

[Chairman: Mr. Kowalski]

[10 a.m.]

MR. CHAIRMAN: Good morning, ladies and gentlemen. Welcome to the 21st day of meetings of the Standing Committee on the Alberta Heritage Savings Trust Fund Act.

Mrs. Davidson, our committee secretary, has circulated to all members minutes of the meetings of September 19 and 20, Hansard for the two meetings of October 3, as well as press clippings to October 1, 1983.

We have with us this morning Mr. Peter Lougheed, the Premier of Alberta, for his annual appearance before the committee. Mr. Premier, we welcome you. If you have some opening overview comments to make, sir, please proceed. If not, we will go to direct questions from committee members.

MR. LOUGHEED: No opening comments, Mr. Chairman.

MR. CHAIRMAN: Then I recognize Mr. Speaker, Mr. Notley, Mr. Moore, and Mr. Anderson.

MR. R. SPEAKER: Mr. Chairman, to the Premier. In the 1982-83 report, that we are focussing most of our attention on, on page 7 we talk about where the funds come from. In terms of our recommendations as a committee as to the use of the heritage fund in the future, I think that question is very important at this point in time. I note that within the committee we have some 40 recommendations for various allocations from the fund. It seems like kind of a blunderbuss approach we're trying to use towards economic growth, and so on, in the province. If the future of the fund is unclear and the pressure that's going to come from the General Revenue Fund of this province is rather unclear to the committee, it may not be responsible on our part to recommend or even support a massive list of investments from the fund, because maybe we haven't got the capability of carrying them out.

With those few comments, Mr. Chairman, I'd like to ask this question of the Premier. As I observe and review not only this report but the quarterly reports to June 30, 1983, I see that we as legislators have four, possibly five, options at our disposal. I would appreciate the Premier commenting on how he sees these options at the present time. First of all, we could continue to divert the 15 per cent, which is some \$.75 billion, to the fund. Secondly, we could continue diverting the investment income of some \$1.5 billion to general revenue. That policy terminates, as we all recognize, on September 1, 1984, which means that in our next budgeting discussion, that becomes a very important decision. The third option is to continue diverting 15 per cent to the fund as well as leaving, after September 1, 1984, the investment income in the fund. Fourthly, we could discontinue the 15 per cent from the fund and leave the investment income for fund expansion. I said there was a possible fifth option, and that would be no further diversion to the fund of oil and gas and other forms of revenue and, as well, no retention in the fund of investment income.

Those are five possible options that I see us facing. I would certainly appreciate comments from the Premier with regard to those.

MR. LOUGHEED: Mr. Chairman, it's a very useful question. In part it was responded to, I believe, by the Treasurer when he appeared before the committee on August 30. The difficulty of course is that the whole concept of the fund is to receive revenues from natural resource returns of royalties, primarily oil and natural gas. Of course those are highly variable, as we know, in terms of amounts. As a result, my comments have to be subject to those variables.

There may be other options, but certainly those would be five of them. We have to look at the fact that the present legislation, which would expire in September '84, would revert to the original situation in which we kept the investment income within the fund and allowed it to accumulate, and returned to a position where there was a flow of 30 per cent of resource revenue rather than 15 per cent. That is of course the first option, because that's the option of the existing legislation.

The next one would be — I'm not quite sure I have this in the sequence that the hon. member raised — to leave the investment income in the fund and allow it to accumulate, but to alter the 15 per cent flow into the fund. That is an option that can be looked at. There can be the reverse of that, which is to continue with the 15 per cent but leave the investment income still flowing into the General Revenue Fund. Then of course there is the option of reaching a conclusion that there are inadequate resource revenues and that there can't be further funds coming from resources into the Heritage Savings Trust Fund.

The difficulty with the last one, as the Treasurer noted in his appearance before the committee, is that there are commitments, particularly in the capital projects division and with regard to the Prince Rupert terminal, that have to be met. Those commitments are there. There is also the commitment — which, I suppose, could be altered — of funding the Alberta Opportunity Company and the Agricultural Development Corporation through the Heritage Savings Trust Fund, which is within the objectives and purposes of the fund. That's an option: to continue putting funds from resources into the heritage fund for capital projects division commitments only and to alter everything else in terms of handling them on a General Revenue Fund basis.

I don't think I can give the hon. member or the committee any assistance in terms of our evaluation of those policy options at this time because of two factors: number one, the very important factor of assessing the wide variables in resource revenues, particularly in terms of natural gas; secondly, because we haven't gone through the budget process yet for our fiscal year commencing April 1, 1984. It would be at the time we go through that process that we would have to look at the situation of the magnitude of our deficit and reach a conclusion then whether we would want to bring forth amendments next spring to the Legislature to either extend the current position for a period of years or not.

MR. R. SPEAKER: Mr. Chairman, to the Premier. I can understand the process that must go on in terms of the budget. From the Premier's own observations in terms of the fund, does the Premier see the capability within government to the option of diverting the 15 per cent and maintaining the revenue in the fund as a possible option for the 1984-85 fiscal year? I think that would be important.

I raise this on the basis that the expectation of many groups in the province — education, municipalities, operating hospitals and health care — is that in Alberta, we have the heritage fund to fall back on. This expectation and mind-set is within the Alberta population. Somewhere along the line they must come to the realization that the potential of picking up the extra costs, what they would consider a normal expansion, is always there for us in the heritage fund. My question to the Premier really is: can Albertans expect that, or will that mind-set have to change?

MR. LOUGHEED: Oh, I think it has to change, and I think it is changing. Starting in the first part of 1983, in a series of measures, including our budget of March 1983, I think we did quite a bit to reduce the expectations of our citizens and to communicate to them that we now have, by far, the largest budget per capita of any provincial government in Canada and that we are into a multiyear restraint program. That will continue. I think that communication is spreading.

I also sense — and I hope I'm right about this — an expanding, not only awareness but acceptance, that we have to restrain our public expenditures in this province; that that's there. As a result, I think it's important for those few in our population that try in the

year 1983 to reach out and use the heritage fund as an excuse for expanded expenditures — I think the Treasurer has effectively pointed out on a number of occasions, in his budget address and in his appearance before this committee and elsewhere, that that just simply isn't possible. We are now directing only 15 per cent into the fund. We are now directing from the fund a cumulated income, which is substantial, some \$1.5 billion a year, into the General Revenue Fund. Even with that, we're in a situation in which we have a very large deficit, that I'm sure is troublesome to all Albertans, and we have to look at that matter.

There is also the point, which the Treasurer has effectively made on many occasions, that the 15 per cent flow of funds into the Heritage Savings Trust Fund is already fully committed, at least for the next few years, primarily because of the commitments in the capital projects division, as I mentioned in my earlier answer. I point out for an example the commitments to completing phase two of the Walter C. Mackenzie Health Sciences Centre, which I think is the largest one.

