

Standing Committee on Alberta Heritage Savings Trust Fund Act

Monday, September 13, 1982

Chairman: Dr. Reid

2:05 p.m.

MR. CHAIRMAN: Ladies and gentlemen, perhaps the committee can come to order and we can get into the afternoon's proceedings. Before we start into the remarks by the Provincial Treasurer, may I remind members that on Friday the committee agreed that the deadline for submission of proposed recommendations would be to my office by 12 noon on this coming Friday, September 17. If you could have them in my office, Room 513, at 12 noon on Friday, we'll try to get some semblance of order into the proposed recommendations for subsequent discussion by the committee.

Without any further ado, I'd like to ask the Provincial Treasurer if he has any initial remarks to make. We'll go from there into questions and answers from members of the committee.

MR. HYNDMAN: Thank you, Mr. Chairman and members of the committee. It's a pleasure to be back before the committee. I have a few opening remarks, responses, and pieces of information to volunteer.

Firstly, members of the committee are aware of the overview and summary of the annual report under review. Pages 2, 3, 4, and 5 of the blue annual report, 1981-82, contain those highlights. Secondly, I gather the committee has now received, as has been traditional over previous years, the government response to the November 1981 recommendations, some 25, of this committee. Those responses are now available and in your hands. Thirdly, the government has concluded its review of the five recommendations of the Auditor General earlier this year in his special report to the Assembly. I have available the response to each of those recommendations. Mr. Chairman, that may be useful to have on the record. Without reading everything in detail, the response to those five recommendations in that important study of February this year is as follows:

Recommendation No. 1 recommended that the Heritage Savings Trust Fund Act be amended

to require investments in Provincial Corporations and other government entities . . . to be first appropriated . . . by an Act of the Legislature.

Mr. Chairman, our response is that the government agrees that it would now be appropriate for the Legislature to approve in advance investments in Crown corporations. That would involve Alberta Government Telephones, the Municipal Financing Corporation, the Home Mortgage Corporation, the Housing Corporation, the Agricultural Development Corporation, and the Alberta Opportunity Company. They're in the Alberta investment division. However, it would be important to note that there have to be appropriate mechanisms to allow flexibility for unforeseen circumstances in budgeting in the ensuing year. So appropriate amendments to the Act will be proposed by the government to the upcoming Legislature.

Recommendation No. 2 of the Auditor General related to this committee exercising similar powers to those of the Public Accounts Committee with regard to the financial affairs of the provincial corporations, a number of

which I've just mentioned. The government response is that we agree that the select standing committee on the Heritage Savings Trust Fund could well exercise similar powers to those of the Public Accounts Committee on the financial affairs of provincial corporations. Indeed some in-depth review has been carried out by this committee of the various ministers who have responsibility for those corporations. The caveat I put on there is that it's important that there not be a duplication and overlapping of efforts. So the Legislature should consider in which of those two committees it wants this exercise to proceed. Obviously, it would be a duplication to have it go on in both committees in future years.

The third recommendation of the Auditor was that Treasury establish an internal audit group to review administrative and performance measurement systems. In principle, the government agrees to establish an internal audit function in Alberta Treasury. That would apply not only to the heritage fund but with respect to financial controls generally to ensure compliance with systems and procedures.

Recommendation No. 4 was

that the Treasury Department retain the services of an independent investment analyst capable of providing regular comparisons of the performance of the Heritage Fund with the performance of similar investment entities. . . .

The government has already complied with the spirit of this recommendation, which is evidenced by the fact that the annual reports for the last two years, '80-81 and '81-82, report both the rate of return and the yield to maturity on the heritage fund's investments -- perhaps the best measurement. In our view, it would not be appropriate to have these comparisons presented on an ongoing basis, because it hasn't been demonstrated that valid performance comparisons can be made for the heritage fund with any other similar fund. There simply isn't any other similar fund which has the same objectives, the same investment restraints, the same performance measurement situation, or the same portfolio of holdings. That's the response to item No. 4.

Recommendation No. 5 of the Auditor was in four parts: 5.a, 5.b, 5.c, and 5.d. It related to the suggestion that a positive representation be made by the Provincial Treasurer relating to the adequacy of internal controls. There were sub-recommendations relating to that. The government does not believe it's appropriate to implement these recommendations at this time in view of reservations expressed by the Canadian Institute of Chartered Accountants in their various reports and by the fact that that entity has not made any definitive recommendations with respect to that kind of approach.

So we support what I believe is an alternative suggestion of the Auditor General. That's found on page 48 of the August 9, 1982, transcript of this committee's deliberations. At that time, I understand, the Auditor General made a suggestion, an undertaking, to the committee that any matters pertaining to the heritage fund that were worthy of being included in the Auditor General's report would be the subject of a special report under existing Section 20 of the Auditor General Act. In that way, any matter of significance pertaining to the fund in any year would be brought to the attention of this committee with respect to that year's deliberation.

Those are the government's five responses to that important report, Mr. Chairman.

The other piece of information which I would make available to the committee relates to five questions raised during the August 24 on-site tour of the investment management division of the heritage fund in the Terrace Building. A number of questions were posed at that time. I have some information to volunteer with respect to those. Firstly, there was a question as to the

members of the Treasury investment control committee. They are the Deputy Provincial Treasurer, the Associate Deputy Provincial Treasurer, the Assistant Deputy Provincial Treasurer in charge of finance programs, the chief investment officer, portfolio managers, the director of banking and cash management, the manager of investment systems and settlements, and the executive director of corporate management services.

Secondly, there was a question as to the composition of the investment strategy committee. That comprises the Associate Deputy Provincial Treasurer, the chief investment officer, and portfolio managers. This latter committee meets three or four times a year, or more often as required. The frequency of these committees meetings was requested. With regard to the first committee, Treasury investment control, they meet every six months, or more often as required.

The second request related to the investment tickets which were discussed pertaining to realized losses. The suggestion was whether we would table that. We feel, and I believe, that it's inappropriate and not productive to table copies of investment tickets, for a number of reasons. Firstly, as we outlined during the presentation, the details of all transactions are checked by a separate organization in Treasury; not the same organization that initiates those tickets, but by the Treasury investment system and settlement staff, which is a separate organization. More importantly, of course, each ticket is available for audit by the Auditor General. So the Auditor General is the person who reviews the ticket and draws conclusions as to its adequacy. He has submitted a special report and has found nothing inappropriate with respect to any of those transactions. We rely on his judgment in that regard. Thirdly, it would be inappropriate, I think, to single out certain individual transactions for public debate, because the accepted practice throughout North America certainly is to evaluate investment managers and to hold investment managers accountable for their overall results, rather than on individual transactions.

The third question was: what foreign investments does the heritage fund hold? The only ones held in foreign currency are under Section 10. At March 31, 1982, they consisted of \$120.9 million of short-term deposits in U.S. dollars, largely with Canadian banks. All these holdings were accompanied, I might note, by future foreign exchange contracts, so there's an elimination then of any risk or foreign currency exchange exposure.

A fourth question was when the February 20, 1981, recommendation of the Auditor General -- that it may be worth while to consider whether the time and date should be indicated on each buy/sell ticket -- should be implemented. That was implemented and began on July 1981 in the Treasury Department.

Lastly, there was a question: had there been any instances where the same security has been bought and sold on the same day? The search of the records which we've carried out shows that, yes, that occurred once during the '81-82 fiscal year and once during the 1980-81 fiscal year. In both cases, it was sold for a higher price than the purchase price.

Mr. Chairman, the last item on which I would comment relates to a typographical error in the annual report which has been made public. That relates to the yield under Section 10. If you look on page 7 of the annual report, there is a statement that the yield to maturity for Section 10 is 13.1 per cent. That is an error and should be 13.7 per cent. That changes the total of the heritage fund's overall yield from 13.0 per cent to 13.1 per cent.

Those are the introductory remarks I have, Mr. Chairman. I'd be pleased to answer questions.

MR. NOTLEY: Mr. Chairman, first of all, before I get into any questioning, this is as much as anything a procedural matter. I would like to say that

before the Provincial Treasurer comes again -- or whoever is Provincial Treasurer at another time -- we as a committee have this information sooner. To have the government's response to our recommendations delivered this morning -- I realize that that's been the practice, but a good deal of concern has been expressed in past sessions of this committee about having information. In my judgment, having this kind of material presented to us just a few hours before we meet the Treasurer is just not a good practice.

I would say through you, Mr. Chairman, to other members of the committee, to the government in general, to the investment committee, that in future years, especially if the government is going to respond to the second recommendation of the Auditor General with respect to the role of this committee, I hope that any response to the recommendations made by the committee be presented to us at least some days ahead of our meeting with the Provincial Treasurer. I'm not saying that in terms of criticism of the Provincial Treasurer at this time but in terms of setting out a practice that I think would be somewhat better in the future.

