

[Chairman: Mr. Kowalski]

[2 p.m.]

MR. CHAIRMAN: Good afternoon, ladies and gentlemen. Welcome to another meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund Act.

MR. R. SPEAKER: Mr. Chairman, I don't want to be difficult to deal with, but I would like to raise that resolution again at this time. I would like to move again that Mr. Hyndman be asked to appear before the committee as soon as possible. The discussion would be directed toward further detail and information with regard to the Canadian Commercial Bank.

MR. CHAIRMAN: We have a motion from Mr. Speaker, inviting Mr. Hyndman to reappear before the committee as soon as possible. It's been seconded by Mr. Gogo. Is there any debate on the motion?

MR. GURNETT: Mr. Chairman, I think the motion is an important one, and I indicated my support for it earlier today. There have been a number of grounds on which people have come to have a lot of concern about what is happening and what has happened over the whole affair. I'm hearing people say that the decision to be involved and the amount of public money that was lost through the Treasurer's decision is even grounds for him to resign. Certainly, when we hear some of the allegations that have been made public recently, allegations that suggest that within the department, at least, there was knowledge of problems within the bank far sooner and that long before the bailout decision was taken, there may have been information indicating the bank had problems, those allegations need to be quite clearly and publicly dealt with and pursued. That's a vital thing to get on with.

However, I also feel, as I indicated this morning, that this committee's asking Mr. Hyndman to appear again is an inadequate step. It's the beginning of a process, but we also need to insist that he show some real commitment to full disclosure and investigation of what's going on. That could be done through his vigorously supporting the striking of a special committee to look into what's happened with the trust fund.

What I would like to do, Mr. Chairman, is

move an amendment to Mr. Speaker's motion, which requests another appearance of the Provincial Treasurer before this committee — and I've got the text here, if members would like to have it — by adding to the end of Mr. Speaker's motion a statement:

and that this committee recommend to the Assembly that a special committee be struck and charged with

(a) investigating all aspects of the relationship between the Canadian Commercial Bank on the one hand and the provincial Treasury and the Alberta Heritage Savings Trust Fund on the other, with specific reference to the information and circumstances leading to various decisions taken over the last several years to engage in various forms of investment in and with the bank;

(b) investigating the reasons for the collapse of the Canadian Commercial Bank;

(c) investigating the effect of the collapse of the Canadian Commercial Bank on the economy of the province of Alberta; and

(d) making recommendations for policy and statute which would, in the opinion of the special committee, have the effect of precluding a recurrence of such a bank failure in the future.

MR. CHAIRMAN: Mr. Gurnett, are you going to be circulating this?

MR. GURNETT: Yes.

MR. CHAIRMAN: You might want to give all committee members half a minute or a minute to take a look at it. We have an amendment before the committee. It's my understanding that it doesn't require a seconder, so if there is debate or discussion on the amendment to the motion, we'll proceed to that now.

MR. COOK: Mr. Chairman, before we begin discussion on this, I'm not even sure we as a committee have the power to consider this. We have a mandate given to us by the Assembly to look into and make recommendations regarding the Heritage Savings Trust Fund, but much of this is not within our ambit. I don't think we'd be properly in order investigating the reasons

for the collapse of the Canadian Commercial Bank. For example, (b), (c), and (d) don't have anything to do with the responsibilities given to this committee. This is not the Legislative Assembly, and I think what our friends are doing is trying to confuse this committee with a spring or fall sitting of the House.

MR. R. SPEAKER: Mine is going to be a point of order, Mr. Chairman, but also I can take my turn. I am wondering if the amendment fits into the original motion and whether you have two different intents here. The first intent is to bring the minister to the hearing as soon as possible. The second intent is to strike a special committee. That seems to be a different intent from the original motion. If you could rule on that, we could deal with it. If the ruling is that they are of two different intents, we could possibly deal with this as a separate motion.

MR. CHAIRMAN: Prior to a ruling I look forward to the views of committee members on this matter.

MR. NELSON: Mr. Chairman, I've been waving my hand because I was going to indicate two things. First of all, I feel that this amendment is out of order because, as the previous speaker has indicated, it is not in tune with the intent of the original motion. If he wishes to place it before this committee, it should be placed before it as a separate motion.

Secondly, the relationship between the banks and this committee is such that I don't know that we could do a heck of a lot in investigating the bank anyway, because it comes under federal jurisdiction, federal statute.

Thirdly, the area the committee is talking about, in particular the \$60 million: some of it may have come out of the fund, but I think most, if not all, of it came out of general revenues. Rather than a motion like this -- the federal government is certainly taking an investigative role in the now defunct Canadian Commercial Bank and investigating the operation of the Northland Bank. What we should be doing is ensuring that we're apprised of the information, as it relates to our investment, from the investigative committee of the federal government. I'm sure their powers and their ability to investigate the opportunities and the downfall of these two

banks are greater than what we would have, even if we suggested, through this committee or legislatively, that we wanted to dig in.