MR. R. SPEAKER: Mr. Chairman, to the Premier. In light of your answers, the general attitude of government at this point would be that in terms of any new programs from the Heritage Savings Trust Fund, they would be few. The emphasis would be on taking the responsibility of the commitments already made.

MR. LOUGHEED: I think that's fair, and that's something I hope the committee will look at. There may be elements within the capital projects division that could be phased out more quickly and replaced by new elements, but it would only be a phasing out of existing elements within the capital projects division and replacement by others that would be possible under the current financial circumstances of the government.

MR. NOTLEY: Mr. Premier, first of all, let me just take you back to your comments on television in September 1982, in which you indicated that at that time you saw the heritage trust fund playing a role in assisting Albertans who were experiencing a rainy day. During the course of the provincial campaign, I think it's fair to say that towards the end of it you felt that the outlook for the economy had improved somewhat. On March 11, 1983, I asked you what empirical evidence you had to come to that conclusion. You cited the Conference Board quarterly report of last fall.

In looking at the most recent Conference Board report, Mr. Lougheed, I think there are some aspects of it that are troubling and, I think, would trouble people regardless of their political vantage point. For example, there will be no increase in the real domestic product in 1983 — the only province in Canada where there will be no increase, according to the Conference Board; a very significant increase in the unemployment rate — of course we all know that; the lowest increase in retail sales of any of the provinces in Canada: some indicators that I think are troubling.

Given the fact that we loosened up the trust fund last fall before the election, but also bearing in mind the comments you've made in answering Mr. Speaker, in your judgment what areas of initiative are possible from the trust fund at this stage to deal with the lamentable state of the Alberta economy?

MR. LOUGHEED: I would respond in this way. First of all to refer the member to page 8 of the Budget Address, with relationship to the Alberta economic situation and outlook, and to note that we stated at that time that:

Three energy events came to a head in the past few months and have delayed Alberta's economic recovery:

Firstly,

the world and United States demand for energy, especially oil, declined sharply;

Secondly,

the inability in January of the Organization of Petroleum Exporting Countries to reach agreement on production quotas and prices set in motion a downward trend in world oil prices; and

Thirdly, the most important of all,

low priced residual fuel oil in the United States captured a significant portion of Alberta's industrial market for natural gas.

So as we pointed out in March in the Budget Address, and on other occasions, these rapid developments caused a deterioration not only in the financial position of the Alberta government but in terms of the prospects of its recovery.

Two weeks from now in the Legislature I intend to deal at length with the Alberta economy, so it wouldn't be appropriate to go over that ground here, except in a direct answer to the hon. member's question and its relationship to the Heritage Savings Trust Fund, I'd say two things. First of all, the economic situation within the province can't be resolved by the Heritage Savings Trust Fund. It is a "rainy day" fund that has done an effective job in easing the impact upon the home-owner, the small business man, and the farmer with regard to interest rates. It's done an effective job in deferring or delaying tax increases, at least for a short period. It's done an effective job in stimulating activity in certain areas. But the Heritage Savings Trust Fund isn't going to resolve the economic recovery situation in this province. Therefore, it shouldn't be looked at on that basis.

As I've said on many occasions, this province was overbuilt and overextended in a number of important sectors during previous years. We're going to have to go through a period of modification and adjustments, and I believe the people of Alberta have the confidence and the ability to respond to those circumstances.

MR. NOTLEY: Mr. Chairman, to the Premier. I don't think anyone is arguing, Mr. Lougheed, that the trust fund is going to solve all the problems of the people of Alberta. The question is whether or not initiative can be taken and what initiatives should be taken. I note, of course, the comments in the budget this spring. But also noting the Conference Board report -- and I trust that you consider this a very important source of information because, as you advised the Assembly at the beginning of March, that was a large part of the basis on which you campaigned before the people of Alberta. That being the case, I'm sure the information in the Conference Board report is significant from your vantage point.

Bearing that in mind, Mr. Lougheed, the observations made in the report indicate that while there might be a slight improvement in the oil and gas situation, a major reason for the sluggishness in the Alberta economy is a downturn in construction activity, which we all know -- a 7 per cent reduction in 1983 -- and a decline in retail sales. I shouldn't say a decline, Mr. Chairman. To be absolutely accurate, there's going to be a modest increase but the lowest increase of any of the provinces, according to the Conference Board report.

Bearing those two factors in mind -- and when we talk about construction, we look at capital works projects -- are there projects that we could finance at this stage which would ameliorate the unemployment problem and which would get better value for our money at this juncture, and would in fact contribute to a higher employment situation and thereby improve our retail sales outlook?

MR. LOUGHEED: No, Mr. Chairman, I do not think that would be sound public policy. We already have a very large deficit, and we have a very large capital program. It is true that we're getting value for our commitments and expenditures on our capital program as a result of competitive bids. And that's good, because it offsets to some extent the commitments that were made in previous year budgets under highly

inflationary periods. But we already have a very large capital program. The infrastructure is one of the great strengths of this province, although more can always be done. We have an infrastructure, in terms of education facilities, hospitals, and roads, that's far ahead of the rest of the country.

We have difficulty with regard to construction — primarily in the commercial field, somewhat in the residential field — because there was overbuilding over the period of the last four or five years. We simply have to adjust and modify that. These were decisions made by the private sector. So there's no way, in my mind, that the government of Alberta would be using its fund soundly to try to sustain that level of construction which was clearly overbuilt.

On the issue of retail trade, I believe that is one of the difficulties of short-term economic forecasts. Our government doesn't approach these things in the short term. I don't have the data in front of me, but the Treasurer was briefing us the other day on an economic review. The actual fact is that, because of the high personal income position of the people of the province of Alberta, the actual expenditures per person on retail trade in this province exceed that of the citizens of every other province on a comparative basis.

MR. NOTLEY: I'm sure we'll have an opportunity to debate that in a couple of weeks' time, Mr. Premier.

The third question I have — and if I have an opportunity, I will come back to it. I want to look into the future for a minute. We've had discussion in this committee, and Mr. Planche has made reference to it, on getting into high tech industries in the future. Your colleague in the province of Saskatchewan has made a number of speeches about Saskatchewan's initiatives in that area. Is there not some danger of mixed signals in the market place in that area? Are we ensuring that we have a basic anchor industry to make high tech feasible? Have we, for example asked Vencap to do something as simple as a market survey in the oil patch? If we're getting into computers, an anchor industry for high tech would obviously be the oil patch. It seems to me we've got a major use of high technology equipment in Calgary.

In looking at this area of diversification, instead of just saying to individuals who may want to get into it, you go ahead and do it, to what extent has the government done the kind of market survey which, frankly, Small Business and Tourism does in the small communities of the province to determine whether or not they need a barber shop or whether there's an opening for a garage or a restaurant — the kind of thing the department is doing on a smaller basis throughout the province. To what extent have we asked some agency of government to do that kind of market survey in the area of high technology?