If I can, Mr. Chairman, I'd like to move from that observation. If the Provincial Treasurer would like to respond, fine. Essentially I think it's something we as a committee have to look at in terms of our recommendations. But, Mr. Hyndman, I'd like to move from there to Recommendation 2 last year:

That communication of the Alberta Heritage Savings Trust Fund should be expanded to include a summary brochure of the Annual Report to be distributed to Alberta households, such brochures to be prepared and distributed by the Provincial Treasurer.

The response is:

This and other communication initiatives are under active review.

I presume, Mr. Treasurer, that the other communications initiatives that have been under active review are the rather substantial advertising campaign that has been under way. I'd like to know the cost of that campaign. Could you break it down in the different categories: television, newspaper, radio, billboards?

MR. HYNDMAN: I have the detailed information with regard to the year under review, 1981-82. I can say that for this year, roughly the same approach in terms of rough dollars is being anticipated. You're correct that the communications program is being undertaken as a result of a unanimous request and resolution of this committee in previous years. For example, the breakdown for 1981-82 -- these figures are included in administration costs -- is as follows: for production, \$269,000; for print media, including daily newspapers, a large number of weekly newspapers, and Alberta magazines, \$320,000; outdoor advertising, \$175,000; television, \$240,000. By my arithmetic, that total is approximately \$1.04 million. It's important to note that almost 75 per cent of the money is going to small business in the province: weeklies, television, radio, and other people.

MR. NOTLEY: Mr. Hyndman, at a time when we're talking about restraint right across the country, do you really consider that it would not have been prudent to review the advertising budget of the heritage trust fund in that light?

MR. HYNDMAN: It was reviewed, and on the basis not only of the recommendation of the committee but the fact that I believe Albertans want to know more about the heritage fund, an advertising program that we had begun last year should continue this year. So in a fund that involves this large a number of dollars

and the large issues involved, I think it was appropriate that there be a degree of advertising. Of course it's continued, and you're aware of it now.

MR. NOTLEY: Mr. Chairman, I think most Albertans, certainly as I recall the discussion in the committee, have no quarrel with some effort to communicate what the fund is and provide information. I think there would be a good deal of dispute, however -- and no doubt that will occur in the weeks ahead -- over the type of communication we've seen. For example, as I look over some of these ads -- and I might note that these ads are carried not only in the major dailies but in the rural weeklies -- we don't have any real information imparted. I look at the example of the young farmer. Apart from the fact that somehow, without telling us why, the heritage trust fund is helping him, we don't have any outline as to what the qualifications would be for an ADC loan. We don't have a simple phone number, and in the rural weeklies there's no reason that can't be made available. We have ADC offices throughout the province. So a young person looking at this ad would not really have the opportunity of phoning someone in his area as a result of reading the ad, Mr. Hyndman. Surely if we're talking about communication, we should provide a little more information than some of the ads I've seen in the papers in the last while.

Last year the committee talked about a summary brochure which would contain an explanation of the dollars, where they go -- that kind of information. As I recall the discussion in this committee, that was certainly the unanimous view. But frankly, there is a difference between concrete information and what is, at very best, mood advertising.

MR. HYNDMAN: With respect to any group of people, it's very difficult to get agreement as to the best kind of communications or advertising in any kind of program one wants to put across. On the point with regard to availability of specific programs funded by the heritage fund, in my experience members of the Legislative Assembly are first approached by their constituents to provide information. In other words, over the years since the beginning of the fund, if someone wants to know about the availabilities of the many programs under the Agricultural Development Corporation, for example, the local rural MLA is usually contacted and not only assists in providing information but perhaps in getting the application form through the various government agencies.

So I believe that the advertising we now have, the purpose of which is to convey to Albertans the way in which the heritage fund is working for them, is appropriate for the time. Certainly with regard to the cost, it is approximately the same as last year. With the heritage fund growing, it's therefore a smaller percentage of the total fund this year than last year.

MR. NOTLEY: Mr. Hyndman, no quarrel with making booklets like this available, because people can read it over. There are facts and figures on what the trust fund is. A summary brochure, as we recommended last year, the quarterly report, is information, and it's of value to people. But these ads really don't explain what the trust fund is used for.

For example, we have this nice picture of the sweet little lady who says: "People get better faster here." That's nice to know, but that's a very argumentative proposition to put forward. I'm sure you would have to agree that some people might argue that that isn't correct. The point I'm making is that at a time when we should be practising restraint, why are we spending \$1 million not on supplying summary information, as the committee recommended last year, but undertaking a major campaign of mood advertising, which might make people feel good in a summary sense, unless they want information. If they want information, it doesn't even say contact your MLA. Why not a

telephone number? Why not some elementary information in these ads? I find that very difficult to understand.

Even some of the criticism I share with federal Conservative members about the national energy program and the advertising of that program, at least that advertising contained some place you could write for additional information. Mr. Minister, if we're going to spend a million bucks, why would we undertake this kind of major campaign without some supervision by the investment committee so that the basic right of Albertans to be able to have a simple phone number or where they could get additional information would be available?

MR. HYNDMAN: I gather that the concern of the hon. member is not the cost, rather the way in which the dollars are being spent, that he would want to spend roughly the same amount of dollars on advertising this year. I guess it's always going to be a matter of opinion. In my view, the MLAs provide the more detailed information. We haven't ruled out a detailed brochure by any means. I'm not at all sure, though, that having available all the annual report to the public generally is in a sufficiently understandable form, and I know the hon. member isn't recommending that. But a digest of the annual report may well be something which could be supplementary to, ancillary to, and in addition to the kind of advertising which I think now indicates to Albertans what their heritage fund is doing for them.

So I think the step that has been taken -- it's not the only one -- is the right step, and there'll certainly be further information. It may be a good idea to put more phone numbers on the further information. There's one in the annual report, as you know.

MR. NOTLEY: Mr. Hyndman, I just want to make one point clear. I don't think I said, nor do I recall from the discussion in the committee last year or the year before, that any members of the committee made any comment on the size of the budget. I think \$1 million is far too much to spend on this kind of advertising program. I'd certainly support the idea we had last year of sending out a summary brochure. That would be useful. But I don't want any implication left that I support this kind of advertising.

When we started our hearings this spring, it was brought to my attention that a public opinion poll was being conducted by the government on the Heritage Savings Trust Fund. I believe the Chairman contacted you after I released this information. Are you in any position to give us the results of that poll, what the costs are, and when the information will be shared with the committee?

MR. HYNDMAN: Not yet, Mr. Chairman. The report on that poll will be made available at the upcoming Legislature. The information and the discussions have so far been very preliminary with regard to the results, and the cost will be revealed at that time.

MR. NOTLEY: The poll has been completed?

MR. HYNDMAN: The poll has been completed.

MR. NOTLEY: The information was given to whom?

MR. HYNDMAN: The information I haven't yet received. I've had preliminary verbal discussions with the company that prepared the poll. But I have not got the poll itself, and I haven't got the report. When that comes, it will be available for the Assembly.

MR. NOTLEY: Was the information made available to anyone on an informal basis? For example, would it be made available to the people who are doing the advertising on the Heritage Savings Trust Fund? Was there any contact between the pollsters and the people who are preparing these ads, for example?

MR. HYNDMAN: The Baker Lovick company in Calgary, an Alberta/Canadian company, was retained to do the advertising. It is also the company which was requested to arrange for the poll.

MR. NOTLEY: Would there be any possibility that information contained from the poll is finding its way into these ads?

MR. HYNDMAN: The ads, their format, and the general purpose, principle, and mood which they contain is as approved by the government. So the instructions the agency has are to prepare an advertising communications program as you have seen.

MR. NOTLEY: Just so there's no misunderstanding. We are members of the Legislature, and we have not yet been given any access to this public opinion poll which has been paid for by the taxpayers of Alberta. There would be no possibility that the people who developed these ads would have informal information from this poll, paid by the taxpayers of Alberta, and that they would have been given this information before members of the Legislature are given it?

MR. HYNDMAN: They are preparing and conducting the poll, so certainly the company that prepares the poll has to have information about the poll results. The Legislature will have the report on the poll results.

MR. NOTLEY: Under those circumstances, why would this information not have been made available to the committee? We are a committee to scrutinize, to be watchdogs, if you like, over the operation of the fund. We have a very expensive advertising campaign, that is going to be controversial, to put it mildly. It would appear that a public opinion poll has been conducted at taxpayers' expense. We don't know how much. We don't know where the information has gone. Mr. Treasurer, you indicate you received preliminary information on it. But if we are going to spend this kind of money, I find the idea rather frightening that this information is just available to advertising agencies and not to people democratically elected to represent Albertans.

