proposal includes a contingency, I think, for some \$20 million, which hopefully we won't have to call on.

MR. KESLER: Mr. Chairman, a supplementary. Has there been any additional effort in getting private sector funding or involvement for percentage participation in the terminal?

MR. PLANCHE: It was a tricky business for this reason. Participants in the terminal perceived themselves as putting grain through that terminal at the expense of some of their other facilities, so that in the short term it isn't necessarily an attractive commercial opportunity, particularly at prevailing interest rates. Understanding that the forecasted numbers in the short term are not attractive, my judgment is that within our skill to negotiate we've made the very best deal we could in terms of their participation, which is something in the order of 20 per cent of the equity. We're counting on two things: first of all, an increased crop volume and, secondly, a change in the shipment west from east. So over time we're persuaded that it will be economically attractive.

MR. KESLER: Mr. Chairman, a supplementary question. Perhaps the minister wouldn't be aware of this, but my understanding is that on completion of the terminal, those tankers can be serviced by the terminal only at high tide. At low tide they have to sit out in the ocean, and they can only come in to take on cargo at high tide. So there again we have a considerable expense to the farmer while ships wait to come in to take on grain. Perhaps the minister could elaborate on that.

MR. PLANCHE: Yes, I can comment on that. The first question we asked was: because of its siting and water depth, is there going to be any impediment whatsoever to grain flows. The answer was that there would probably be three days a year when winds would cause the size of vessels they anticipate over the life of the terminal to stand off. Aside from that, the size of vessels they're anticipating would be able to use the facility night and day, all year. The historical three high wind days average may vary from year to year, but my impression and the answer I got was that there will be no interference at all and demurrage should be all but eliminated, provided the rest of the system can carry the ball.

MR. R. SPEAKER: Mr. Chairman, my question relates to the economic stability of the agricultural industry. The minister related to that earlier, saying that the agricultural industry is significant as well as oil and gas. The federal Minister of Agriculture made a statement yesterday that to prevent foreclosures or bankruptcies relative to farmers, emphasis should be placed on a marketing plan and transportation as well, rather than lowering interest rates for purchases or operating capital for the farm community. I wonder if, in terms of his responsibility on this more macro level of economic planning in the province, the minister is in agreement with that statement, that that's where emphasis should now be placed, or does he place emphasis on a different priority.

MR. PLANCHE: I didn't hear just one word. You thought the emphasis should be on market something or other.

MR. R. SPEAKER: On marketing and, as well, transportation of our agricultural products.

MR. PLANCHE: The federal Minister of Agriculture said the emphasis should be on marketing?

MR. R. SPEAKER: And transportation, and not on lowering interest rates for operating capital or purchase of capital goods on the farm.

MR. PLANCHE: Well, I'm in a state of shock over his talking about marketing. Imagine now that we live in a country where the man who is in charge of the Wheat Board as a minister is not elected, and he has six or seven people responding to him who don't even have to tell the growers what price they sell at. And he's talking about marketing. This is the very same man. I would be delighted if he was prepared to allow our farmers the option of either dealing through the Wheat Board or dealing on an open market. I would be delighted if the 47 boards and agencies, or whatever there is between the buyer and seller in agriculture, could be eliminated to where a farmer could grow what would yield on his investment best, without the impediments of licensing and all the rest of the stuff that goes with moving grain. So I'm glad to hear that he's aware of the marketing difficulties, but I don't think you can overestimate the importance of interest rates to agriculture. I hardly know of anybody in the business community who can survive with 18 per cent.

I can remember very well not long ago when we were at 5 per cent or 6 per cent and somebody said, it's going to be at 9. Everybody was in a state of shock. Now they're delighted at the suggestion that it will be at 15. My mathematics tells me that if you divide whatever the interest rate is into the number 72 -- and Tom can check this for me -- you get the number of years it takes to double the cost. So at 18, every four years your cost doubles. I don't know how you can underestimate that as important to the farm community.