Along with that, let me also ask you whether or not you feel that some of the criticisms of Vencap with respect to the size of commitments are justified. I realize there is a provision in the prospectus that indicates it can be less than \$1 million.

MR. LOUGHEED: With regard to Vencap Equities, I think the Minister of Economic Development has made it clear that we have set it up on an arm's length basis from government and wouldn't be directing them what to do. That wouldn't preclude us from making suggestions of course. In the process of our assessment of economic strategy — and I'll elaborate more in two weeks — we're looking at the area of high technology and at our science policy. But we're of the view that although it's an important area, and we've made very significant progress in that area over the course of the last number of years, there is more to be done and more in which the government can act as a catalyst in expanding our efforts in that area.

The only concern I have when we concentrate on this field of high technology is to make sure that Albertans do not think that it's a panacea. It's a very important building block for the province in terms of its economic strategy, but it is not going to resolve the

basic fact that Alberta is a commodity resource area and that we are going to be faced with market place variables of our major resources, be they agriculture products or petroleum products, and that's the reality that we have to face and must continue to face up to.

MR. R. MOORE: Mr. Premier, out in the public there is a misunderstanding of the purpose of the Heritage Savings Trust Fund. There is one concept that it's a rainy day investment for future generations, and there's a definite thought that it's a vehicle of diversification of our economy. I'd like to have some clarification on that. What is the purpose of the fund?

MR. LOUGHEED: I'd like to respond to that in this way. I refer the hon. member and the committee to the actual Bill, which was assented to on May 19, 1976, because I've been troubled with some of the comments that have been made with regard to the Heritage Savings Trust Fund as to its basic purpose. What has been missed, I think, is that it's very unusual for legislation to have a preamble. But we intentionally put a preamble in this particular Act. And what does the preamble say? It refers to the fact that we were at that time receiving substantial revenues from the sale of non-renewable resources owned by the people, that they're of limited supply and will ultimately be reduced, and that it would not be wise to spend all the revenues as they are received. Therefore the Legislature considers it appropriate that a substantial portion of those revenues be set aside and invested for the benefit of the people of Alberta in future years.

So it is a rainy day fund. It is a fund to help us through a transition period as there is a decline in the production of oil, for example. But it is also a fund that if circumstances change, as they did in 1980 to '83, we're in a position, as we determined a year ago, to respond to those special circumstances and use it as a rainy day fund. That's the basic purpose. It's an investment fund with a rainy day aspect to it.

The question of economic diversification is very secondary, and that would be clear if you looked at the Act. It's clear that it's there under the Act, under section 6 with regard to the Alberta investment division. But that's there as an element. To clarify it we made the amendment in the Act to refer to the fact that with regard to the Alberta investment division, it's to strengthen or diversify. The reason for that is that it's the view of the government that you don't solve economic diversification simply with money. Some people hold to that view. We don't. We think there are appropriate times when we can invest money, such as in the medical research foundation, in a grain terminal in Prince Rupert, in irrigation, and in other ways that will diversify the economy of our province — and we have done that. But we don't feel that the basic purpose of the fund is that it can be, except in a very specific way, one that can resolve problems of economic diversification.

The challenge of a provincial government in Alberta, which we think we've met very well and must continue to meet, is to broaden the base of our activity in this province, building upon our primary industries, and act as a catalyst in many cases for economic activity. I might use as an example, Mr. Member, the fact that probably one of the more important areas of economic progress in terms of diversification has been the petrochemical industry. Yet the government of Alberta, except in an incidental way acting as a catalyst, didn't expend funds in that particular case to create the diversification.

So if there needs to be clarification, I want to refer to this answer: look at the preamble to the Act; that's where the intention of the fund was in 1976 and is today.

MR. R. MOORE: Thank you, Mr. Premier. I'm glad to hear you say that money can't buy prosperity or diversification, that there are other things involved. A lot of the public have the idea that the solution to all our problems is infusion of vast amounts of money,

which I don't think corrects it. We do get a lot of demand for more diversification with the funds from there. But now that you've clarified that area, that it is a rainy day or savings fund and that diversification is a smaller element in it, I think this will bring the idea of the public and the demands of the public back into perspective. I'm glad to hear this is the role it's to play. Thank you.

MR. ANDERSON: Mr. Chairman, to the Premier. My questions were dealt with to some extent in your answers to Mr. Speaker's questions and others. But just for clarification: in your indications that there was little flexibility in the fund for future capital project investment in particular, does that answer directly recent media reports that would indicate that there's some consideration being given by government to investment in research projects, particularly in the high technology area?

MR. LOUGHEED: Mr. Anderson, I don't think it would preclude investment under the capital projects division in certain areas of research. As you know, that's already done to a fair degree. The Alberta Oil Sands Technology and Research Authority is a classic example, as is Farming for the Future. So there's a fairly heavy element of research currently within the capital projects division. As we evolve our science policy, there may be a redirection of priorities and there may be an appropriate role for either an alteration in the present commitments of the Heritage Savings Trust Fund towards research or a possible expansion of them, although I am cautious about that for the reasons I explained to Mr. Speaker.

MR. ANDERSON: Mr. Premier, further to that, would you suggest that if this committee, in looking at projects, were to determine that research and high technology, as an example, should be a priority, we would have to look at the corresponding phase-down of other projects within the capital projects division in order to accommodate that kind of direction?

MR. LOUGHEED: Again, that's a difficult question, because it will depend upon the answers to the questions Mr. Speaker raised, as to our ability to continue to move at least 15 per cent of revenues into the Heritage Savings Trust Fund. If we feel we can continue to do that, then of course there is some scope. Projects like the Mackenzie Health Sciences Centre are reaching a stage where the cash demands will be declining pretty rapidly, so there is some scope there. We should not be too discouraged on that. If there are some specific areas which this committee or other groups within the public feel would facilitate the development of high technology in the province, we should welcome those suggestions and recommendations.

MR. ANDERSON: Mr. Chairman, just one further, somewhat unrelated, question. With respect to your recent tour of the Far East, Mr. Premier, did you glean from that any particular new emphasis that we should be taking in Alberta, specifically as it relates to the fund, recognizing of course that it is a savings fund rather a diversification one, primarily? Still, are there any directions that came out of the trip that you would suggest we take a look at?

MR. LOUGHEED: In relationship to the fund, that wouldn't be so. I intend to deal with the matter of my trip to Asia before the Pacific Rim Opportunities Conference in Calgary on Friday and then again in the Legislature two weeks from now. But no, it wouldn't relate directly to the fund.

MR. CHAIRMAN: Mrs. Cripps, before we go to you, I would like to acknowledge the presence today in the members gallery of a former, long-standing member of this Assembly, Mr. Robert Clark.