MR. HYNDMAN: I think that's grossly overstating it, Mr. Chairman. After all, I've indicated that the information will be made available. I think the hon. member should be aware of the fact that what we're reviewing here is the 1981-82 fiscal year. The poll, which I've indicated will be made public, was conducted after the year end. For example, no expenditures in 1981-82 relate to any aspect of this poll. So at best, the hon. member is a year early. The information will be provided earlier than to this committee, though, by the upcoming Legislature, when the report on the poll will be made public.

MR. NOTLEY: While in terms of technicalities the Treasurer may be correct, the committee is also entrusted with the responsibility of preparing recommendations for the operation of the trust fund, including, no doubt, recommendations that will relate to public information on the trust fund. That being the case, it strikes me it would have been prudent that this information be made available to us.

My question is more direct to you as a member of the investment committee, Mr. Hyndman. Has this information in fact been made available to the investment committee, or do we have a private consulting firm and pollsters creating a major expenditure of funds without full accountability to the investment committee?

MR. HYNDMAN: No, the poll hasn't been made available to the investment committee. It's not any individual private company's decision to do this advertising. It's the decision of the investment committee and, more properly, myself as Provincial Treasurer.

MR. NOTLEY: Did you authorize each of these ads? Did you see them before they were carried?

MR. HYNDMAN: I did. I authorized and reviewed them, indicated they were appropriate, and made the decision -- not an individual private company -- as to the ads and the program, when they should run and their nature.

MR. NOTLEY: Did you share that discussion with other members of the investment committee, or were those decisions made exclusively by you as Provincial Treasurer?

MR. HYNDMAN: Those were shared with the investment committee, which certainly endorsed the general approach, as did this committee. In respect of resolutions, I might mention I look forward to further advice from the committee as to the kind, nature, and quality of communication the committee might wish the investment committee and Treasury to proceed with in future years.

MR. NOTLEY: What approximate figures do you have on the cost of this poll?

MR. HYNDMAN: I don't have the exact cost, but my understanding is that the total advertising of the fiscal year which we're now in, including the poll, will be about the same as last year.

MR. NOTLEY: Can you advise the committee whether the information contained in this poll will be presented in total to the Assembly this fall, or will it just be a summary of it?

MR. HYNDMAN: I've asked for a report. I haven't seen the report, so I don't know what is in it. But the report I get will be made available to the Assembly.

MR. CHAIRMAN: Perhaps now we can go to some supplementaries. The Member for Edmonton Mill Woods was the first one, I think.

MR. PAHL: Thank you, Mr. Chairman. In the course of the discussion, some of my questions have been answered. I find it strange my colleagues would be so critical of the Provincial Treasurer for doing what we unanimously asked the investment committee and the Heritage Savings Trust Fund managers to do two years running.

For example, I noted the Provincial Treasurer has not only lost his color but he's exercising restraint by having the same picture year after year. Just to show you there are two sides to the coin, I noticed you can't have it both ways. I distribute copies of the annual report to my constituents who are specifically interested in the Heritage Savings Trust Fund, and I assume we all have them available. I have to say that it's not two dozen in total.

The complaints I received this year, Mr. Chairman, were: gee, it makes awful dull reading; there are no color pictures in it, no examples; can't you do a little better?

So I have to say that although we certainly should be attentive to the concerns raised and the information placed in the ads, obviously when you're dealing with public communication there's always more than one viewpoint.

MR. R. SPEAKER: Mr. Chairman, I have observed these ads in the last two or three weeks as well, and I note them at a more accelerated rate than before. After I make some other comments, my question to the minister is what volume of ads will be present in papers and on television in the coming month of October?

I want to say that I think that this government has displayed very great mismanagement and blatant abuse of public funds by presenting advertising tainted of political overtones to the public of Alberta. I think that is totally gross mismanagement on the part of this government. The responsibility lies with the Provincial Treasurer. At this point, it's incumbent that the Provincial Treasurer reveal the total plan of advertising to this committee. What is going to happen in October, November, and the months ahead? What is planned? Of the current \$1 million plus, what amount will be spent on advertising?

I look at the current advertising of the programs announced last week by the Premier. To put the advertising under orange and blue colors is the most blatant abuse. That very significantly and clearly says to the people of Alberta that it represents the ideas and programs of one party in this province, the Progressive Conservative Party -- moneys spent from the Heritage Savings Trust Fund, as far as I know. Mr. Chairman, that is total, blatant abuse of our public funds. The Provincial Treasurer sits across from us today, smug, trying to defend a position which isn't defensible in terms of public expenditures. I think the Provincial Treasurer should answer that kind of question. Will this kind of advertising continue in this province? Is that the kind of government the people of Alberta really have at this point in time?

People were excited and impressed by some of the programs announced from the Heritage Savings Trust Fund, but I think they must look a little deeper as to the values and ethics of this government in implementing some of those programs. I'd certainly like to hear the Provincial Treasurer respond to that. What is the plan of the Provincial Treasurer in terms of advertising in the next month, in the next few weeks?

MR. HYNDMAN: Mr. Chairman, firstly, there are two different matters to be dealt with. One relates to the general program with regard to the heritage fund, which has been discussed. The other relates to advertising that will make available and known to Albertans the two new programs funded by the total income of the heritage fund over the next few years. They're two separate programs.

On the first, the frequency with which the advertising will proceed is roughly the same as it was last spring, when there were various advertisements, billboards. I'm sure the hon. member saw them. Those were not continued during the summer, because you don't get quite as good value for your advertising dollar in the summer months. However, the advertisements we've now seen will continue, and I'm glad to see all the attention that's being paid to them. They will continue through the fall on the basis of an advertising budget similar to last year.

I'm puzzled why the hon. member would not want about 340,000 Albertans or more who can apply for these programs to know about them. In other words, if there are government programs -- one with regard to reduction in mortgage

interest rates, another with regard to shielding interest rates for businesses and farms -- it seems to me that that information should be made available publicly, in the widest possible way -- in weekly and daily newspapers throughout the province -- so when the application forms are out, Albertans could apply for them. I think that's an appropriate way to go as well.

I might mention that with regard to those two programs, the advertising will be funded from the individual budgets of the two departments involved: Tourism and Small Business, and the Department of Housing and Public Works.

I am further puzzled by the comments of the hon. member on the colors. I think the colors are attractive. I'm not quite sure about what the colors of his political party are now.

MR. R. SPEAKER: Mr. Chairman, that's the response the people of Alberta get from these ministers, and tomorrow we're going to hear the same kind of nonsense from the Premier. The fact of the matter is that a political party is being partisan in using public funds. That's the serious question before us right now. In my 19-plus years, I have never noted any government using public funds in such a blatant way. It's here right today, and the public of Alberta should know about it.

Could the Provincial Treasurer give this committee the present schedule of advertising that will begin on television, in print, and on outdoor signs in this current fiscal year? Can the Provincial Treasurer present that to this committee for our examination so we can know what is presently going on, what is projected by the Provincial Treasurer and the investment committee, so we can make recommendations? Mr. Chairman, you have asked for recommendations by this Friday. I'd appreciate that information by tomorrow so I can review it and in turn make recommendations to the committee as a whole. Can the Provincial Treasurer provide that information?

MR. HYNDMAN: Mr. Chairman, I think that information can be provided in the normal way in the Assembly, if people want detailed information about the communications program. As I indicated, it will be essentially the same as it was in the spring. Over the course of the weeks ahead, there will be a routine of various advertisements in both print and other media.

MR. R. SPEAKER: Mr. Chairman, a supplementary question. As far as I understand, a few moments ago we had the minister outline to the hon. Member for Spirit River-Fairview a budget of production, print, outdoor advertising, and television advertising: four different areas adding up to more than \$1 million. I understand that comes from the Heritage Savings Trust Fund budget.

MR. HYNDMAN: Yes, and that's for the last fiscal year. I can certainly try to provide it up to March 31. I gather this is when the committee is reviewing these matters, and I can see if I have that detail.

MR. R. SPEAKER: You have current expenditures going on, moneys that have been allocated in the current fiscal year. At the present time, what is the allocation of those funds in those four specific areas? Can the Provincial Treasurer outline or give some kind of data sheet or report as to where that money is proposed to be expended in the months ahead and at present?

MR. HYNDMAN: I can get the information for the fiscal year under review but not for this year. What's going on this year will of course be in the annual report for 1982-83.