I suggest that in all probability the investigative nature under the federal statutes would lie with the federal government and that they would certainly do a much better job and be able to dig in and dig out the information much more easily and much better than we as a provincial body not having the formal statute to dig into those federal-type class B banks.

MR. HYLAND: Mr. Chairman, I'm on the same question as Mr. Nelson and Mr. Speaker. I think it's a split from Mr. Speaker's original motion. If I remember his comments from this morning, this is adding something to it; it's asking two things instead of one. If Mr. Gurnett feels strongly about this, perhaps he should put it forward later on this afternoon, when we deal with recommendations. It might fit there, but I don't think it fits as an amendment to Mr. Speaker's motion.

MR. COOK: Mr. Chairman, our mandate is set out in the Alberta Heritage Savings Trust Fund Act, section 14(3). We are to

review and . . . report concerning the investments of the Trust Fund [and that report] may contain recommendations of the Committee concerning those investments or any alternative investments.

Discussing the effect of the collapse of the Canadian Commercial Bank on the economy of the province of Alberta and trying to take steps to prevent that are certainly outside the ambit. I have provided you with a citation from Beauchesne. The book is opened to it. The committee may discuss only those things which the House has delegated to it, and nothing else. I ask you to rule the motion out of order.

MR. CHAIRMAN: Would there be additional advice that committee members would like to address to the chairman before a ruling is forthcoming?

MR. GURNETT: Mr. Chairman, I suggest that the amendment is in keeping with the intent of the original motion. As Mr. Hyland suggested, it is perhaps an extension, but it's certainly consistent with the intent, which is to say that the Provincial Treasurer in his role has a

responsibility. A lot of the money that's been involved with the Canadian Commercial Bank and the trust fund was ultimately under his responsibility during the period of time involved. So this amendment, just like the original motion, keeps in mind the mandate of this committee, which is to oversee the use of the trust fund and what's happening with it. This amendment is specifically intended to make sure this committee doesn't become involved in things that it shouldn't, by saying that in addition to that appearance, where we would very carefully restrict our discussion to matters that touched on the Treasurer's involvement with the trust fund, we would also be recommending that we were just at the edge of a much larger issue which did require some mechanism other than the trust fund committee to deal with it. If we accept that we can't adequately conduct the job here, we have some responsibility to make a recommendation of where we think things should go from here.

MR. CHAIRMAN: Thank you for the advice of the members of the committee with respect to this matter. My decision will be guided by two important pieces of evidence that have come to the fore in the last few minutes. One would be the arguments put forward by various committee members' talking about the intent of the original motion. The original motion put forward by Mr. Speaker and seconded by Mr. Gogo is very short and to the point. It requests that Mr. Hyndman reappear before the committee as soon as possible. In my view, the amendment being suggested by Mr. Gurnett goes beyond a request to have the Provincial Treasurer reappear before the committee. I think that the three items that have been put forward in the amendment go much beyond the original intent of the motion put forward by Mr. Speaker and seconded by Mr. Gogo. The second argument I would put forward to rationalize my decision is found in Beauchesne, section 620, which refers to powers of committees and outlines the various powers committees have, except the power of reporting directly to the House.

So I rule that the amendment is out of order. We will now be dealing with the motion at hand.

The motion is that Mr. Hyndman reappear before the committee as soon as possible. Are there comments or debate with respect to the

motion? All members in favour please signify by raising your hand. All members opposed? Carried, by an overwhelming majority. That's accepted and passed.

As per the arrangement that we left with the meeting this morning, we indicated we would be returning to a discussion of recommendations. As of noon today, we had some 34 recommendations read into the record. Two members have indicated to me their desire to proceed forthwith with additional recommendations, and we will now go to Mr. Nelson with recommendation 35. Miss Conroy will be circulating the 34 recommendations.

MR. R. SPEAKER: Mr. Chairman, I'm sorry. I just want to conclude, after passing that motion. I indicated this morning that I would make available to the committee a transcript of that interview, and I do that now.

MR. CHAIRMAN: Are there copies for all, Mr. Speaker?

MR. R. SPEAKER: No.

MR. CHAIRMAN: Mr. Hyland will go and have copies made of that. Miss Conroy, perhaps some ladies and gentlemen of the media might be interested in knowing the text of the 34 recommendations to date, so you might want to circulate those recommendations to them.

We will now go back to where we were this morning in terms of the discussion of recommendations. There are 34 read into the record. We will now commence with recommendation 35. The first committee member on that list of new recommendations is Mr. Nelson, to be followed by Mr. Gogo, who signified his intent this morning. Mr. Speaker indicated on August 27, 1985, that he wanted to have a recommendation brought forward to the select standing committee, and perhaps we might follow with Mr. Speaker. We'll now go to Mr. Nelson, with recommendation 35. Miss Conroy is out of the room for just a second, so while you may very well read the motion into the record, my difficulty is that if somebody wants me to repeat the motion, without the ability of Miss Conroy to transcribe that for me, I'm going to have a problem. Perhaps we could wait till she returns, which will be no more than a matter of 30 seconds. We'll be right back to it, so don't anybody leave.