MRS. CRIPPS: Mr. Premier, the Economic Council of Canada, in recent statements, has tied economic recovery to low interest and low inflation rates. What effect to you see of high interest and inflation rates on the Canadian economy, and how does that affect Alberta?

MR. LOUGHEED: As you know, there are different views with regard to the impact. We have just seen a recent report — I think it was Data Resources — that I believe took issue with the Conference Board on that. Certainly real interest rates are historically high, and that is troublesome. I think it's probably the major variable in international economic forecasts because, quite clearly, the situation of monetary policy in the United States was what, to all intents and purposes, created the major economic worldwide downturn of 1982. We therefore have been watching very, very carefully the debate in the United States in terms of the magnitude of the deficit of the United States government and the determination of the United States Congress to respond to the magnitude of that deficit. There is the belief that if the deficit is either sustained at very high levels or in fact increases, pressure will be on the federal reserve bank in the United States to increase interest rates. That might choke the current fragile international economic recovery.

Canada is clearly affected, in the most direct way, by those decisions. Our economy is growing — and I will come to that two weeks from now — in certain segments of our country, solely and almost exclusively as a result of economic recovery in the United States, and it's fragile. We in our country compound the problem by having such very large deficits by governments, including this government. We compound the problem, too, by having such a large percentage of our gross national product in the public sector. So there is no way we can be immune from it.

On the other hand, I don't want to give a pessimistic point of view. My feeling would be that there is a recognition by the authorities in the United States, in both the administration and the federal reserve board, that any significant upward movement in real interest rates would in fact choke the fragile economic recovery and would spill out internationally, with worldwide implications.

So I am of the view — and of course could be proven wrong — that they will be very careful about this, that over the course of the next year or so, we will not see dramatic economic recovery but will see solid economic recovery worldwide. This is a forecast that I have, and if that is so, Canada will see a relatively stabilized situation in terms of interest rates. But it is something that has to be monitored month by month.

MRS. CRIPPS: A supplementary, Mr. Premier. The interest shielding program assured stability for two years for small business, farmers, and home-owners. In the Heritage Savings Trust Fund, I don't think we want to continue to subsidize interest rates. What would your position or suggestions be to assist in this kind of stability without subsidization?

MR. LOUGHEED: That's a question we haven't faced up to yet, and we will have to during the course of this winter and spring. As you know, the programs were of a two-year duration and they end at the end of August 1984. We haven't reached any assessment. We think the program was invaluable in terms of our citizens, our farmers and our small businessmen, in getting them over the hump of that particularly high interest rate period. The response to it has been very positive.

Remember that when we announced that decision on September 7, 1982, interest rates were averaging about 17 per cent. We will have to assess that as the year goes on. At the moment, the intention is for the program to terminate at the end of August 1984. That's where we are as of today.



MRS. CRIPPS: During the period that you mentioned, when interest rates were 17 and 18 per cent, the federal government did not seem to have a feeling for the devastating effect of the interest rates on the Canadian economy. Do you think that's changed?

MR. LOUGHEED: There was one development that surprised me. Because interest rates were declining in a fairly rapid way after August 1982 and after our September 7 announcement, it wasn't perhaps picked up. But I was intrigued by the fact that the premiers, when we met at our conference in Halifax in August 1982, continued their pressure from the first ministers' economic conference of February 1982, to get the Canadian government and the Bank of Canada to recognize the difficulty we had if they kept any significant difference between interest rate levels here in Canada as compared to the United States solely for the purpose of propping up the value of the Canadian dollar.

There were some who took the view at that time that we were wasting our breath or our efforts. But it is interesting to me — and this happens so frequently in federal/provincial relations — that they say they're not going to do it because the premiers are suggesting it. Then over the course of a few months, they go about very quietly doing just that. So to give due credit, belatedly, the Bank of Canada altered its policy and its position so that the margin of difference between interest rates in the United States and Canada was reduced.

MR. HYLAND: Mr. Premier, my question is related to the study that we discussed with Mr. Payne when he was before the committee. Part of the study reflects that — and I quote from part of it — significantly more Albertans, 46 per cent in 1983 versus 40 per cent in 1982, currently believe that the heritage fund revenue comes from taxes placed on the sale of gasoline at gas stations in Alberta. This misconception is strongest among the 18- to 24-year-old age group — 55 per cent — and smaller urban and rural farmers at 49 per cent.

Mr. Premier, how can we change and turn this percentage around? It seems like it was growing on us, in spite of the work that we all tried to do to inform people about how the fund is composed and how the money arrives in it. I would appreciate your reaction, because I have a motion — number nine on our recommendations — relating to this. The part that concerns me is that it's strongest among 18- to 24-year-olds. These are the people who will soon be our decision-makers. I would appreciate your reaction to that.

MR. LOUGHEED: I must admit that I have always looked at polls and surveys somewhat cautiously, but that was a figure that really astounded me. I'm really puzzled by it, Mr. Hyland. I have that page in front of me, page 68: significantly more Albertans — 46 per cent in '83 against 40 per cent in 1982 — currently believe that the heritage fund revenue comes from a tax placed on the sale of gasoline at gas stations in Alberta. That is really something. Obviously we're not doing a very good communication job; there's no question about that. We must be doing it very poorly. It goes on to say that in both years of the study, approximately one in four mistakenly believe that income taxes are the heritage fund's main source of revenue.

I think it has to reinforce our determination to press forward with better communication. On page 63, I note that in Edmonton, the level of unaided awareness of natural resources as a source of revenue is currently much lower compared to other centres. So the situation is particularly acute in Edmonton, as well as with the age group and with small farmers.

We obviously have a lot of work to do in communication if the misconception is as high as that, particularly when most people seem to understand the existence of the heritage fund — 91 per cent support the idea. We felt there was a general endorsement of having a Heritage Savings Trust Fund and the benefits it confers upon Albertans. But as we move through this process, if those misconceptions are sustained we're going to be

in a difficult position in the future, in terms of trying to explain the sort of issues that have been discussed here this morning.

Of course, as you know, I just got back and haven't had an opportunity to discuss it with Mr. Payne, but it certainly reinforces my commitment. We have to do a better communication job.

MR. HYLAND: I guess the next question, then, is how we can do that job. Here we're faced with 46 per cent believing it comes from a tax placed on the sale of gasoline. I think we have a double thing going here, because we don't have a tax on the sale of gasoline. I guess we have a real job to do.

MR. LOUGHEED: We have a real job to do. As you say, it has a double factor here. You not only have the misconception of the Heritage Savings Trust Fund but the government's in the position that a fair number of citizens think we're levying a gasoline tax. So we have a double job to do. I don't have any answers this morning. I do know it's a matter of concern and that we have work to do to improve our factual communication.