MR. CHAIRMAN: I have a little difficulty with the questioning as it's going. Although we have a fair bit of latitude, and I've given a lot of latitude to

discuss things other than the annual report for the year '81-82, thus far we have not requested ongoing financial studies. I think it's going to give us a little difficulty if we do that in the way the Member for Little Bow is suggesting. I still have three more supplementaries on this as well.

MR. R. SPEAKER: My point to you, Mr. Chairman, and to the committee is that you are asking us for a recommendation on Friday as to what we should do with the Heritage Savings Trust Fund. Recommendation No. 2 asks for direction.

MR. CHAIRMAN: That was agreed to by the committee last Friday.

MR. R. SPEAKER: We need the current information to know what the government is doing. By the time we catch up to the government, they've already expended the money. That's about how useless this committee is. We are just rubber-stamping something that is bad management.

MR. PAHL: On this point, Mr. Chairman, I thought the Provincial Treasurer indicated in his remarks that the program of expenditures this year would be roughly in about the same dollar terms and roughly with the same schedule as last year. So wouldn't an appropriate compromise be in terms of the area that we have under study, which is last year, that we receive the schedule and breakdown of that advertising budget with the period under review and make some assumptions that it will be more or less the same this year? I think that should satisfactorily answer the committee's concerns and not create an undue hardship on trying to forecast the future.

MR. CHAIRMAN: With the information the Provincial Treasurer offered to give, which was essentially that, and the information I wrote down -- the figures that he gave, the projections for this year -- I think the Member for Little Bow could put the sums together and estimate what's going where and probably the scheduling of it.

I've got supplementaries from the Member for St. Albert, the Member for Calgary Buffalo, and I think the Member for Edmonton Mill Woods as well.

MRS. FYFE: Thank you. I guess my supplementary is more of a supplementary comment. I want to comment on the aspect of communication. We have discussed this over the last two years, Mr. Chairman, and we have asked the Provincial Treasurer to come up with a program of communication that would assist Albertans in understanding an extremely complex subject. When you get down to the various aspects of the fund and we talk about the Canada investments, the Alberta investments, and the energy investments, for many people this is a very complex issue. They are not dealing with this every day, and they are not necessarily interested in the day-to-day operations. How do you trigger that interest? How do you get people to be more concerned and questioning about the fund. I think one way you do it is to start with an advertising campaign that will zero in on their particular interest. If their interest is mortgages and that triggers something in the thinking mechanism that says, oh gee, that comes from the fund, maybe then they will communicate with their MLAs or with the various government agencies that have this material available and ask for further information. I think this is helpful to people. Otherwise they may not think about it.

Certainly out of the advertisements this year -- this is the second year we've been involved in communication -- I think each member of this committee can bring forward specific and concrete suggestions in our resolutions which are due on Friday. I will be putting forward another recommendation related to communication, and if it's not accepted, will do it at the constituency

level because I think the understanding of this fund is such an important part of our province.

If I could make one comment relating to the color, it was chosen two years ago. It has been on our hopper cars across western Canada and other parts, and it has been on our brochures. It is blue and gold. I don't particularly like the little logo that shows Saskatchewan so prominently in the logo, but I know that wasn't intentional. But when you're communicating, these are the things that happen. This is a way to communicate. That is not partisan except for the fact that maybe it was a partisan decision that came with the idea of the trust fund itself, which has benefited this province.

MR. SINDLINGER: Mr. Chairman, I won't belabor this point too much longer, because a lot of ground has already been covered. However, I will make two suggestions to the Provincial Treasurer. One is to give more consideration to what the term "consideration" means as opposed to "advertising". It is true that this committee has concurred over the last two years that a better or more extensive communication effort be made. However, the discussion today is focussed on advertising, which is only a small aspect of communication. I have a dictionary in front of me, and it tells me that advertising deals with making publicly known "with a view to increasing sales". I am sure you don't want to increase sales for the provincial government in any way whatsoever. On the other hand, if one looks at the word "communication", it involves a two-way flow of information, not only from the government to the people but from the people to the government.

So the suggestion I would make in regard to giving a broader context to the word "communication" is that the government give consideration to having public hearings, where people can make their views known. Some opposition members have done that, and it's been beneficial. I'm certain the government, with its policy of open government, would benefit as well.

The second observation is that inasmuch as an issue has been made about the colors and the partisan nature of this type of advertising at this point in time, and given the imminence of the provincial election, consideration be given to discontinuing that type of advertising during this period of time.

Thank you, Mr. Chairman.

MR. HYNDMAN: Mr. Chairman, I gather a provincial election constitutionally must be held within five years of the previous election, so we have a large number of months to go in which there'd be no communication at all.

MR. CHAIRMAN: Did the Member for Edmonton Mill Woods have another supplementary?

MR. PAHL: No, sir. It was a new question.

MR. CHAIRMAN: The Member for Olds-Didsbury with a supplementary, I believe.

MR. KESLER: Thank you, Mr. Chairman. I'd like to pick up on what the two previous hon. members were concerned about. I think we've missed the latest blatant misuse of those funds for the promotion of a party. My question to the hon. minister is: how many dollars did the Progressive Conservative Party contribute from Conservative funds -- not from the Alberta heritage trust fund -- to the hour-long broadcast made a week ago? I know they sometimes have a problem distinguishing the two, but I'm talking about from their own Conservative campaign kitty. The reason I say that is that during the hour-long promotion of low interest loans, the Premier repeatedly said, the Progressive Conservatives had done, the Progressive Conservative government --

over and over again, throughout that hour-long promotion. At the end of it, they used a third of the time, 20 minutes, for a promotional program.

I'm concerned about that and wondering why just "your government" wasn't sufficient. Why did it have to be repeated over and over that the Progressive Conservative government had done these things? Could the hon. minister answer that?

MR. HYNDMAN: I guess it is a Progressive Conservative government if you look at the composition of the members of the Assembly. No, the heritage fund did not pay for that program.

MR. NOTLEY: But the taxpayers did.

MR. HYNDMAN: I don't know who paid for it, but the heritage fund did not. I imagine the government of Alberta did, and very appropriately so, to convey important new government programs and new directions for the heritage fund.

MR. KESLER: Mr. Chairman, one of the best ways to instil a thought process or pattern in someone's mind is through repetition. I think that was very obvious in the program presented. Using the heritage trust fund low-interest program to promote the Conservatives at this time, as we draw near to an election, was a blatant misuse of Alberta taxpayers' dollars.

MR. CHAIRMAN: Back to the primary questions. The Member for Little Bow, followed by the Member for Edmonton Mill Woods.

MR. R. SPEAKER: Mr. Chairman, my question relates to the annual report where, basically, the Provincial Treasurer talks about the principle of the 30 per cent. I have reviewed *Hansard*. In remarks made to the Premier in this Legislature a year ago, I asked the Premier if there was going to be a change in emphasis or direction of the Heritage Savings Trust Fund. At that time, I enumerated the fact that people were paying 20 to 22 per cent mortgages and high-interest loans for small businesses and farmers. The Premier scoffed at the idea and said that wasn't even part of the discussion in this part of the committee, and that we would lose the integrity of the fund; it's a savings fund. All of a sudden, we have a change in principle from 30 per cent to 15 per cent. I understand fairly clearly that most likely there are underlying reasons for that. But from the Provincial Treasurer, I'd appreciate the basic reasons the government saw at this time for changing that principle of the Heritage Savings Trust Fund, to change the 30 per cent allotment of resource revenue to the trust fund to 15 per cent.

MR. HYNDMAN: I think I should immediately stress that the principle of the heritage trust fund has not been modified. The integrity and concept of the heritage fund remain; it will simply grow a little more slowly. What has happened is that there is a new direction, which involves two approaches: firstly, the availability of all income from the heritage fund for the 24-month period from September 1 of this year, in order to provide dollars for two short-term programs we believe are important to help Albertans get through the storm that has come. That still leaves the heritage fund available for the rainy day when oil revenues decline and the transition to other sources of income has to be made. Secondly, there is the drop from 30 to 15 per cent with respect to the transfer of the fund each year, beginning April 1, 1983, which is for the purpose of reducing the extent to which we'll have to carry out external borrowing and reducing the deficit.

I believe those are responsible approaches to public finance.

MR. R. SPEAKER: Mr. Chairman, in the announcement that evening the Premier left out some of the gross cost figures of different programs. I'm not sure whether he did it unintentionally or intentionally, but I felt it was a bit misleading. Could the Provincial Treasurer outline the actual figures of the costs of those programs -- the mortgage program, the loans to small business men, the interest reduction to farmers? What would the reduction in the Heritage Savings Trust Fund be after the decrease from 30 to 15 per cent of resource revenue?