MR. GOGO: On a point of order, Mr. Chairman, I wonder if I could make a comment. I can't ever recall this committee meeting when the one female member experienced a birthday, which, in terms of chronological period, is not disclosable at this time. I'm sure I speak on behalf of the committee in congratulating Mrs. Cripps on achieving a birthday on this day in September. [applause]

MR. CHAIRMAN: Miss Conroy has indicated to those members of the media who are present that if they wish a copy of the recommendations, they might obtain them from the office of the Clerk. It appears that the door approximately to my left is locked because of some painting.

Mr. Nelson, we'll now proceed with recommendation 35.

MR. NELSON: Chairman, I would like to put forward a recommendation:

That the occupational health and safety heritage grant program expand its mandate to encourage funding to postsecondary institutions such as SAIT and NAIT or other trade institutions to teach occupational health and safety to students before they are in the work force rather than not have them taught at all.

MR. CHAIRMAN: Are there additional comments, sir, that you'd like to make with respect to that recommendation?

MR. NELSON: Not at the present time, Chairman.

MR. CHAIRMAN: Any comments or questions from committee members? We'll go to recommendation 36. Mr. Nelson, do you have a second one?

MR. NELSON: Yes, Chairman. I'll have a third one, but I'm not going to present it today.

I recommend:

That funding be provided to develop the Powderface Trail and campsites in Kananaskis Country as required or on an as-needed basis.

MR. CHAIRMAN: Any additional comments you'd like to make with respect to the recommendation?

MR. NELSON: Not at this time, Mr. Chairman.

MR. CHAIRMAN: Any comments or questions from committee members?

MR. R. MOORE: Mr. Nelson, for clarification on the Powderface Trail, so committee members have an idea of what they're looking at on this one, what does it connect to what?

MR. NELSON: Mr. Chairman, the best way to explain that is, first of all, it's in the package that was offered by the people with Mr. Trynchy on the day he was before the committee. For those of us who took the bus trip up -- I'm not sure whether Mr. Moore was on that; I think he was -- it is the trail that was nearly impassable by subterranean vehicle, other than the fact that it was fairly dry the day we went up. Under normal conditions it's an impassable trail, a north-south avenue for the development of further sites in Kananaskis Country.

MR. CHAIRMAN: Any further comments with respect to recommendation 36 respecting additional funding for Powderface Trail? Mr. Gogo, recommendation 37.

MR. GOGO: Thank you, Mr. Chairman.

That the committee recommend that consideration be given to the establishment of a social sciences research foundation with specific concerns for research into alcoholism, aging, pain control, and palliative care, and that the foundation be modelled on the Alberta Heritage Foundation for Medical Research.

MR. CHAIRMAN: Mr. Gogo, are there additional comments you want to make with respect to that recommendation at this point?

MR. GOGO: Yes, Chairman. This follows to a reasonably high degree the recommendation last year for the establishment of a social sciences research foundation, except at that time the Member for Calgary McKnight suggested that it include the following words: "and the role of women in our society." I don't think that should be in there because today we have a part of government devoted to looking into areas concerning females. The basis for making this

recommendation is to deal with problems people have in areas of health that affect all people, not on the basis of their sex.

MR. COOK: Mr. Chairman, I wonder how we should proceed in terms of recommendations that are duplicates of one another.

MR. CHAIRMAN: I went through that three times today, Mr. Cook. I suggested to all members that they might want to use some initiative among themselves to determine which recommendations might be blended together.

MR. COOK: Mr. Chairman, there are a couple that are similar.

MR. CHAIRMAN: We're now in the process of reading the recommendations. When committee members know what they all are, we'll go to that next step.

Sorry for that interjection; please proceed.

MR. COOK: Mr. Chairman, I wonder if my colleague from the NDP would entertain some sort of consolidation of a couple of recommendations. Number 4 is a duplicate of 24, and I think number 9 is a duplicate of 25. There are also recommendations on deemed assets which I think are duplicates of one another. Would it be helpful for us to try to arrange for some consolidation now rather than going through the process twice?

MR. CHAIRMAN: Would there be additional comments to be made with respect to recommendation 37? Okay, Mr. Gogo, recommendation 38.

MR. GOGO:

That the committee recommend a new scholarship to be established in the Alberta Heritage Scholarship Fund to be known as the E. Peter Lougheed Scholarship for Excellence in Social Studies and, further, that \$5 million be added to the \$100 million fund established in September 1980, whereby the income generated be awarded to students attending Alberta universities.

Mr. Chairman, as you know, the scholarship trust fund was established five years ago this month. It was based on the income of \$100 million being used in a variety of scholarships

named after — I use the term from their material — historically prominent people. I have some difficulty with the words "historically prominent" because Mr. Steinhauer, our former Lieutenant Governor, is still living. So I don't believe the term "historically" would preclude this being done.