MR. R. SPEAKER: Agreed. Mr. Chairman, I certainly agree with the minister on everything he's said. In terms of the heritage fund, I see you as the minister leading the broader planning in government. The responsibility of the Minister of Tourism and Small Business is to deal with the business by business kind of requirement that's there. The Minister of Agriculture does the same thing. He looks at farm foreclosures or bankruptcies on the farm and deals with them individually. But I would see in your responsibility this more macro and broader planning. I can't see the heritage fund being left out of those plans.

From what you've said so far, it seems that the heritage fund is not playing any really significant role in your planning in terms of economic stability -- or I don't know if we can have any economic development right now. I'd appreciate it if maybe the minister would zero in on that a little more and be clearer. Has the minister taken some position on the Heritage Savings Trust Fund? Has the minister made any proposals to the cabinet committee or cabinet about how the Heritage Savings Trust Fund can be better used to create economic stability, not only in the agricultural community but in the business community of Alberta as related to my first question today?

MR. PLANCHE: Of course that's under discussion all the time and, as things unfold, perhaps initiatives that affect the heritage fund will come to light. I'm not so concerned from my perspective as to the source of the funds, because they're all Alberta taxpayers' funds no matter how you slice it. I'm

more concerned with how the deployment of taxpayers' funds might affect things in a general sense, the results they might have in terms of market aberrations, and whether or not a temporary program of any kind would be less desirable than no program in terms of how you terminate it, who builds around it, and whether or not you have another anomaly of which -- Lord knows we have enough now.

So I guess I haven't spent as much time worrying about whether the money comes from one place or another as I have as to how the money would be deployed. However, because it is a very large sum of money, the heritage fund on its own has an attraction in the financial community that we will try to exploit. There may be a variety of ways that can happen over time. This is not a very good market time, either for equities or debt or investment of any kind, as you know. Anybody who has money is pretty well hunkered down in the short term. We think that will change.

MR. R. SPEAKER: Mr. Chairman, to the minister. As I quickly observe the budget here, there's some \$140 million in the Alberta Opportunity Company and some \$45 million in yours which, in round figures, is about \$200 million, a small percentage of the \$12 billion in the Heritage Savings Trust Fund. Does the minister in a general sense see a change in emphasis because of the pressure that's on right now and the need shortly, this year? Are we going to wait for a while?

MR. PLANCHE: In order to be effective with money in the market place, my judgment is that you can't constrain the lender with regulations that you necessarily have to restrain him with if it's public funds. I think the Alberta Opportunity Company is a case in point. On paper and on a discussion basis, it's ideal. But if you constrain the lender to where he can't respond to the gut feeling that's necessary to venture fund, then you have only half of what you should have.

The trick really is how to have the funds deployed by someone who has a market risk but is not constrained by the regulations you necessarily have to have for public funds. We dance around that one daily. It's a very difficult issue. You know that in order to help business now, you can't necessarily be involved in just guarantees or lending, because people can't service the debt. They don't need more debt. They need some patient money. I don't know how you get patient money out to an entire sector without it being done by government officials who are constrained by rules that don't really respond to the heartbeat of our economy.

I mean we can do more of it. I think AOC is a good thing, and whatever it's doing in getting money out is useful. But I'd like to see more done. It's a question of selecting the vehicle that can do it. Any suggestions you have in that area would be warmly received. We spend a great deal of time on the issue. I'm not trying to be trite with you. It's just a tricky thing to do. Ideally, you should have somebody who's at risk for the money they place and put the money out there over time in some kind of recall equity position. That's the right way to do it, where there isn't a commitment to service debt or anything else in the short term. That's what people really need.

MR. NOTLEY: Mr. Chairman, perhaps I could ask a supplementary. Bearing all that in mind, Mr. Planche, where does the government stand on Recommendation 18 of our report last year:

That subject to the development of a suitable mechanism or program . . . such as risk pooling of investments, Alberta Heritage Trust Fund monies should be made available to provide venture capital to Alberta businesses.

MR. PLANCHE: The question is, where is that?

MR. NOTLEY: Yes, where does that recommendation stand at the moment? Is it in the ashcan or is it considered?

MR. PLANCHE: It stands in the context of very aggressive and active consideration.

MR. NOTLEY: By whom?

MR. PLANCHE: Primarily me.