MR. NELSON: Mr. Premier, some years ago the government initiated Alberta Energy, and shares were sold to the public in the market place — very successfully I might add, but not necessarily of a high risk nature. Now we've entered into the venture capital area, where the government has placed \$200 million into a fund, and the public has also shown similar confidence by investing significant moneys into a high risk area. I might add that it's been substantially oversubscribed. Can you give us a view of how you see Vencap participating in our recovery, and also the confidence investors from the public and private sector have shown in investing in such a high risk venture?

MR. LOUGHEED: First of all, I believe we're going to have solid economic recovery soon, depending upon natural gas markets in the United States and other commodity markets throughout the world. They're the variables. In the immediate term, I don't see Vencap Equities being able to significantly affect what we were referring to in October of '83 as economic recovery. I think the process of developing that entity will be somewhat comparable to the process of developing the medical research foundation. It will take time to organize itself and develop priorities, and each one of the ventures themselves are also of a nature that they will take time to mushroom into economic activity of significance. I believe Vencap Equities has a very long, 10- to 15-year, time frame here that should be looked at in terms of its impact upon the Alberta economy, not looked at in the short term.

I would have to concede in part that the role of the province in terms of the subscription played a part in the vast oversubscribing of the issue. But I would also have to say that it is a further piece of evidence that the doom and gloomers in the province, as expressed here, are not in the large majority. Most people in this province have confidence in Alberta and its future. They recognize that we had an overheated economy, and they're not taken in by short-term statistics. They believe the economy of this province is solidly based, and that we will be a very strong leading province in the economy of Canada in the near term. So I think it's another evidence of confidence in the Alberta economy by investors — our own investors in this case, I might say.

MR. NELSON: That took away part of the second question I had, related to the general attitude of the province, that being the confidence of the citizens of the province in determining that the economy will recover and that they have that confidence. You've certainly answered that.

I have one further question, Mr. Premier, if I might. It's regarding the limit placed on Vencap, although with some flexibility, wherein \$1 million has been identified as a minimum for businesses. There has been some concern by small business, in particular in

the electronics industries where some of these smaller businesses may require assistance to the tune of \$50,000 to \$100,000. The way Vencap is set up, it is felt that the million dollar figure is not needed and places these smaller businesses at a disadvantage with the medium to larger type. Using the same industry, electronics, it gives them some disadvantage. I'm just wondering what flexibility is built into Vencap to assist some of these small businesses rather than those medium to large, in the short and the long term.

MR. LOUGHEED: It's an important question. The policy statements that have been made there have caused me some concern. To be fair, Vencap obviously wants to be a successful venture. The degree of expense in analysing very small new approaches or new products is of course a difficult matter, because if they're very small, sometimes the expense can exceed the profitability for a significant period of time. But, Mr. Nelson, I think you're onto something. In certain areas it may not be the size of the individual application. It may be that there are a multitude of small ones that fit within one scope or one decision. I hope that the Vencap board would read the transcript of this discussion and would assess being too hard and fast on that policy position. If we read them as being too hard and fast or too inflexible on the decision, then I think there is an appropriate role, through some other agency of the Alberta government, to reassess a need that's not being met.

MR. ALEXANDER: Mr. Premier, I was pleased to hear you read the preamble to the Act, and I'd like to ask a question which is very broad and which I think you have already touched on to a large degree. Maybe you could expand on it in a slightly different context. You did emphasize, as the Act does, that it is a savings and trust fund to be invested for the future. The investment for the future carries with it the clear implication of fiduciary responsibility, and I just want to get your view on that element. Leaving aside the capital projects division, which is not intended to earn, let's say, a financial rate of return — and I have no difficulty with that at all — I'm just wondering if you could expand a little bit in terms of whether you see a certain blurring of the lines of responsibility here for the fiduciary who is maintaining the investment integrity of the fund and the demands that are being placed on the fund for what we're calling rainy day or short-term solutions to problems, and perhaps even second to that, making investments which seek to do certain things at rates below the current market. In other words — you've touched on this before — there is a fiduciary responsibility, which implies long term, and there is a demand on the fund for short-term solutions, rainy day type reactions, and other investments which are made at below market rates.

Could you just give me an idea as to how you see those two what appear to be conflicting demands on the fund?

MR. LOUGHEED: There's no question, Mr. Alexander, that that's the real difficulty with the fund and the real challenge to the investment committee and to the Legislature. As you mentioned in your question and comment, if you leave aside the capital projects division, on the other 80 per cent we have a fiduciary responsibility to try to maximize the yield or return. I think you're aware that in the past year, the net investment income was up 47 per cent — I suppose you can tie that back to both market and interest rates — and the rate of return measured at cost increased to 13.9 per cent. So those are pretty positive figures.

But we know other factors are involved. I suppose the difficulty is that our fund is so unique that it's almost impossible to measure it in terms of any comparable funds. So we always face, first of all, the test of how well we're doing meeting that fiduciary responsibility. It seems to me that in each case of investment decision, we're trying to grapple with your question. I can recall that the best example of that, which is right on the point, is the Prince Rupert terminal, where we reached a conclusion that we simply couldn't put in the fund what was essentially participating income bonds, because they

really didn't meet the obligation and the fiduciary trust, and for that reason had to be related to the General Revenue Fund. We faced right on that question there. I can remember it being discussed. The nature of the discussion was that we made that decision on the Prince Rupert terminal in terms of other economic factors; that is, improving the position of our farmers' net return. So it was really an economic policy decision, certainly not a fiduciary financial decision. So we said: we can put in that portion of the financing that fits the market place, but we can't put the other half in.

So the best answer I can give you is to give you that example. We have to constantly be on our guard for the pressure we're under to make investments that don't come within that responsibility. And the pressure is on all the time.

MR. ALEXANDER: Thank you. I agree with you; I think it is. One of the ways in which it's on all the time is this whole problem of public perceptions of the fund. My second question has to do with those perceptions. I think Mr. Hyland's question about how the public conceives that the funds get into the fund is a clear illustration of the problem. My second question sort of relates to that, in that the investments in the heritage fund presently more or less cover the waterfront — if that's the phrase — and the perception of the people is out there that the heritage fund is there to diversify the economy and solve economic problems of various types.

My next question really is: won't further investments, further programs, or further efforts on the part of the heritage fund in fact increase the perception out there that it's the responsibility of this government, using the heritage fund, to accomplish diversification — not just to help it, but to accomplish it? That's what I'm hearing from a lot of people out there. The question recurs over and over: why aren't you people using the heritage fund to diversify the economy? It's enough to drive you crazy. You can point out that over the last 10 years, the economy has diversified remarkably in some ways — on its own, if you like. None the less, in the minds of the people we're charged to diversify the economy.