Secondly, all of us know that in his 14 years as Premier of this province, our present leader has said time and time again, and particularly in 1978 during the debate in this House on the goals and objectives of education, that it would be his wish and desire that Alberta students should first and foremost have knowledge of the province of Alberta in terms of social studies.

It's not difficult talking about the dead; it's sometimes awkward talking about the living. I think it would be a major contribution by this committee to put a program in action that would benefit many thousands of Alberta youngsters who could take advantage of this scholarship fund in pursuing studies in social studies.

MR. CHAIRMAN: Any additional comments or questions from committee members with respect to recommendation 38? Did you have another one, Mr. Gogo?

Mr. Speaker, recommendation 39.

MR. R. SPEAKER: Mr. Chairman, I move:

That the integrity and value of the Heritage Savings Trust Fund be maintained by retaining the investment earnings in the fund and all future resource revenue be used for general revenue funding.

MR. CHAIRMAN: Mr. Speaker, would you like to make additional comments with respect to this recommendation?

MR. R. SPEAKER: What this resolution would do is make the fund independent and have its own earnings of \$1.5 billion, which could be used for future new programs and maintaining those in the program and also looking after an inflation factor. On the other hand, we would take the some \$740 million and leave that in the General Revenue Fund.

Two things would happen. One, the integrity of the fund could be maintained, and we talked about that in our discussion with the Premier in this Assembly. I believe this is one good way to

do it on a long-term basis. Secondly, in terms of general revenue budgeting, I've often found us crossing lines between the heritage fund and the general revenue budget responsibilities. Because we cross revenue back and forth, we seem to think we can cross expenses back and forth. It may bring a little more responsibility to the budgeting process in terms of general revenue, so that we know those are ongoing, everyday types of things and we must budget within our means.

I see something else happening in the province. Resource revenue will either maintain itself where it is at the present time or possibly decrease slightly in the next year, and I'm not sure after that. But that's what the projections are at the present time. Under those circumstances, we must cut our cloth accordingly. I see us moving in these two directions. I think it's a maturing process, and we're at that stage where we should do it. It would hold us a little more accountable as members of the Legislature.

MR. GOGO: Mr. Chairman, Mr. Speaker is dean of this House and has had much experience. I often give a great deal of thought as to what he says in here. I hope he's aware that he's seriously undercutting major election platforms of two of the Conservative leadership candidates by his proposal. I'm sure he's not doing that intentionally.

A second comment: it would be devastating to our colleagues from the ultraleft, because it's no secret that they have other uses for that fund.

When Mr. Speaker talks about integrity, I'm sure he refers to the corpus of the fund; that is, the aggregate value would remain the same, and only the earnings would be used. I just wanted clarification that when we use that word integrity, we really mean the corpus.

MR. R. SPEAKER: That's very correct. The present establishment of programs could be maintained and continued as is under a plan such as this, without any threat from robbery into the General Revenue Fund.

MR. NELSON: Mr. Chairman, on another issue. I'm going to present that other one I was going to drop later.

MR. CHAIRMAN: Are there additional

comments or questions to Mr. Speaker with respect to recommendation 39? Mr. Thompson, you indicated your interest.

MR. THOMPSON: Mr. Chairman, I would like to place one more recommendation on the list for the committee to consider. It is as follows:

That the scholarships awarded from the Alberta Heritage Scholarship Fund be awarded on an individual basis only and that groups and organizations not be eligible for scholarship awards.

MR. CHAIRMAN: Would you have further explanation that you'd like to convey to committee members?

MR. THOMPSON: Not at this time, thank you.

MR. CHAIRMAN: Are there questions with respect to this?

MR. GOGO: Mr. Chairman, obviously Mr. Thompson is referring to one of the scholarships, the Haultain award, if I'm not mistaken, a man who without his having lived in the Northwest Territories, we probably wouldn't have Alberta today. If I'm not incorrect, I think Mr. Thompson is specifically referring to the Robin Hood Association, et cetera. That's an area I strongly support, Mr. Chairman, although we're not voting on it at this time. I think Mr. Thompson has raised an excellent point.

MR. NELSON: Chairman, I thought it better that I should introduce this third recommendation now rather than hold it for another day or so. I'd like to recommend:

That the Alberta Opportunity Company be placed into the portfolio of the Treasury Branches and that the Treasury Branches' mandate be changed to include the area of lender of last resort, which will be guaranteed by the provincial government.

MR. CHAIRMAN: Would you like to expand further on that, Mr. Nelson?

MR. NELSON: Chairman, I'll expand on it as we debate the issues at a later time.

MR. CHAIRMAN: Are questions for clarification forthcoming from committee members?

MR. GOGO: Would he like to repeat it?

MR. CHAIRMAN: There is a question, sir. Would you like to deal with it? Mr. Gogo has asked for clarification by way of reiteration.

MR. NELSON: Chairman, I recommend:

That the Alberta Opportunity Company be placed into the portfolio of the Treasury Branches and that the Treasury Branches' mandate be changed to include the area of lender of last resort, which will be guaranteed by the provincial government.