MR. NOTLEY: When would that aggressive and active consideration lead to some kind of action which would be of advantage to businesses? Are we looking at September?

MR. PLANCHE: I was hoping that question wouldn't follow. Soon, I hope.

MR. R. SPEAKER: October?

MR. NOTLEY: Within the next several months, Mr. Planche? Is that possible?

MR. PLANCHE: It's been under active consideration, with a variation of permutations and combinations, for many, many months.

MR. NOTLEY: Would it be considered part of the economic resurgence program?

MR. PLANCHE: I think not.

MR. NOTLEY: Would it be that important that it would be given that priority?

MR. PLANCHE: Yes, it's that important, but I think not.

MR. NOTLEY: But in the next several months we can expect some definitive response from the government as a whole on the recommendations?

MR. PLANCHE: Knowing full well what the next comment will be after I respond, the answer is that I would be hopeful that we could do it. In my judgment, it's urgent. I can't move it faster than that.

MR. NOTLEY: The next few weeks or months?

MR. PLANCHE: I would be hopeful.

MR. R. SPEAKER: October 4.

MR. NOTLEY: Okay, fair enough.

MR. CHAIRMAN: Before I read these notes, perhaps we can now go to a question from the Member for Calgary McKnight, followed by the Member for Spirit River-Fairview.

MR. MUSGREAVE: Mr. Chairman and Mr. Minister, we seem to have gotten a long way from the 1,000 hopper cars. But when you were giving your sort of analysis of the difficulties facing Canada as a nation -- they were more national in scope when you talk about selling gas to the States or problems exporting beef, these kinds of things -- can I assume that all that picture is

going to be reviewed in some detail at the premiers' conference in the next few weeks? Will that be part of the agenda, do you know?

MR. PLANCHE: I haven't been privy to the agenda for that meeting, other than to comment that certainly national economics will be part of the agenda. On that you can depend.

MR. MUSGREAVE: The other question I have then is that you mentioned trying to develop markets in China, Hong Kong, and countries other than the United States, for boxed beef in particular. What has been your involvement, if any, with the Minister of Agriculture on Canagrex? Do we have a position on that? Do you see that as being a frustration? You were saying earlier that you felt private companies should be doing this rather than this complexity of boards, agencies, and what have you. Have you been involved with discussions? Do you have a position on it, or do you just know what we all know from what we read in the papers?

MR. PLANCHE: Well, I think nobody in this room would be surprised if I found marketing boards offensive. My colleague the Minister of Agriculture has spoken on behalf of the government on the issue and indicated that he too finds them offensive.

MR. MUSGREAVE: To follow up though, this indicates that we're coming to a sort of stalemate, does it not, in that we, as people of western Canada with our problems of tariffs, freight rates, and all the rest of it, have the product we want to sell and yet can't seem to get the federal government to move off its position. Are we in effect coming to a stalemate that we can't seem to break through? Is that what you're saying?

MR. PLANCHE: I wouldn't like to speak of my loss/win ratio with my federal counterparts, other than to say it's an interesting business. If you take things like the Wheat Board as a typical example of what I consider to be unnecessary meddling in the market place, it doesn't apply to Ontario. It consistently offends me when something applies to us under law that doesn't apply to somebody else under law in the same country. I think Ontario will be a great deal smarter if the federal Minister of Agriculture has his way with that agricultural Petrocan he's fooling with. They haven't had the benefits of living under marketing boards to the extent we have, particularly in terms of commodity movements. I think a great deal of comprehensive thought will go into it before that particular piece of legislation is passed. I'd certainly hope so.