MR. HYNDMAN: On the first point, Mr. Chairman, as was mentioned during the broadcast, the estimates -- and I stress they're estimates for two reasons -- are that the mortgage reduction program would be in the range of \$750 million over 24 months. Of course, that depends on the extent of the take-up and on the interest rates as they may be in the months ahead, because of course there is no cap on that program.

Secondly, with regard to the small business and farm interest shielding program, the total cost is again estimated at approximately \$250 million: about \$150 million for the small business program itself and \$100 million for the farm program, I believe. There is no way in which there can be any prediction with certainty as to the take-up. There are about 42,000 eligible farms. There are over 50,000 eligible businesses. The program applies not only to incorporated business but to proprietorships and partnerships. So there's no predictability as to what the take-up or the interest rate shielding will be. At the moment, that happens to be about 3 per cent. That could vary over the course of 18 months. Those are our estimates.

As well, as was mentioned in the broadcast the elements of phase one of the Alberta economic resurgence plan, which have already been announced, that result in a budgetary expenditure -- for example, the well servicing component of the oil and gas activity program, the more than doubling of the farm fuel distribution allowance, the truckers' licence situation -- will come close to \$0.5 billion dollars.

As to projections and other detailed figures, in due course I will be presenting a second revised financial plan, which will put together not only these expenditures I've just mentioned, which cross three fiscal years, but also the effect of the heritage fund total income being available to cover the cost of the shielding program and mortgage reduction program and the effect the 30 per cent down to 15 per cent would have on the general revenue picture of the province. All that will have to be brought together. We'll have a second revised financial plan available at the upcoming Legislature.

MR. R. SPEAKER: Mr. Chairman, my other question was whether that would be presented this fall. Would it also be the intention of the minister to change the Heritage Savings Trust Fund Act at that time, bringing in the necessary changes in legislation?

MR. HYNDMAN: Yes. The allocation to 15 per cent will be in the form of the usual new special Act, which, instead of saying 30 per cent, will say 15 per cent. Over the last six years, all the income from the heritage fund has been required by statute to go back into the fund. However, that will be the modification for the 24 months, having the income available for the heritage fund mortgage interest reduction program and the heritage fund business and farm shielding program.

MR. R. SPEAKER: Mr. Chairman, to the minister. Are any other changes being examined at present, such as renters' assistance? At present, senior citizen renters can qualify for renters' assistance. Is any consideration being given

for a broader renter assistance program, beyond that that's now for senior citizens?

MR. HYNDMAN: Mr. Chairman, we've seen phases one and two of the Alberta economic resurgence plan. As the Premier indicated, there could well be other phases of it. There has been a significant number of government programs available to renters over the years. At the moment, by reason of such programs as CHIP and others, there is a significant vacancy rate, which benefits renters in the market. There are forms of assistance for senior citizen renters and for other groups.

MR. R. SPEAKER: Mr. Chairman, is the answer from the minister, no, there is no examination being given of that broader area of support for renters in the province?

MR. HYNDMAN: The answer is that we've had phases one and two of the Alberta economic resurgence plan, and there could be other phases in the months ahead, depending on the state of the provincial and national economies and the situation with regard to Albertans generally.

MR. NOTLEY: Mr. Chairman, on the question of the reduction from 30 per cent to 15 per cent, I think we'll all welcome a revised financial statement so we have some idea of where we are on this matter. In terms of the logistics of the fall session, I presume that financial statement will be presented before any legislative change is proposed, so members of the Assembly will have an opportunity to look at the revised financial statement to assess the wisdom of reducing the input from 30 per cent to 15 per cent. I say that because as members of this committee and people of Alberta are well aware, it was just a couple of years ago that there was a good deal of discussion and widespread support among members of the committee for an increase in the amount of non-renewable resource revenue going into the trust fund. Now we're going to cut it in half. So before the Legislature acts on that change in the Act, I presume we'll have the revised financial position of the province.

MR. HYNDMAN: Mr. Chairman, it's certainly my plan to have the revised financial plan filed in the Assembly prior to consideration of the Acts in question, because they all come together in terms of a debate over the question of 15 per cent and 30 per cent, and the question of diverting the income for two years.

MR. NOTLEY: How much of this 15 per cent, which I gather would be somewhere around \$7 million or \$8 million, is going to fund additional programs, and how much will reduce the \$2.5 billion operating deficit we have as a result of the last revised financial plan?

MR. HYNDMAN: I can't give any definite figures. The 15 per cent for the two years is going to be available to reduce the deficit, which is at \$2.4 billion as of the initial financial plan, and to reduce the amount of external borrowing.

MR. PAHL: Mr. Chairman, in the annual report summary, page 3, I note that the commercial investment division made some investments. I also note in the press, subsequent to the final date of the report, that some trading losses occurred through the sharp downturn in the overall economy and the subsequent depression of stock prices. Mr. Chairman, could the Provincial Treasurer give us any indication whether the short-term gains have recovered some of our earlier short-term pains?

MR. HYNDMAN: Mr. Chairman, I mentioned on July 28, when the report was made public, that the shareholdings were going to be for the long term and that we were confident the values would come back. In fact that has happened as of last Thursday, September 9. Whereas the commercial investment division had purchased a total of \$139.62 million of equities to date -- that's the cost of those investments -- on September 9, they were worth \$143.85 million. So what we indicated earlier has come to pass. In fact there is something in the range of a \$4 million increase.

MR. PAHL: Thank you.

MR. SINDLINGER: Mr. Provincial Treasurer, it's my opinion that decisions made by you and your department have put the Premier of this province in a very compromising position. I say that because of the address the Premier made to the province last week, announcing the interest shielding programs. At that time, the Premier referred to the Heritage Savings Trust Fund as being \$11 billion. That's not exactly the case. The trust fund is not \$11 billion; it's \$9.7 billion. That is because of the deemed assets.

Over the last year, this committee has made a recommendation that deemed assets not be included in the total size of the Heritage Savings Trust Fund, because it could be misunderstood. It has been misunderstood by some very authentic, credible trade journals in this country. I think the public misunderstands it as well. Not only this committee has made that recommendation. I've made the recommendation for legislation as well, and presented legislation to the House for consideration. If it's not enough for members of the Legislative Assembly to do that, the top accountant in the province, the Auditor General, has made that recommendation for three years running.

When we continue a practice like that, which is not in accordance with generally accepted accounting practice, there is gross inconsistency in the accounting procedures, which leads to misrepresentation and misunderstanding. It's carried through the accounts of the province. That may not mean much to you as a lawyer, but to an accountant, a businessman, and an economist, it's a very significant fact and amounts to a substantial amount of money.

Following along with that, when the Auditor General was before this committee I noted that the Alberta Heritage Savings Trust Fund was shown in the public accounts as \$42,857,000 deposited with the Consolidated Cash Investment Trust Fund. However, the amount shown in the Consolidated Cash Investment Trust Fund for the same accounting period was \$48,710,419, a difference of approximately \$6 million. I understand your office responded publicly to that discrepancy of \$6 million by saying that it could be due to the difference between a cash system and an accrual system, and the timeliness of cheques being written and deposited at year end.

Mr. Treasurer, I submit to you that that does not satisfactorily explain the anomaly. To demonstrate that, I have gone through the public accounts and the Consolidated Cash Investment Trust Fund. I have listed the funds -- which I will pass over to you -- of various accounts under the responsibility of the government. Of 96 accounts in the Consolidated Cash Investment Trust Fund, 50 were cross-listed in the public accounts and had the same year ends. Of those 50 accounts, 28 did not balance. The Consolidated Cash Investment Trust Fund listed those accounts as being due \$1,049,230,343. Cross-checking, those accounts claim they were due \$1,022,842,999. The absolute value of the discrepancy was \$39,535,814. Again, perhaps to a lawyer who is managing a trust fund of billions of dollars, \$39 million is not a significant amount, but I submit to you that under any other standards, it is. What these figures do . . .

MR. CHAIRMAN: Before this goes any further, is the member questioning the Provincial Treasurer about the answers given by the Auditor General to this committee?

MR. SINDLINGER: No I'm not. I'm demonstrating by these numbers that there is gross inconsistency in the accounting procedures of the provincial government.

MR. CHAIRMAN: The Auditor General said that both these amounts are correct. The difference between them represents cheques sent out and recorded as disbursed to the AHSTF general ledger at the year end and so on. During his discussions here, the Auditor General explained how this happens. After all, he is the Auditor General, whom you were quoting as the senior accountant in the province. If we're going to get into the 294 questions that were submitted, we're not going to get finished with our work.

MR. SINDLINGER: Mr. Chairman, I want to ensure that we do get through with our work, and I'll try to be as brief and expedient as possible.