MR. CHAIRMAN: Perhaps we could take a break for a few seconds. We have a guest.

MR. CHAIRMAN: Mr. Hyndman has indicated to me that his executive assistant was in the Assembly at 2 o'clock and reported to him the endorsement of the motion that was before the committee. The motion called for his appearance before the committee as soon as possible, and he has indicated to me that this is as soon as he could make it. I take it that the intent of the motion would be to deal with Mr. Hyndman as soon as possible. Mr. Speaker is not here. Miss Conroy, you might convey to Mr. Speaker that Mr. Hyndman is here, and we will proceed.

Mr. Hyndman, would it be your thought to give additional information to the committee, or are you here to appear as a witness?

MR. HYNDMAN: I thank the committee for enabling me to be here. I understand that the committee wishes to have a further chat with me. I enjoyed our previous discussions in early August and last Wednesday. I understand the committee would like to discuss further matters relating to the Canadian Commercial Bank. I'm here and happy to do so.

MR. GURNETT: Mr. Chairman, for clarification. As I remember, when Mr. Speaker introduced his motion this morning, part of the explanation he gave in connection with introducing the motion, the intent behind the motion, was to allow us time to look more carefully at information that had become available in the last little while and be able to take full advantage of another appearance by

the Treasurer. I have some serious question about whether the intent . . . In fact, if we check back, I think his comments even referred specifically to our receiving notification of when that appearance would take place. It's very difficult to fulfill the intent of the motion on this kind of 10-minute notice as opposed to next-day notice, that allows the opportunity to prepare and look at the material that is of concern to us.

MR. NELSON: Mr. Chairman, I'm certainly surprised that the Treasurer could avail himself so quickly, which I think is commendable. Because of weather difficulties in Calgary I missed the early debate on this, but as I understand the motion put forward this afternoon, all it stated was "as soon as possible." It appears that Mr. Hyndman, the Provincial Treasurer, has made himself available as soon as possible. I fail to understand the argument of the Member for Spirit River-Fairview about this "as soon as possible" thing, unless there was some debate I didn't hear this morning. It certainly wasn't raised here a little while ago when the motion was made. As such, I think we should carry on and proceed with the issue, if there is one, in addition to what we discussed previously.

MR. GOGO: Mr. Chairman, this morning I seconded the motion of Mr. Speaker to have the committee request that the Treasurer come as soon as possible. I did that on the basis of the very eloquent argument used by Mr. Speaker, which, as I recall, was recent developments by the chartered banks of Canada. Mr. Speaker sold me on that basis, and I seconded the motion. I'm not only surprised but pleased that Mr. Hyndman is here, and I certainly think we should proceed on the basis of what Mr. Ray Speaker wants to ask him.

MR. THOMPSON: Mr. Chairman, if you recall, this morning I made the point that we needed time to let some of these incidents unfold. As I recall, in our last vote I voted against having Mr. Hyndman appear on that same basis. However, the opposition members all were in favour of having him appear as soon as possible. At this time it's very hard for me to understand that "as soon as possible" means next week or next month. I have difficulty with the point of the Member for Spirit River-

Fairview.

MR. ZIP: Mr. Chairman, I opposed the motion on the basis of the questions that I have on our jurisdiction in this entire matter regarding the Canadian Commercial Bank and the power that the Legislature would have to deal with the matter. It would certainly have to be reviewed by experts in that area, from our jurisdictional standpoint. Whereas I welcome our Provincial Treasurer's being here, I feel we're wasting his time and not really performing our duty, within the power of this committee to deal with this matter. As Mr. Thompson points out, the matter is very complex and will still require a great deal of investigation before all the facts surrounding it come to light.

MR. CHAIRMAN: The facts of the matter are, Mr. Zip and Mr. Thompson, that we had a motion before the committee, the committee approved the motion, and we called for the appearance of Mr. Hyndman as soon as possible. Mr. Hyndman is here, so I think we should take advantage of the opportunity to raise with Mr. Hyndman those questions that members of the committee feel are important. We'll now go to that.

MR. R. SPEAKER: Mr. Chairman, I want to stand to make this presentation.

Two things are happening at this moment. Number one, I certainly appreciate the Provincial Treasurer's being here. It's excellent; I'm glad he is here. Number two, in terms of my comments, though, I'm prepared to raise some questions at this time, but I also want to have the opportunity of bringing Mr. Hyndman back for further questioning. I want this to be an open-ended discussion at this point in time. Just because he is here today does not resolve or finalize the matter in any way. I believe we as a committee have an ongoing responsibility. This may be the second phase.

I also want to add that rushing him in here at this point and trying to take advantage of the opposition, saying, "We're going to bring him in as quickly as possible", and trying to run a kangaroo court, in a sense, where you've got it your way, is rather unfortunate. I think it's done because you thought you were going to take advantage of the opposition. "Oh, they won't be ready to ask the questions," and that's why he's here. Mr. Chairman, on that premise

I'd like to proceed with questioning the Provincial Treasurer.