Since there is such a broad range of investments in the fund, wouldn't it help to straighten out the perceptions of the people out there to do the kinds of things we're doing — as you quite rightly pointed out earlier — in the government that show them clearly that the answers can't come from here forever, that we have to sort of reduce their expectations in terms of the role government plays and perhaps reduce their expectation about the things the fund can do, perhaps flash them a signal that we've got to stop giving the wrong idea that the heritage fund is the answer to economic diversification? You've already touched on that, and I apologize for being so long about the question. But I really have the idea that each investment we make, each thing we try to do actively, increases people's perceptions that we're going to do more and that we have in fact taken on the responsibility for diversification.

I wonder if we shouldn't sort of draw the same line on the fund we've drawn, say, in medicare, hospital user fees, or whatever, and say: we can't do it all; you've got to take the initiative and read the signals in the market place.

MR. LOUGHEED: I agree with most of the thrust of your question with the exception of your use of one word, Mr. Alexander, when you said "flash" across, because I think that's our problem. It's an ongoing communication problem, which we have to do better. I've tried to use this occasion before the Heritage Savings Trust Fund in response to Mr. Speaker, Mr. Notley, Mr. Hyland, Mr. Anderson, and others, to in part deal with that. To go back to the poll Mr. Hyland referred to, when asked whether they would like to see money from the heritage fund spent — I have to check to see whether or not the questioner did in fact use the word "spent" — the highest response was for job creation. That's natural, because there's a concern about unemployment. So they're going to say: let's have the fund resolve it.

We're having a number of difficulties. The first is that we're not doing a good job of

communication of the difference between investment and expenditure until we get across to the people that you are investing a fund and then it's the income from that fund that permitted us to have the mortgage interest reduction program. So in my judgment, the first element of communication you need to avoid these misconceptions is to get across the fact that you've got to invest the capital of the fund, other than the capital projects, at a good base — and it's now \$1.5 billion, which is pretty good — and then you can use that income to meet special programs.

That's a very different thing from the question of the implication or view you've expressed in your question, that has been expressed by others, that we can somehow use the fund itself, other than the capital projects division, to solve economic problems of a current, short-term nature, such as unemployment or economic diversification. We don't think we can. We think it can facilitate economic diversification, but it isn't going to solve it. We think it can facilitate economic recovery, but it isn't by itself going to do it. Therein is the problem. As you also put well in your comment, the more we do to facilitate, the more difficult it is for us to change the perception that that's secondary and not primary in terms of the fund.

MR. ALEXANDER: Mr. Premier, I think that's critical, and I think what you just said is very important. I am not optimistic that we can improve the level of understanding in the minds of the general public of the difference between the investment versus the expenditure of the fund. But that doesn't worry me particularly.

MR. LOUGHEED: But we should keep trying.

MR. ALEXANDER: We should keep trying, but I think we may arrive at the same place we did with the income.

None the less, even using the investment proceeds of the fund — I think you just touched on this, and no one disagrees that we should not touch the capital of the fund — to reinvest or to do programs, heightens the perceptions we're dealing with. I think the term you used earlier on, and the term the Minister of Economic Development used and for which I have congratulated him many times over, is the role of catalyst. If we can use that income to facilitate or to act as a catalyst so that this development takes place, then I think that's a bona fide, legitimate, and useful function that doesn't increase the perception of people that we're going to carry on and do it ourselves. But there's a difference between that catalyst and facilitating function and investing in more programs. That's the only point I want to make.

MR. LOUGHEED: I think the best example — I suppose there may be other examples, but the one that quickly comes to my mind that fits that catalyst role is the Alberta Oil Sands Technology and Research Authority. It's a significant amount of money. It is in the capital projects division, it does improve the long-term investment position of the province, but it is a catalyst role. I agree with you. I think we have to even more intensely assess decisions that are involved either on a program basis by the government or towards the catalyst role.

MR. NOTLEY: Mr. Chairman, just to follow along this general line of questioning for a moment. I was interested, Mr. Lougheed, in your response earlier that while you didn't rule out some minor diversification, you felt that the long term of the province would be related to the sale of commodities, emphasizing — if I recollect your comment — agricultural products and oil and gas.

The question I would put flows from the Economic Council discussion paper of December 1982 on the future of the province. I would just like to read a couple of observations from this paper, Mr. Lougheed, and ask for your comments.

One of the reasons of the slower output growth is, of

course, the slower natural growth rate of the labour source . . . The decline of the Alberta hydrocarbon output, as the province gradually runs down its conventional oil reserves and also a decline in gas output starting in the mid-1980s has an even bigger restraining effect. Rapid growth of coal mining is not sufficient to counteract the effect of falling oil and gas output, and by the year 2000 this simulation projects mining output about 10 per cent below the 1979 level . . .

Real labour income per employed person offers little ground for cheerfulness either. It hovers around the 1979 level till 1985, then rises somewhat. In the late 1980's it goes into a prolonged decline and its slow recovery in the late 1990's barely restores it to its 1980 level. Calculations show that after 1990 real labour income per employed person in the rest of Canada is higher than that in Alberta.

I realize that there can be different economic models, different outlooks. However, I would put to you: if one just sees a sunny outlook, then I suppose we could look at the trust fund in the way that you've mentioned — Mr. Alexander and perhaps the majority of the members of this committee. But if that outlook for the province over the next 20 years is significantly bleaker than I think we've heard from you and others, then it seems to me that we have to ask ourselves what role can be taken now to diversify that economy and lessen the dependence on oil and gas.

MR. LOUGHEED: I would be happy to respond. I realize that it suits the hon. member to present the Alberta economy in that light. But I am concerned and troubled. The hon. member has been in this Assembly since 1971, as I have, and has had access to data. That particular report, which was rebutted very strongly — let's be fair to the Economic Council; it was a discussion paper — has, in the very portion that the hon. member read, put the case of depleting resources, which was a case that I myself made, sitting over here as Leader of the Opposition, between '67 and '71. It had to do with depleting resources of oil and natural gas.

What is really sad about that sort of economic analysis is the ineptness in not understanding what has in fact happened in reserves during the period 1971 to 1983. The first and most important dramatic change, which the writer of that report completely ignores, is the very exciting discoveries of additional natural gas that we have in this province. Our problem is such a reversal of that, that it is hard in this Legislative Assembly to respond to something that is so ineptly based as the document referred to by the hon. member.

What we face are the following policy issues arising from natural gas: number one, marketing of it in the United States, perhaps even overseas; two, marketing our natural gas reserves in other parts of Canada in competition with electricity, in competition — I thought the hon. member might ask me — with coal from the United States, and in competition with nuclear energy. We have a marketing problem of our vast reserves of natural gas within the country; and of course, the effective use of that natural gas, which comes into the difficult pricing decision, in order to assure the economic viability of our petrochemical industry; in addition, the issue of the question of assessing whether, if those natural gas deposits are that large and create that much economic activity, there should be a reassessment of the policy of the use of natural gas for thermal generation. Those are the real questions in the 1980s that the government of Alberta faces as a result of the very large discoveries of natural gas since 1971. That, of course, completely wipes out the credibility of that paper, as has been pointed out in correspondence and statements by the Provincial Treasurer.