MR. NOTLEY: Mr. Chairman, we've talked a good deal about Prince Rupert. That's one major project I'm sure all members of the committee support. In the past I think that's one of the recommendations that's always been unanimous. I'd like just to back up a bit from Prince Rupert, because we have to get the grain out to Prince Rupert. From time to time we've made recommendations that we look at northern rail links. I raised this question last year. Last year Mr. Planche indicated the government would have to look at the question of a statutory rate. It now appears, wrongly in my judgment but perhaps rightly in yours, that that issue is being resolved. Should that be the case, can we expect some action on the question of linking up with the BCR? It seems to us in northern Alberta, regardless of where we sit politically, that it's just crazy to take grain cars, whether Alberta hopper cars, Wheat Board cars, or whatever, from Fairview or Hines Creek 500 miles further to get to Prince Rupert than it would if we could utilize the BCR. The reason I ask that is that we've now made arrangements with the NAR, now

owned by the CN. It seems to me that we would have to take a little bit of pushing, frankly, to get the CN to recognize that it might be in the interest of profits that we have a close working relationship with the BCR. That could mean infrastructure or investment in railroads. Where does that sit now?

MR. PLANCHE: That's a very key point and, for sure, the difficulty will be magnified when rates are compensatory. Let me tell you what I've been doing about it, and maybe that will give you cause to have a second question. First of all, we will be sitting down with the minister responsible for the BCR within the next few days. The invitation is out, and we're just working out the logistics of getting together on that issue. We have done a continuing study on the cost/benefit of putting in the infrastructure to get straight through to the BCR and, unfortunately, it makes no economic sense. It can't be tackled on the basis of economics.

The CN consistently sees itself as an entity that should earn a compensatory market place return on investment. My judgment is that that's nonsense. In my judgment, the CNR is an instrument of national economic development. It's inception was a collection of small, losing, bankrupt railroads. It was put together only to service those areas within the service area of those small bankrupt railroads. I don't think anything has changed that. Through the federal Minister of Transportation, it's incumbent on the CN to see that grain is expeditiously, economically, and competitively shipped to tidewater, and we will be pressing that point. You know that the CN consistently indicates they must have a return before they can invest, as does the National Harbours Board. If that's the case, I don't think we need either one of them. That will be my attack plan, and I intend to pursue it.

MR. NOTLEY: I'd like to supplement the question then, Mr. Chairman, because I certainly agree that if we're going to have a return on investment there would be very few railroads built. Certainly Canada would never have been a nation if we looked at that kind of balance sheet. The CPR would never have been built if Macdonald had not said we're going to move ahead and build it, notwithstanding the fact that the economics may not have looked very good in the 1870s and 1880s -- not at that time, as one looks back on the history of that. The point I raise is that it's fine to say to the CNR, okay, you do it. I think that's unlikely, frankly, because of the present rail setup of the CN. It will probably be even less likely if they get compensatory rates, because they will be able to do very well, thank you, by compensatory rates. Hauling the grain an extra 500 miles isn't going to upset the CN one little bit. The question really is whether we are at a stage where the province would consider an investment in grain handling infrastructure through one or more rail links with the BCR?

MR. PLANCHE: I don't think we've ever given that consideration as such. However, we are committed to a contemporary transportation system, which would include the whole province and its capacity to sell, market, and trade. I wouldn't see anything unlikely about that as a valid consideration. If the initiatives we make are not successful, I think it's a very appropriate thing to debate. Certainly when I answered the same question last year, we were talking about the Dunvegan dam and whether it would be a high, medium, or low dam. It makes a lot of economic sense to run a rail over it if it's a high dam. If that's not going to be the case and it's not going to come to fruition and you have an extra 500 miles of compensatory hauling to do, it's something we'll simply have to look at. We'll just have to, because we're committed to a contemporary, competitive transportation system. That will include a variety of things over time, including off-track elevators and Rupert, which is an investment by Albertans out of the province which is well

regarded. I just think it will follow. It has to. Maybe not in my time -- but it will follow because we can't leave part of our province at an economic disadvantage any more than we do it now. It will just follow.

MR. SINDLINGER: Mr. Planche, I'd just like to have you elaborate on two things you mentioned earlier with regard to economic diversification, dealing specifically with the consideration for low-interest mortgages and interest assistance to small businesses. You referred to consideration that would be given to the acceleration or facilitation of construction. I suppose that the government -- either your department or another, but whichever, it would eventually end up in your hands -- would have done a marketing study to determine whether any mortgage scheme would in fact facilitate or accelerate construction. I wonder if perhaps you would identify those market studies that have been done and give us an indication of whether a mortgage subsidy scheme would in fact facilitate or accelerate construction, and if so by how much.