The only point I'm trying to make is that this committee, along with the Auditor General, has consistently along with the Auditor General made a recommendation for a very fundamental accounting change. If this government cannot handle something as simple as that, I don't know what point there is in this committee making more elaborate recommendations to the government. This is a very simple principle. It's been made not only by this committee but by the Auditor General as well. What it does is lead to inconsistency in the accounts of the heritage fund and the government in general.

To illustrate that point, I have put together this material, which I'll distribute to the committee and to the Provincial Treasurer, which illustrates that that's not an adequate explanation of the differences. All I'm going to do is suggest to the Provincial Treasurer and to the government in general that they review their accounting procedures and practices for all accounts of this government, because the primary fundamental principle of accounting is that there be consistency. Sir, this demonstrates without question that there is not consistency in the handling of government funds.

MR. CHAIRMAN: Is the hon. member trying to equate the deemed asset provision with what he calls losses and discrepancies between the accounts in different departments? To me, they seem to be very different.

MR. SINDLINGER: Mr. Chairman, when you look at the discrepancy for only one account, it indicates only one direction of change.

MR. CHAIRMAN: But there wasn't a discrepancy. The Auditor General explained that.

MR. SINDLINGER: Sir, if I may have the consideration of replying uninterrupted to your first request, I'll explain to you that the first explanation isolates just one account, and taking into consideration the direction of that change, an explanation was offered. However, if you look at another account and see that the change was in the opposite direction, the same explanation does not hold. So there's where the inconsistency lies and that's what demonstrates that the explanation is not satisfactory for the accounting procedures in general for the entire funds of the government.

MR. CHAIRMAN: I still don't understand what that has to do with the recording of deemed assets. The deemed assets are recorded very specifically at the amount that is spent in dollars.

MR. SINDLINGER: The point is that the deemed assets . . .

MR. CHAIRMAN: This should not be a discussion between the Chair and an individual member. Maybe I'd better stop.

MR. SINDLINGER: Just to summarize, Mr. Chairman, for the Provincial Treasurer. There's a fundamental accounting principle; that is, that there should be consistency in accounting. The Auditor General, this committee, has recommended that deemed assets not be included in reporting the size of the Heritage Savings Trust Fund. It continues to be reported, despite those recommendations. It's led to inconsistency there, and that type of political interference results in inconsistency in other departments as well. We have public servants with the expertise and competence who would like to do their job from a technical point of view, but they're not able to because of political interference in the Heritage Savings Trust Fund. That's the point.

If I could go on now to another point, since we've discussed that one, I'd like to come up to this in the preamble . . .

MR. CHAIRMAN: Perhaps the Provincial Treasurer would like to answer; I don't know.

MR. HYNDMAN: Mr. Chairman, I think the hon. member has to realize that when the Legislature of this province passes a law, it is the law of the province. Six years ago, the Legislature of this province passed a law called the Alberta Heritage Savings Trust Fund Act, in which it says that deemed assets will be dealt with in the manner as follows: they will be included in the Heritage Savings Trust Fund. As the hon. member states, that is a departure from generally accepted accounting practices. But after due consideration and in weighing the recommendations of senior people in accounting and the Auditor General, the Legislature, by a majority, felt that that is the way for communication to Albertans that the deemed assets should continue to be set forth. In the annual report, it's indicated that the computations of yield are made not including deemed assets.

So I fail to understand, Mr. Chairman, when the Legislature of this province has said, yes we have an unusual and unique fund and we're going to make one exception to generally accepted accounting practices; we're going to handle the deemed assets differently. That has nothing whatever to do with allegations of political interference, which is nonsense.

MR. SINDLINGER: Mr. Chairman, I guess we have a difference of opinion, a political opinion and a professional opinion. It's crystal clear and completely and very well understood by the professional accountants in this province and the top professional accountant in this province, the Auditor General, who's been crying out in the wilderness for three years to change this thing . . . It's about time due consideration was given to those things he's telling this government.

Mr. Treasurer, in your opening comments you talked about some securities that had been sold and bought more than once on the same day. You talked about it happening once in two different fiscal years, one in the fiscal year 1981-82 and the other one in 1980-81. Dealing first with the fiscal year 1980-81, could you please indicate to us what instruments were bought and sold on the same day and why they were bought and sold on the same day?

MR. HYNDMAN: I believe it was Canada Savings Bonds. They were bought and sold on the same day so you could make a profit: buy them at a lower price and sell them at a higher price.

MR. SINDLINGER: What circumstances pertained then which would create the environment where that could be done in one day?

MR. HYNDMAN: They'd be worth more if you sold them in the afternoon than when you bought them in the morning.

MR. SINDLINGER: Can you indicate what instruments were sold, at what time of the day, and in what magnitudes?

MR. HYNDMAN: I don't have that detailed information with me now, but I'm saying that those were the two occasions on which those transactions took place. That's not unusual, of course, with respect to the financial community.

MR. SINDLINGER: No it's not unusual, but it's unusual for governments to do things like this under certain circumstances. Unless we can get more details about the sales and purchases, we won't know exactly what happened. But could you undertake to identify for us what instruments were sold during the day, at what time, in what amounts, and when they were repurchased and in what amounts?

MR. HYNDMAN: If the information is available, I'll certainly look into it and consider supplying it.

MR. SINDLINGER: Would you give us an undertaking to do that prior to Friday, when we have to make our recommendations to the committee?

MR. HYNDMAN: I'll do it as quickly as I can. I don't know, (a), whether all the information is available. But if it is, I don't know whether, (b), I can get it by Friday. I'll do my best to provide it.

MR. SINDLINGER: When you reviewed these sales over these years, did you review all the sales, or did these come up simply through random sampling?

MR. HYNDMAN: I understand that the question asked during the August 26 review was whether or not there'd been instances where the same security had been bought and sold on the same day. That required a very large amount of research to find out, and the time was spent in doing that. I gather that all the buy and sell transactions were reviewed. I don't know for which years, but more than one year, and that was the result.

MR. SINDLINGER: That information must be available then, and I couldn't foresee any problem getting it to us prior to Friday. It's not new research we're asking you to undertake. It's something which has already been completed.

MR. HYNDMAN: I haven't looked into it in detail. There are thousands of transactions, and I don't look into each one. I'll do my best to provide the information within the time, if I can.

MR. SINDLINGER: Thank you very much.

MR. KESLER: Mr. Chairman, did the hon. minister consider what effect the transactions of buying and selling on the same day in large quantities has on the public at large?

MR. HYNDMAN: There was only one each year, not large quantities.

MR. KESLER: There was only one transaction?

MR. HYNDMAN: In each of the two fiscal years.

MR. KESLER: Okay.

MR. SINDLINGER: A supplementary, Mr. Chairman. To make certain in regard to the information I've requested with regard to the purchase and sale of the same transaction, just to say that there is only one instrument is not to mean that it was insignificant or a small amount. It's the dollar value that's important in this regard, not just the name of it. It's the numbers and dollar value sold and purchased at each instance throughout the day.

What we are getting at here -- and I am going to infer from what was said -- is that depending upon the size of the transaction, it could have an impact on the value of the commodity, the item, or the instrument sold throughout the day. So given the various sales throughout the day, it would be very easy for those sales or purchases to affect the market value.

MR. HYNDMAN: I was just saying it was a rare and isolated situation, with one each occurring in two fiscal years. I'll have to look into it further.

MR. KNAAK: I would like to respond to two points that were raised by the Member for Calgary Buffalo. The first is the suggestion that there has been anything irregular in the accounting practices. I remember on at least two occasions directly asking the Auditor General whether he had checked the Heritage Savings Trust Fund and the transactions in detail. His response at that time was that the trust fund is audited in greater depth than a similar fund by a private company would be. Then he explained the kind of cost that's involved in that audit, and it's substantially more than a private company would do on that. I remember asking specifically whether there was anything irregular in the accounting practices, and it was unequivocally no.

I don't know where the Member for Calgary Buffalo, who is an economist, not an accountant, seems to think that he has a better understanding of the accounting procedure than the Auditor General.

The second point is the trades in one day. It would seem to me it's the government's obligation to do the best job it can in making profits for the people of Alberta through the trust fund. If it has to trade five times a day to do it, I would encourage them. Certainly I see nothing wrong in trading every day if that's the profitable thing to do, and it should be done.

MR. HYNDMAN: In connection with that, Mr. Chairman, with regard to the example of the Member for Calgary Buffalo about the Consolidated Cash Investment Trust Fund, I might mention that there simply is no issue there at all. He mentioned some difference of \$5,853,674. Again, the very simple, elementary reason for that is that the annual report numbers in the Treasury annual report are on the basis of cash on deposit, and the heritage fund statements are prepared on an accrual basis. If you have a bank account with \$500 in it at the end of the month and on that day you write a cheque for \$50, that doesn't mean your bank account is going to show \$450. As the Auditor General said to this committee, it is absolutely a clear accounting practice and balance sheet, and practices which were followed are totally in accordance with all the accepted guidelines and are perfectly proper in all respects.