There is a second element that shows the ineptness and the lack of credibility of that document, and that refers to oil. Yes, it is true that oil production is declining in the

conventional sense. However, since 1971 we have seen this province break through and lead the world in the economic and sound production of synthetic oil, with the Syncrude plant, now in expansion; with the Suncor operation, now in expansion; and with the heavy oil plants that are moving along in terms of the Cold Lake and Wolf Lake projects. All these are showing into the intermediate term — the very time when the conventional oil in that inept forecast is showing a downturn — the technological ability to break through and offset that decline in conventional oil.

That leaves aside the variables that are involved; first of all, the variables that are involved in a possible breakthrough in the in situ oil sands process, which is being spearheaded — as we mentioned in the previous discussion between Mr. Alexander and I — by the Alberta Oil Sands Technology and Research Authority. There is the technical work going on today by our very competent engineering people to look at different ways of surface mining with regard to our oil sands. And there is the very exciting technological work, also going on within this province today, in terms of enhanced recovery. We get under 40 per cent of the reserves at the moment.

In my judgment that is a reason why, in the intermediate term, I have the strongest confidence in the province of Alberta, provided we have sound policy that encourages the free enterprise system.

MR. NOTLEY: Mr. Premier, I detect that you don't particularly like this report. However, in fairness to the writer of this report, I do think you should recognize that he also points out that a mitigating factor would be oil sands development, enhanced recovery, and natural gas production. That is one of the observations made within the report.

MR. LOUGHEED: If I could just interrupt, Mr. Notley. The one thing he misses completely is the discoveries of natural gas that took place in the '70s. He misses that completely.

MR. NOTLEY: He acknowledges it by increased natural gas sales. I guess this is a matter of a difference of opinion. I admit we have seen very substantial increases in our reserves, and we are all pleased with that; no question. However, I would put it to you that while those increases in reserves may indeed improve the prospects in the next number of years providing we can shore up our markets, the question really relates: what do we do in the 1990s and after the 1990s, into the next century? Whether one accepts this at face value, accepts part of it, or rejects the bulk of it, it seems to me that we are still left with the long-term strategy of how we shift this economy from an economy that is, in 1983, dangerously dependent on the sale of non-renewable resources, and vulnerable as a result of decisions we have no control over that are made in the market place and in the world — sometimes political decisions, as could well occur in the United States if the U.S. Congress decides to move on natural gas imports from this country. I hope that doesn't occur, but we can't really do a great deal about that. The point being that we have to shift. Now, whether we shift in the years that you and I are in this House or whether we shift in a dozen, 20, or 30 years, we're going to have to do it.

MR. LOUGHEED: I'd like to respond. There's no question that we have to do everything we can to minimize the impact on the variables of being a commodity resource province. We've been doing it; we need to continue to do it. One of the very important areas that I intend to emphasize is the very issue of the fact that because we have done so well in this basic resource area of oil and natural gas, we should use the talents of the people involved and make it an export industry in itself — get service contracts and supply contracts throughout the world. I think our people are talented enough to be able to do that. I think they can compete with the Americans or anybody else. It will be in the export market, with the service/technical development and competence that we've

acquired there, that will really help us in terms of reducing the variables as the market place shifts in these commodities. The same thing could apply in agriculture, and these are parts of our policy.

There are a number of other areas, that I will elaborate on two weeks from now, in which this province has to move in terms of broadening its base. But let's not fool ourselves. This province will remain, in the lifetime of everybody in this room, a resource producing province. I'd like to just have you look — and I'll go into this more two weeks from now — at the economic vulnerability of every one of our nine sister provinces, to use my friend from Ontario's favorite phrase. And I'll be delighted to enter into debate — evaluating the strength of our economy in relationship to the vulnerability of the economy of our nine sister provinces. We can debate that, and I'm sure we will, in the fall session.

MR. NOTLEY: Mr. Premier, I can assure you that we will. However, I want to shift from that general philosophical debate, which I'm sure will go on not only in this House but, I suspect, in the province, to a more specific example of something that was given to us as an investment in the interests of diversification. I'm referring, of course, to the AOC loan to Ram Steel. We have discussed this matter fairly comprehensively with both Mr. Planche and Mr. Adair. My question to the Premier is quite narrowly directed to question No. 178 on the Order Paper:

What discussions or communications have there been between representatives of the Government or any of its departments or agencies and representatives of Stelco Canada, concerning that company's investment in Ram Steel?

The response, Mr. Chairman:

As of this date we can confirm that a number of discussions have been held between officials of Tourism & Small Business, Economic Development, the Deputy Minister of Executive Council, and the officials of the Alberta Opportunity Company with representatives of Stelco Canada following the October 5th approval-in-principle of the loan by Cabinet.

We are prepared to file additional information if and as it comes to our knowledge.

Mr. Loughheed, from both Mr. Planche and Mr. Adair we have received a good deal of information about the meetings they and the officials have held. For the information of the committee, could you advise the committee what role Mr. Hobbs played re this answer?

MR. LOUGHEED: Yes. There were two occasions in which Mr. Hobbs was involved in the interrelationship between Ram Steel and Stelco. The first one took place, I'm informed by Mr. Hobbs, in the fall of 1982 — he can't be more precise about the date — when he attended a dinner and sat beside Mr. Gundy of the Stelco organization here in Alberta, when Mr. Gundy discussed with Mr. Hobbs that Stelco may be interested in acquiring an interest in Ram Steel. I believe that was clearly subsequent to October 5. The second incident was a telephone call initiated by Mr. Gundy to Mr. Hobbs. Mr. Hobbs' best recollection was that it was in February of 1983, which is explaining or attempting to explain Stelco's role in participating in the Ram Steel situation.

MR. MUSGREAVE: Mr. Premier, my question gets back to sort of a philosophical discussion raised by Mr. Moore and Mr. Alexander. This committee reviews the report of the Treasurer every year, and then we pass it on to the Legislature, which is responsible for the direction and the creation of the fund. There was a seminar by the University of Alberta on the Heritage Savings Trust Fund only two or three years after it had been in operation. The previous opposition, under Mr. Clark, obtained a review from financial



consultants in the United States. The review compared the operation of the fund to what the state of Alaska had done with their revenues. I think the fund has a very high profile with those Albertans, for example, who are benefiting from the mortgage subsidy, through AOC, or in the industrial sector through AOSTRA, as you mentioned. I think it would be hard to deny that the objectives as a rainy day fund are being achieved and are well recognized by many Albertans.

My question to you, Mr. Premier: do you see any similarity between having a review by an outside group of — I hate to use the word experts, and perhaps the structure requires this, similar to what is proposed for the Alberta Heritage Foundation for Medical Research Endowment Fund? The endowment, I guess, being more removed from the Legislature, is an important part of that. Do you see any value in our considering having an outside review of the fund, say, every decade?