MR. PLANCHE: Okay. I'm not sure that the studies are that precise, because we don't have a very stable economic climate in terms of buyers. But in general terms, they've been done in-house by Tom Chambers' department, corroborated by some statistics from HUDAC which suggest we have something in the order of seven months' housing, which is high. I guess the trick is whether it should be incumbent on the government to finance builders' inventories. I tried to indicate that I think the thing has two components: one is the social issue of people who will lose their houses as their mortgages come up because they don't qualify, and the other is the issue of structuring a mortgage interest thing in such a way that it would excite some construction of housing. If we were to get involved in mortgage financing, the key issue there, Tom, would be whether the subsidized low rate would be the rate at which people qualify. If it became the rate at which people qualify, you then have to have an end to the mortgage program, and at the end of the mortgage program you have a whole bunch more people in who then can't qualify. So for the construction thing the trick is to have affordable housing for new buyers, or to start again the cycle of people either buying down from their present house or buying up to their house, depending on their family circumstance, because that's a function of the term of the program.

If we went ahead now and said, look, we're going to have 9 per cent mortgage rates in the province for three years, and you qualify at 9, and had another 25,000 people in houses in 1985, and it then went back up to 24 or whatever the 1985 rate would be, we'd really do a great disservice to everybody. So that's a worrisome thing. It's really a two-compartmented thing. I have no difficulty with the heart-rending part of being unable to qualify for present housing, but to excite the industry is a very different issue.

MR. SINDLINGER: I understand and appreciate the responsibility inherent in proposing or implementing such a plan. Did the studies in any way attempt to quantify the extent to which construction would be facilitated or accelerated? When you used the figures earlier, dropping a mortgage rate from 19 to 13 per cent, for example, was it possible to say how many new homes would be constructed under those conditions?

MR. PLANCHE: First of all, I guess our net in-migration numbers for the term are significantly different from what they were 18 months ago, which is one factor. Secondly, our unemployment is up fairly substantially. Thirdly, I can't judge -- in the inventory of housing there is now there is probably a residue of unacceptable housing; in other words, bad, overpriced, undesirable housing, excepting in a very tight market. I don't have a reading on that

number. House trading is going on. If nothing at all were changed and no more houses were built, the inventory of housing that presently exists would be dissipated sometime in the first quarter of next year. So no matter what happens, some housing will be built. The question is how to excite the demand for people who would like to buy a house but presently can't afford it, in such a way that once they're in it they can continue to afford it. That's the dilemma.

MR. SINDLINGER: A final supplementary, Mr. Chairman. You used the term "maximum employee to sales ratio" when you were discussing interest assistance to small businesses. You threw the term out, and I inferred from that that some consideration had been given to this. Would you please consider expanding on what you mean by this term "maximum employee to sales ratio" and how it fits into consideration of assistance to small businesses?

MR. PLANCHE: I didn't mean to lead you into thinking that we had or had not explored the small business interest thing, other than that if you were to explore it the dilemma surely is one of identifying the class of businesses which would require it. That's one of saying, well, you must have 10 employees or less, \$150,000 sales or less, or some kind of number. Because clearly some corporations are well beyond any need or capacity of this province to assist. So the definition of who needs to be assisted and how the cutoff would come is a bit of a tricky business, unless we simply use traditional small business definitions, which may not suit our purpose.

MR. SINDLINGER: Have you come to any reasonable definition of what that level would be, or what the business would be, to qualify for assistance?

MR. PLANCHE: No, I haven't. If a guy has a three- or four-man company which is brokering something, he may have sales well in excess of 15- or 20-man companies manufacturing something. If you're going to get involved in a program like that, you'd want to get him involved in it positively. In other words, you would want to maximize the use of the program to the recipients. You'd want to have it as all-encompassing as you could and still keep the scoundrels out. That's the trick with that phrase I used. My vernacular probably isn't economically accurate.

MR. SINDLINGER: Professionally precise, though.

I might ask this question: is there a need for assistance to small business to cope with high interest rates in Alberta?