MR. SINDLINGER: A supplementary on that. The point I make, Mr. Treasurer, is that if that were in fact the case, the discrepancies would all be in the same direction. However, that is not the case. Some are up and some are down. There is no consistency to support what you have just said to this committee.

MR. HYNDMAN: Mr. Chairman, the government agrees with the findings of the independent Auditor General; apparently the Member for Calgary Buffalo does not. So we have a difference of opinion.

MR. SINDLINGER: Excuse me. For the record, I do not disagree with the Auditor General. The Auditor General is speaking on one case only, with regard to one account where the difference has been identified and the direction ascertained. If that argument were to hold, it would have to hold for every single account and, Mr. Treasurer, it does not.

MR. HYNDMAN: We have indicated two areas where the hon. member has been wrong in his figures and his research.

MR. CHAIRMAN: Are there any more questions for the Provincial Treasurer, because I have run out of a list? The Member for Olds-Didsbury.

MR. KESLER: Thank you, Mr. Chairman. To the Provincial Treasurer: we have been burdened more and more here of late with additional expenses on the Prince Rupert grain terminal, our percentage of participation escalating, and those dollars being heritage trust fund dollars. I hate to get back to advertisement, but we have seen advertisement where this government talks of being an open government. However, when the Minister of Economic Development, Mr. Planche, was questioned about why a grain terminal tender of \$170 million was rejected that would have engineered a terminal which would have handled three times the capacity of the one that's being built at this time, and the \$300 million one was put on stream, no answers were forthcoming. Perhaps the hon. Provincial Treasurer could indicate why that route was taken.

MR. HYNDMAN: Mr. Chairman, the government has complete confidence in the members of the consortium which is involved in the ownership and the construction of the terminal. They made a management decision with respect to building that terminal. The majority owner, by 34 per cent, is the Alberta Wheat Pool. In our view, they and their representatives are competent to make important business decisions, and we believe they have done so in this case. As well, because the other wheat pools and companies involved are putting up significant dollars, we think they have carefully and properly gone over the various submissions.

As was indicated by Dr. Horner in his release of September 7, the three companies involved did not bid on the terminal that was designed by Prince Rupert Grain Ltd. I think that's important. They sent in a late alternative proposal for a terminal that they were going to design. I understand as well that the consortium -- looking at the six of them -- are clearly people who know the business they're talking about, terminal design, and would not have got the terminal they were looking at if they had looked further at this proposal.

So in my view, the cost of the new terminal -- which is \$275 million, not \$300 million -- is one which has been carried forward by a strong management team. We think the management team, comprised of the Alberta Wheat Pool and others who have made that decision, made the correct one. We have no reason to think otherwise.

MR. KESLER: Mr. Hyndman, we are talking about \$130 million difference in construction costs and three times the capacity. Would it not be inherent upon this government to check with private consulting firms and possibly have input into that construction where there are advantages for the companies you're talking about, particularly the Alberta Wheat Pool or the Saskatchewan Wheat Pool, which is also a part of it? Before construction begins, would it

not be the responsibility of this government to find out why there would be that kind of dollar spread?

MR. HYNDMAN: Mr. Chairman, I think it's important to realize that the government of Alberta is not building the terminal. It is being financed and constructed by the consortium, comprising the Alberta Wheat Pool and others. Having been involved as a government and with the Heritage Savings Trust Fund, and very appropriately, in getting the terminal going, I think the question as to the appropriate phasing and timing of construction and who would build it was delegated to the consortium, with the involvement and assistance of Dr. Horner as the director. So we have confidence in those people with respect to the decisions they make about the construction of the terminal.

MR. KESLER: I am disappointed to hear the Provincial Treasurer say that he is not involved in the construction when 80 per cent of the building costs are coming from the heritage trust fund and out of Albertans' pockets.

MR. HYNDMAN: I said we're not building it as a government. We think the private sector can probably do a better job on building and making sure costs are kept to a minimum.

MR. KESLER: However, surely the Provincial Treasurer's Department is responsible to the people of this province to make sure that those dollars are being efficiently and effectively utilized, and that's the point I make. I am wondering if the \$300 million is a final figure or if that figure will be escalating. The reason I am concerned is that we started out with a \$40 million Kananaskis program, that has inflated to something like \$300 million dollars. I am wondering if the same thing will happen with this grain terminal.

MR. HYNDMAN: With regard to Kananaskis, of course, there was a significant number of improvements in the scope and nature of Kananaskis, which is being enjoyed by Albertans this summer. That's an issue I'm sure you've explored with my colleague Mr. Trynchy.

On the terminal itself, my understanding is that the decision to proceed was taken by the consortium, including the Alberta Wheat Pool and the others, on July 12, 1982. The construction cost estimate was \$275 million just prior to a call for tender in early 1982. The status of construction is that site preparation is completed. The budget is \$277.5 million, with a contingency of \$22.5 million, as has been indicated publicly. My understanding is that they are on target and on budget at the moment.

MR. KESLER: Mr. Hyndman, would you make available to this committee all the tender information presented to your department with respect to the construction of the terminal?

MR. HYNDMAN: Mr. Chairman, I have to consider the appropriateness. There would be tender information from a large number of private companies, information perhaps as amongst pools and grain companies which might put others at a disadvantage if it's made public. I'd have to review it first before I could give an undertaking.

MR. KESLER: Would you review it then, make a decision, and possibly let us know?

MR. HYNDMAN: I'll review it and let you know the decision.

MR. SINDLINGER: Mr. Chairman, I'd like to re-emphasize the point made by the Member for Olds-Didsbury. I think it's very valid, and it would be prudent upon the government to give consideration to his remarks and do all it could to provide the information to the Legislative Assembly. The reason I say that is that after sitting on the committee for three years, I recall the initial cost estimates for Kananaskis being \$40 million, the initial cost estimates for the Walter C. Mackenzie Health Sciences Centre -- that cost now being in the \$550 million range. I recall the Minister of Hospitals and Medical Care sitting over here saying, a horrible thing has happened in regard to control over funds expended. The issue is value for money expended. We in the Assembly, you in the government, provide public funds. It's up to us to ensure that we receive value for money expended.

With the cost overruns on Kananaskis and on the Mackenzie Health Sciences Centre, enough money would have been left over to fund that entire mortgage scheme proposed by the government. Enough money would have been left over from those cost overruns to build covered stadiums for both Edmonton and Calgary. I would like to reinforce the request that the information on tendering be made available to this committee, to demonstrate that the government has been prudent and judicious in the selection of those who will be responsible for the construction of those two sites..

As a supplementary along the same vein, I would like to ask what tendering process was undertaken for the questionnaire discussed earlier in this committee meeting. I didn't quite follow that. I thought a firm named Thompson Lightstone was undertaking that heritage fund questionnaire. What tendering process was undertaken for that and for the Baker Lovick advertising campaign?

MR. HYNDMAN: There was no tendering process, as is customary in that industry and others. The Baker Lovick company was retained on the basis of the expertise they had as an Alberta company, a Canadian company. They were asked to conduct a survey, which they did. They retained the Lightstone company, which I believe is from central Canada.

MR. SINDLINGER: I'm wondering why. This isn't the first time this question of Baker Lovick has come up. The issue of tendering for this type of thing came up last year, not only in this committee but in the Legislative Assembly. I distinctly recall the Minister of Government Services trying to explain it, saying that one had to develop a relationship of some sort with these companies. I should stand corrected on that. It seems to me that there ought to be some fixed criteria for awarding government contracts, rather than just saying there's no tendering process and they had the expertise to do these things. I've had representations from other firms saying that in their opinion they had as much expertise, qualifications, and credentials to undertake these things as Baker Lovick, and all they ask is a fair hearing from the provincial government.

MR. HYNDMAN: Anyone interested always gets a fair hearing. I think you would realize that probably over 99 per cent of everything purchased by a government is done on a tendering process. But where matters of judgment, aesthetics, or creativity are involved -- for example, with a lawyer or perhaps an economist, a chartered accountant or someone in advertising. It's certainly not consonant with the concept of a profession, and it doesn't add to the situation. You can't simply have a tendering process with every conceivable service purchased by government, and that's the case right across the country with respect to every government. The question is to get the best value for the dollar. I'm confident that that's what we have with Baker Lovick.

MR. CHAIRMAN: Would the minister be willing to add the medical profession to those who are creative?