The matter before us is certainly very serious. We have lost \$60 million. At the moment I don't have before me the minutes of that meeting of Wednesday afternoon, September 4, but the Provincial Treasurer indicated very clearly that it's very doubtful whether any part of the \$60 million from the general revenue will be returned and that the other moneys, in terms of the Heritage Savings Trust Fund, would be returned to us at a point in time at the graces of the federal government. No matter what, the decision was made in March by the Provincial Treasurer and then a subsequent decision was made outside the Provincial Treasurer's jurisdiction, I believe, that the Canadian Commercial Bank be terminated in terms of its functioning not only in Alberta but in other parts of Canada and the United States.

The primary matter of interest before me is the one with regard to a radio interview with Mr. Jack Pierce, who is the owner, operator, and executive president, I believe, of Ranger Oil. Earlier today I made available to the committee that interview. I don't know whether or not the Provincial Treasurer has had the opportunity of seeing that interview. Mr. Pierce indicated in the interview that he was one of the founding directors of the Canadian Commercial Bank and that he left five or six years ago because he had

very sharp variation in the lending practices. I did not ever miss a director's meeting — I do not think. I dutifully went to Edmonton and was very upset at the lending practice.

What was wrong with what they were doing with the loans?

Well, they were lending as loans what I considered equity situations.

He then goes on to explain that in the interview.

The interviewer, Mr. Oughtred, from CFCN, goes on to ask Mr. Pierce:

Did you also indicate to the provincial government why you were leaving?

I think this is very key to our discussion here. The answer:

Well, I didn't but Chip Collins, who was, and I think still is, deputy provincial treasurer, he phoned me. He was in a state of shock over it. He said, "Why did I

resign?" So I told him just what I told you. Mr. Pierce goes on to say in this interview, to a question from Mr. Oughtred:

At this point what is needed to get to the bottom of Canadian Commercial Bank? Would a criminal investigation serve any purpose?

[Answer:] That would be my suggestion.

What that infers, and that's very serious, is that five or six years ago there were activities going on in the Canadian Commercial Bank that were unacceptable, and the Deputy Provincial Treasurer of this province was made aware of them, as I understand it. This is a piece of information I was trying to secure today and would have had ready for a subsequent meeting and will: that Mr. Chip Collins is still special financial adviser to the Provincial Treasurer.

My first question to the Provincial Treasurer is: did Mr. Collins make the Provincial Treasurer aware of this situation with regard to the Commercial Bank five or six years ago, prior to the Provincial Treasurer's making a commitment of \$60 million to the bailout of the Canadian Commercial Bank?

MR. HYNDMAN: Firstly, Mr. Chairman, with regard to the introductory comments of the hon. member, this is the first occasion on which I have been criticized for being too prompt in attending a meeting of a committee of the Legislature. I might mention that I understood a motion was made this morning, the substance of which was of course conveyed to me, to the effect that the committee and, in particular, the hon. member wanted to have a further discussion with me as soon as possible. I was told this morning the matter was put over till this afternoon. Knowing that, I rearranged my calendar for this afternoon in order to appear before this committee. It seems to me that the legislative committee on the Heritage Savings Trust Fund is an important one, an important part of the legislative process. Therefore, that's why I wanted to be here this afternoon.

With regard to the comment posed by the hon. member, I have had occasion to talk to Mr. Collins with regard to reports which he has mentioned. Mr. Collins said to me that he did not at any time, on any occasion, for any reason initiate a phone call to Mr. Pierce to discuss matters relating to the bank or any other matter. He has no recollection whatsoever with regard to any conversation on the phone with

Mr. Pierce regarding the Canadian Commercial Bank or any other matter. The only occasion Mr. Collins has any recollection of meeting with Mr. Pierce is when Mr. Collins recalls that he believes Mr. Pierce, in his capacity as president of Ranger Oil, I believe, attended in Mr. Collins' office and made some representations to him.

MR. R. SPEAKER: Mr. Chairman, supplementary question to the Provincial Treasurer. Was Mr. Collins aware of any problems with the Canadian Commercial Bank during its history, five, six, seven, or eight years ago? Were any investigations carried on during that period of time, under his role and responsibility as Deputy Provincial Treasurer?

MR. HYNDMAN: To put it in a time perspective, I gather that Mr. Pierce ceased to be a director of the Canadian Commercial Bank in 1977 or thereabouts. Of course, at that time I was not the Provincial Treasurer. However, knowing Mr. Collins, I think I can say that had he known of any material or serious problem with regard to the Canadian Commercial Bank, he would have brought that to the attention of the government.

MR. R. SPEAKER: Mr. Chairman, can the Provincial Treasurer indicate whether Mr. Collins was available and also gave advice to the Provincial Treasurer in March, when the decision was made to make the contribution of \$60 million? Was he in the Provincial Treasurer's presence, and was he a major part of that decision at that time?