MR. PLANCHE: A lot of family businesses in Alberta aren't necessarily expansionary. They're not geared to expansion; they're stable, particularly in the smaller communities that have been devastated by this thing. In other words, had interest rates been more or less consistent and moderate, they would have enjoyed success into the unknown future. In my judgment, that's a class of business that's been devastated by the interest rate thing.

Again, in the economic vernacular -- the lexicon of your trade, if you will -- we have an immature economy and an almost insatiable demand for funds. We're all structured extrapolating a 1975-80 demand, and now we're without the funds. It isn't just the interest rates; it's both. But with interest rates like they are, you take away better than half your capital access, and that's the debt part. I mean you simply can't service it. So you're now looking at either individual investments or equities, and the equity market is non-existent also. You simply can't get away from the devastating effect of high interest rates on small business. That, after all, is the fabric of our community. I forget what the employment figures are for small business as a

percentage of the work force, but it's very high, and in new employment extremely high: in the order of 60 or 70 per cent of all employees newly in the work force or in small business by some definition. So no matter how you slice it, it's a serious problem -- the most serious problem.

MR. CHAIRMAN: I think the Member for Little Bow had a question.

MR. SINDLINGER: Mr. Chairman, if I may, I'd just like to make a concluding comment and compliment the minister on the thorough and forthright responses given this morning.

MR. R. SPEAKER: Mr. Chairman, to the minister. Has the minister in his responsibilities considered, say, a bank of Alberta or an economic development bank of Alberta, possibly using some of the heritage fund or other funds? I raise the question looking historically: the reason for the treasury branches was to try to have Alberta funds available for Albertans. In a time of crisis we were able to help our own industries live through difficult times.

I find from some information from banking institutions, some more than others, that decision-making came out west with some of the banks. I think one of the banks brought its headquarters here. Others have not; they're still located in what we call the Ontario-Quebec area. Now that things are tightening up and the banks are trying to protect themselves, decision-making has centralized again rather than regionalized. So we're in the same kind of situation we were in, say, when there was a demand for the treasury branches. I wonder if the minister has explored this idea. I know it's been tossed around for a number of years in the province. Is demand for this kind of institution greater now, and could it be a necessity?

MR. PLANCHE: Well, I'm a fan of the treasury branch thing. I think it was the right thing to do at the time. But at that time the situation was that the banks weren't even represented in communities. You could live in a vibrant, economic agriservice centre and not have the capacity to cash a cheque, which was absurd in the extreme. This tended to change that. It also gave us an opportunity to be involved with a banking structure that had a local decision-making process. I think that had a great deal to do with the competitive circumstances that caused the chartered banks to move.

If we were to get into a bank now, another overlay of government banking or whatnot, in order to be effective you would have to do what the banks do, but at a cheaper rate. So now you're moving into a whole sector of private enterprise and taking them on as a government. I'm not so sure what the end result of all that would be. Philosophically it's offensive to me, because it would be for a different reason than the treasury branches.

But to extend your thinking a little bit, if a venture fund was initiated and it was a sizable fund, then you would really be into merchant banking. My judgment is that Canada badly needs a merchant bank, and so do the chartered banks. The chartered banks would welcome a merchant banking presence. Alberta particularly is in need of it because it satisfies a voracious appetite for funds and also provides patient funds. That's the very issue we're in the middle of. I think that if it was properly constituted and was responsive to risk, we would in fact have the beginnings of a merchant banking system like they have in the U.S. Not only do they have a merchant banking system; they have foundations in the U.S. that are competitive with their banking system. They have a variety of fund sources that aren't available to us traditionally. So rather than having another banking thing that would have to take on our present structures in cutting interest rates or something else that would cause turmoil in a whole private sector, I would rather see us

consider very carefully the merits of a merchant banking system. That's where I really think we have the shortfall.

MR. CHAIRMAN: Any more questions for the minister?

As I expected, there has been an interesting discussion, as usual. I'd like to thank the minister for coming and for his forthright remarks. By the time we get either of the ministers out of cabinet, I don't know that we could conclude. I think we'll leave it now and adjourn until 2 p.m., when we'll be meeting with the Minister of Hospitals and Medical Care.

The meeting adjourned at 11:07 a.m.