MR. HYNDMAN: Yes indeed.

MR. SINDLINGER: Well put, Mr. Hyndman. I'd be interested in finding out another thing sooner or later. Although some of the contracts being let to Baker Lovick would fall under a department's criterion of, say, \$150,000 not being put out for tender, it could receive quite a few of those contracts at \$150,000 or less. Over a period of time, they could add up to a substantial sum of money. I'd like to know how much Baker Lovick has received over a period of time, as opposed to a project basis.

MR. HYNDMAN: If the hon. member will look at the public accounts, I'm not sure which volume, it has the list of all the individual payees of the government for the last 10 years. I think you'll find a very large number of representative Alberta companies of that kind have received a very large number of various government contracts, when you include government and Crown corporations.

MR. PAHL: Mr. Chairman, I suppose I can't help but remark that the estimated cost of Alsands went from \$2.7 billion when first proposed to \$13 billion when last abandoned. So I guess government projects aren't unique.

When we're talking about the committee requesting something, I thought perhaps it would be the committee as a consensus that would make the request. I would suggest that we do that and think about it a bit, because some of these concerns could appropriately be brought before the full Assembly, I'm sure, and not encroach upon our time. I for one would have some reservations about real time requests on the Prince Rupert grain terminal tenders or such related matters when, in my view, they really don't deal with the mandate of this committee.

MR. NOTLEY: Mr. Chairman, first of all a comment. I don't know how anyone could suggest it doesn't deal with the mandate of this committee when in fact a significant portion of the terminal is going to be financed from taxpayers' funds, part of which will be from the heritage trust fund.

May I say at the beginning that one thing I do agree with the Provincial Treasurer on is that I have a good deal of confidence in the management team, a good deal more confidence, I might say, in a management team headed by the Alberta Wheat Pool than in the Department of Recreation and Parks or the Department of Hospitals and Medical Care. Let me be blunt and suggest we're probably not going to have the Kananaskis overruns or the Walter C. Mackenzie overruns. Notwithstanding the fact that the Wheat Pool has an exemplary record in the grain business, and the consortium that involves both the co-operatives and the private sector is a very competent group of people, they are dealing with public funds.

One thing I do agree with the hon. Member for Edmonton Mill Woods on is that were we as a committee to explore this matter any further, I think that would have to be the consensus as a committee. But I think it is important that we find out from you, Mr. Hyndman, or if you aren't able to supply us with the information, that we ask Mr. Planche to come back, precisely what steps were taken on this entire matter when it became obvious that another bid, that was -- and we won't argue the figures, whether it's \$130 million less, or significantly or marginally less. But if we're dealing with public funds, however competent the management team may be, I think we as members of this committee have an obligation to ensure that those funds were expended in the most expeditious way possible.

I want to have you elucidate for the committee what steps the government took. You've mentioned Dr. Horner's role. Was Dr. Horner in fact acting specifically for the government? What role did the Provincial Treasurer's department take, if any, in reviewing this matter? What role did Mr. Planche take as Minister of Economic Development?

MR. HYNDMAN: Mr. Chairman, I'm at somewhat of a disadvantage, because although the Treasury Department certainly was involved in negotiations with respect to the financing of the project, which is somewhat complex and unique, my understanding is that Dr. Horner was retained by Mr. Planche, as the Minister of Economic Development, for the purpose of being the Alberta director. The initiative and the situation over the course of time leading up to the bid was under the Minister of Economic Development, Mr. Planche, though I certainly associate the government and myself completely with his comments to the effect that there wasn't a separate proposal that was within what the group wanted to see built. But I'll leave it to the committee to decide what they want to do further with regard to it.

MR. NOTLEY: I don't want to get into the discussion of the two alternatives, because I realize that the other proposal was a slightly different proposition. Obviously, the management team is going to have to review it. But the point I think is now relevant for the committee, Mr. Hyndman, is to determine what steps the government took upon receipt of this information. If there was any suggestion at all that there could be major savings, I think it's an obligation on the part of the government to ensure that a project financed in large part with heritage trust money, or at least with money backed by the province of Alberta, is constructed in the most efficient way.

We had another example in 1975, as you recall, when the government of Alberta decided to participate in the Syncrude project, on both an equity and a loan basis through the Alberta Energy Company and direct loans and convertible debentures, which we have recently converted. There had been substantial escalation in the cost of that project, from about \$800 million in November 1974 to an estimated \$2 billion. The government took upon itself -- and, I think, correctly at that time -- to assign the Loram group in Calgary to do an assessment on the construction costs. As you recall, that is part of the record. I'm not suggesting that we are at that point yet, but I'm just saying that that is certainly a precedent of a private-sector project which involves significant public funds in Alberta, where there were quite substantial increases in the estimates. I think this committee has to have, either from you today, Mr. Hyndman, or from the Premier tomorrow, a fairly clear indication as to precisely what steps the government took to evaluate this information.

MR. HYNDMAN: Mr. Chairman, I guess my difficulty is that while I can be prepared for a large number of questions with regard to the fund generally and its investment and finance policies, it seems to me the tradition of the committee has been to ask more detailed questions of individual ministers as they relate to individual projects. So it may be someone other than me who could best answer that question.

MR. NOTLEY: Mr. Chairman, perhaps it would be worth noting the concern. I think it would be appropriate if it's raised tomorrow with the Premier, as chairman of the investment committee. Perhaps you might give him notice of that. At that point, it may well be that the matter is important enough that we'll ask the Minister of Economic Development to come back. But I think that would be a matter the committee would wish to consider.

MR. R. SPEAKER: Mr. Chairman, my question was the same. I think the issue has only arisen in the last week in terms of the two different bids that were made. So today was the only opportunity to raise the question as to what really happened and why the consortium made the decision they made. The public response of the minister, Mr. Planche, as has been echoed here, is that the consortium has made a decision; we support it, and everything is okay. But with that large a commitment, I think we as a committee would certainly like more detail.

MR. SINDLINGER: Mr. Chairman, at the meeting held in the Treasury Department, the question was raised in regard to cash flow forecasts. That was not addressed by the Provincial Treasurer in his opening statement. I wonder if that was an oversight or if there was anything to report in regard to cash flow forecasts.

MR. HYNDMAN: I'm sorry, Mr. Chairman. I thought I'd covered all the questions that were specifically asked. Maybe the hon. member could restate the question, and I'll try to answer it now.

MR. SINDLINGER: Mr. Chairman, the question posed by me at the Treasury Department was what cash flow forecasts were undertaken and whether or not we could have a look at the cash flow methodology, if not those for the future coming up, at least those in the past.

MR. HYNDMAN: I'll have to consider that, Mr. Chairman. I don't recall the question, but it's important that we know exactly what we're talking about. Perhaps the hon. member could send me another letter, and I'll see if I can respond to him.

MR. SINDLINGER: A supplementary question in regard to that, Mr. Chairman. In the Auditor General's report it was indicated that there may have been several different reasons a loss would be taken on an investment. One of the reasons might have been that funds were required for other government projects or programs. Did that occur with the heritage fund at any time over the last six years?

MR. HYNDMAN: I can't answer your question. That covers six years, Mr. Chairman. The whole of the investment management philosophy was set out in detail at the meeting we had, indicating what the demands for funds are, where the funds come from, how they're invested, commitments that are known, ones that are partly known, ones that are uncertain. So I can't offer a definitive statement with regard to the last six years. I'm not sure about the appropriateness of the question for this year.

MR. SINDLINGER: Mr. Chairman, could an attempt be made to go back over some period of time -- perhaps not the six years -- and determine whether or not cash flow forecasts, or investment philosophies, or strategies were interrupted at any particular time, causing a trader to take a loss on an instrument, to provide funds to the Consolidated Cash Investment Trust Fund or to any other department of the government?

MR. HYNDMAN: I'll have a look at the -- I'd like to see the transcript, Mr. Chairman. I'll attempt to answer it if I can.

MR. ISLEY: Mr. Chairman, I want to get back into the Prince Rupert terminal for a moment because of some suggestions that we want to call ministers back and so on. It's my understanding -- correct me if I'm wrong, Mr. Treasurer --

that our participation in the Prince Rupert terminal is through loans and debentures to the consortium, as opposed to an equity position. Is that a correct understanding?

MR. HYNDMAN: Yes, they're participating debentures. However one wants to define them -- they may have a possible equity aspect to them, depending on their nature over the years ahead.

MR. ISLEY: Okay.

MR. CHAIRMAN: Are there any other questions for the Provincial Treasurer? Is that it? Thank you, Mr. Minister. We shall see you, or your successor, in due course.

The committee is adjourned until tomorrow at 10 a.m.

The committee adjourned at 3:48 p.m.