MR. HYNDMAN: Mr. Collins was not the Deputy Provincial Treasurer at that time. As hon. members know, last fall Mr. Collins retired as Deputy Provincial Treasurer, and Mr. McPherson and Mr. O'Brien took over those responsibilities. I think the hon. member quoted some comment that Mr. Pierce stated that Mr. Collins was shocked. I can certainly tell the committee that in working with and knowing Mr. Collins for many years, he is not the kind of person who would not always act in a very measured way. I can't see him being in that state.

MR. R. SPEAKER: The answer wasn't totally clear. Maybe I missed it. Is it correct that Mr.

office? Was he involved in the decision last March? Did he give advice?

MR. HYNDMAN: His title is adviser to the Provincial Treasurer, with regard to the Treasury Branches. The decision last March, as I indicated in my appearance last Wednesday, was one which was done over the course of two or three days at most, with our deputy, Mr. McPherson, in Ottawa. Certainly, Mr. Collins would be among others in government with whom we discussed the situation over the weekend.

MR. HYLAND: Mr. Chairman, I assume we can still remain seated and answer our questions. I don't think we've turned to standing for theatrics.

MR. R. SPEAKER: Mr. Chairman, that's unacceptable from the hon. member. I'll stand or sit any way I want, and he can stand and sit any way he wants to present his ideas. But he doesn't have to make comments about other members. This is a serious matter: \$60 million down the drain and a bailout that we've lost, and we're talking about theatrics and nonsense. I think we'd better remember why we're here as members of the Legislature.

MR. HYLAND: Mr. Chairman, I'm glad the member reinforced what I just said. I do take exception to the hon. member's first remarks about taking advantage. The motion said: at the first opportunity. This is the first opportunity.

My question to the minister is related to the comments made on his September 4 appearance. He was asked -- I think I'm paraphrasing -- why Alberta decided to go ahead with the commitment to the bailout program, if you want to call it that, and he said that part of what helped him make up his mind was that the major banks put in a large amount of money as well. That's approximate, without looking up the exact wording. Now we hear that since that time those banks have pulled out or are talking about pulling out their deposits. My question is: at that time was anything asked for in writing by the banks, that their deposits would stay in? Secondly, has Alberta pulled any money out of the deposit they put forward?

MR. HYNDMAN: Firstly, Mr. Chairman, with

regard to the deposit details that occurred subsequent to the end of March and up to last week, of course I would have no detailed knowledge, not being the regulator. The federal government is the regulator; the inspector general is the regulator of that federal bank. I have no direct knowledge at the moment, but if the banks which have been mentioned did in fact remove those deposits, I guess it would be fair to say that I'd be disappointed. The fact is that in March, when the decision on the support package was made -- which was the right decision then and I continue to believe is the right decision -- bearing in mind that these are aspects of the relatively complex interbank relationships, I think it's fair to say that there was, as far as we could understand, an informal understanding that the normal banking relationships, from the point of view of deposits and other relationships, would be maintained.

The key to the situation, though, was the support package, so that issue is essentially academic, because the question as to whether the Canadian Commercial Bank remained viable depended on the size of the support package. That support package at that time was \$255 million. It proved to be too small, given the size of the nonperforming loans. That is the reason why it appears the Canadian Commercial Bank could not succeed to be viable. So the question as to the deposits of the six banks is not pertinent to the essential issue as to why the bank didn't make it, and that was the size of the support package.

On the second question, regarding the deposits of the government of Alberta, which were \$70 million, those remained at \$70 million and were there during the entire course of time. I might mention, of course, that those deposits will be recovered fully, bearing in mind the federal government's statement that they will be covering all deposits over \$60,000.

MR. HYLAND: My third question, Mr. Chairman.

MR. CHAIRMAN: And final question.

MR. HYLAND: Okay. I asked two in one.

Maybe this is hypothetical; I'm not sure. When the joint Senate/House of Commons committee starts hearings on this bank collapse, will the Provincial Treasurer or his department have representatives at those hearings? Will

they be presenting comments on behalf of the citizens of Alberta?

MR. HYNDMAN: We will certainly be monitoring the content of the meetings and hearings in order to assess whether there is useful information that we could use here, as I mentioned before. I guess it's an open question as to the form and nature those hearings will take, although there's every indication they will be detailed and rigorous. If the committee wants to have a discussion with me, I'd be happy to go down and do that. At the moment I think it's premature to ask whether we would request the opportunity to make a submission. I don't know yet, and I think we have to get a little more focus on the matter before we do that. Doubtless, though, that hearing by the federal House of Commons regarding the federally regulated bank will bring forward other information, which will mean that members will want to explore that fully, and I look forward to appearing before the committee after the report of that House of Commons/Senate committee, whenever it is.

MR. GURNETT: Prior to asking the first question, Mr. Chairman, in view of some of the comments from other members about this appearance of satisfying the intent of the motion, I want to repeat that if people look back carefully at the transcript of this morning, I think we'll all be satisfied that the Treasurer's appearance this afternoon satisfies the technical content of the motion but certainly not the intent as expressed in the other comments made by the mover of the motion. That is the point I was trying to make a little earlier.