MR. LOUGHEED: My reaction is sort of one that arises from experience in office. First of all, the more I'm in this business, the more convinced I am there aren't any such things as experts. There may be in the field of the medical research foundation. Certainly, Mr. Musgreave, you and I would have some difficulty with some of the decisions they make. The review there, as distinguished from the legislative review, is a review that's done by their science committee. It really is a highly technical area, where scientists are reviewing the performance by other scientists. It is of that nature.

Here you're dealing with fiscal and economic policy, as we've discussed, very clearly mixed together. I much prefer members of the Legislative Assembly undertaking this than outside groups. First of all, we're answerable to our constituencies. We have to respond to the sort of exchange between Mr. Alexander and I, where on one hand we have pressure by our constituents to do something with our fiduciary trust. I don't think there is a group as capable of dealing with this issue as the Legislature, with a committee approach that will make recommendations and then there will be adequate time for debate.

There may be a specific case from time to time, though — and this might be kept in mind — where we could ask either an existing group or have a seminar of people to discuss a particular matter of investment policy. That's worthy of consideration. But on a broad base, like what you should do with the fund, it should be this Legislative Assembly that makes those decisions, not any group of so-called experts.

I'd like to think more about it, Mr. Musgreave. I can see a case where on a certain issue — the question of whether we should buy bonds or debentures in other provinces. Maybe there's a group that could look at that in terms of public policy and give us some input. But if we were doing it, I'd rather see that we were referring a specific area of investment policy to a specified group or, which may be better, inviting a seminar at Government House, where people who have views to express and who have some knowledge in the area could come and express them to us.

MR. ALEXANDER: Mr. Chairman, I am only prompted to get back in again by this hundred and seventy-third rerun of Ram Steel. It's a very practical question. I raised it once before and didn't get agreement. So this is a kind of end run, if you like. I'm going to go to the top and see if I can phrase it again.

The Alberta Opportunity Fund Act says:

The Board has direction and control over the conduct of the business and affairs of the Company . . .

I tried to bring general corporate behavior into the House here, for a standard, if you like, in terms of trying to determine the question of what is and what is not legitimate questioning of the officials of a company that's trying to run a business.

I raised the propriety of my friend — heavens, he's on the right today — Mr. Notley's question: this persistent pursuit of the details of how business decisions are made. I don't think there's any question about the validity of the decisions that were made. In

other words, if the Alberta Opportunity Company made an investment in Ram Steel that didn't work out as well as we might like, sort of thing, that's certainly a legitimate question to raise.

My question really is about the questioning of the process, the people, the way in which these decisions are made and, if you like, the requisitioning of such things as documents, meetings, dates, and all that sort of thing. My worry is that this may have an inhibiting effect on how the company makes future decisions. If it's going to have the internal workings of its decision-making process held up to public scrutiny, that may well have an impact on how it makes future decisions. Therefore I raised the question, as a point of order, as to whether it's proper to question the management of Alberta Opportunity Company on the internal workings or the decision-making processes of the corporation.

I have to end by saying that the members of the committee did not agree with me; in fact it is a legitimate line of questioning. I don't want to set you off against the committee, but I am worried about that. I just wonder what your reaction is to this pursuit of the internal workings of a corporation which, as I read it — perhaps wrongly — is supposed to have charge of the business affairs of the company.

MR. LOUGHEED: Mr. Chairman, through you to Mr. Alexander, I think Mr. Alexander will be unhappy with the first half of my answer but perhaps happy with the second half. I do not think it's proper for me to answer that question. That's a matter of the proceedings of a legislative committee. The committee should determine its own proceedings. If there's appeal from it, it's an appeal to the Legislature. That's the first half, that you won't like.

The second half, though, is that as a matter of public policy it comes to the very issue that's been debated so many times in this Legislature, and proposed by some, of a so-called freedom of information Act. The position that is taken by the government of the day in this Legislature in opposing it has been for a very valid reason. We're prepared to answer at any time the question of why we did something and the question of justifying a decision we've made, and we do it ad infinitum here. But we're not prepared to provide information as to how we made that decision, for the very reason that we believe we will inhibit the advice and counsel we will receive in making the decision.

MR. ALEXANDER: That's interesting. I think — and maybe I need correction here — that you've just said what I think I was saying. Are you saying that the committee will answer that question for itself?

MR. LOUGHEED: Yes, for itself.

MR. ALEXANDER: That's the bottom line, in other words. As long as I get the bottom line, I'm okay.

MR. CHAIRMAN: On that note I have to indicate to all members that that is the last of the members who have indicated to me that they wish to address a question to the Premier. Will there be additional questions forthcoming? For those who are interested in keeping track of this, there were 26 questions directed to the Premier this morning.

Mr. Premier, we thank you for appearing before us this morning and, if all goes well, we look forward to seeing you one year hence.

MR. LOUGHEED: I appreciate the opportunity. Thank you all very much.

MR. CHAIRMAN: For the benefit of members, about three minutes of business if I could just bring you up to date.

We had indicated previously that if members wished to raise and direct additional

recommendations to me today, they should. At this point in time I have received five, and I'm wondering if there is any indication that I would receive additional ones. I'd like to have this typed up for you and circulated, perhaps. If I could have it by one o'clock, then, today.

It might be useful if I were to read into the record the five I have received, so you would have this. You will receive the documentation tomorrow. There are four that have been directed to the committee by Mr. Alexander, and I'll give them numbers and read them.

Recommendation No. 43: that the fund not invest directly into businesses in the private sector, particularly in competition with private businesses or in areas better served by them.

Recommendation No. 44, presented by Mr. Alexander, is: that passive portfolio investments in the money market, bond markets, and equities markets are the preferred vehicles for investment.

Recommendation No. 45, also directed by Mr. Alexander: that no funds from the Heritage Savings Trust Fund be invested in future at below market rates.

Recommendation No. 46, also from Mr. Alexander: that the balance sheet and other financial statements in the Heritage Savings Trust Fund annual report carry current market value of marketable assets and that these be more clearly segregated from deemed assets.

I have received an additional one from Mr. Speaker. He indicated in Recommendation No. 47 that the standing committee urge the government as of September 1, 1984, to give effect to the following policies: one, investment income produced by the trust fund be retained by the trust fund; two, no further resource revenue be diverted to the trust fund but retained in general revenue; and three, trust fund revenues not to be used for funding ongoing government programs and all such continual programs to be funded by general revenues.

I will have those typed up and they will be circulated to you no later than tomorrow. If there are additional ones, please have them to me by one o'clock today, if possible.

At that point, we shall adjourn and reconvene at two o'clock in the afternoon on October 17, 1983. Thank you.

[The meeting adjourned at 11:30 a.m.]

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