The first question I would pose is: beyond the call the Treasurer mentioned he made to Mr. Collins, what is being done to pursue the allegations that are contained? Is there going to be any more thorough attempt to see whether, in fact, they are completely unfounded? What process will go on from here, in view of their having been made so public and prominent yesterday?

MR. HYNDMAN: Mr. Chairman, I think there's little I can comment on that. I understand that the Attorney General was asked questions about that yesterday and responded to them. I don't know where the authorities will take the matter

from here. Allegations have been made. Where they proceed, I have no knowledge of and no influence upon at the moment.

MR. GURNETT: In a somewhat different area, another concern I have is hearing the comments by the federal minister responsible in this matter. I think it was indicated yesterday that the federal decision to be involved in the bailout was in large part based on the information and input of the six chartered banks and the Alberta government. As I listened to that comment, I thought back to your comments on September 4 or 5 that indicated that the Alberta decision was based on the input of the six chartered banks and the federal government. As I listen to different people saying who influenced the decision to participate, I guess I would come to a question of saying: who was pushing primarily for a bailout package to be put together for the bank?

MR. HYNDMAN: Mr. Chairman, to put it mildly, I think there is inaccurate paraphrasing by the hon. member of what I understand was said in Ottawa. I don't recall the words "in large part" being used by the federal minister, but certainly she commented on that, both in the House of Commons and also before the House of Commons finance committee. Certainly the federal minister has acknowledged, as well, that it is the federal government which regulates these two banks, and that the federal government, the Bank of Canada, and the Inspector General of Banks of Canada were key sources of information.

As I indicated before, the information as we saw it, which was all that was available within the time line, was pooled and made available, and there was a collective decision to make an effort to assist a western Canadian bank that was in trouble. Again, that having occurred, with the federal government indicating it was prepared to make some moves and put up some dollars of taxpayers across the country, with the six banks indicating they were prepared to make some moves, I think it would have been incongruous if the Alberta government had not agreed and said: "Yes. Pursuant to our policy of trying to assist the strength of financial institutions, we will do our minority part and assist in trying to keep this bank alive."

MR. GURNETT: I appreciate the comments that you'd be willing to appear again as more information becomes available. I wonder if you have any new thoughts on a matter I raised last week and also on the orchestrated treatment of the motion just before your appearance this afternoon, that you're probably not aware of, and the amendment I made to that motion, that talked about the creation of a select special committee, specifically here in Alberta, to look into the whole matter, not just looking back but also looking at the effect now, and finally making recommendations to avoid any kinds of similar catastrophes in the future. I wonder if you have any new thoughts on the advisability of that, whether at this point, to make it absolutely clear and to give the public the greatest possible confidence that this whole affair was conducted as well as possible, you would be willing to go beyond just a willingness to appear before this committee again and endorse and support the concept of a special committee that dealt comprehensively with this matter and the implications that flow from it.

MR. HYNDMAN: Mr. Chairman, it's not appropriate. It's not within my responsibilities to comment on the desirability or otherwise of committees, but might I point out that this committee is in session. I've now appeared, and have enjoyed appearing, before with my legislative colleagues for the third time. I have indicated that my understanding is that a House of Commons/Senate committee is being appointed in Ottawa to look at the whole matter with respect to this federally appointed bank, and with regard to matters arising there, I'd be happy to come back to the committee again. It seems to me that we already have quite a number of committees looking at this matter. I'm here today, I was here last Wednesday, and I was here in August.

MRS. CRIPPS: Mr. Chairman, my question is with regard to the \$1 billion-plus which was supposedly withdrawn from the Canadian Commercial Bank by the major banks. Would that precipitate a collapse of the bank, notwithstanding the size of the bailout package?

MR. HYNDMAN: I don't know about the figures. I don't have the information in detail as to various deposits. There were various

government and institutional deposits, and I'm not sure of that number. As I indicated in response to a previous question, the key to the decisions and discussions in March, as far as all the participants of the support package, was what size support package was necessary to maintain the viability of this bank, given the size of the nonperforming loan problem that was known at that time. That was the key to it. So the question as to the subsequent deposit movements back and forth would be secondary. It would not be the key to the situation of whether or not this bank could be made viable, which is, I hope, an objective shared by everybody in the Assembly.

MRS. CRIPPS: Thank you. I'm not sure I understand. It would seem to me that if \$1 billion-plus were taken out, the bank would have to obtain those funds from someplace, so that would precipitate the kind of episode we've had here.

Is the provincial government in a position to assure that every effort is being made to maintain the viability of the Northland Bank? Do you have any mechanism in place to monitor it, and given this situation and the information that's followed the collapse of the Canadian Commercial Bank, what other efforts are being made?

MR. HYNDMAN: An important question, Mr. Chairman. I believe the question was: will the Alberta government take steps to maintain the viability of Northland Bank? As I indicated before, I hope, and I'm sure we all hope, that the opportunity the Northland Bank has been given by the federal government — and it's a different situation from the Canadian Commercial Bank — to try to find a merger or other alternative solution will succeed. However, I indicated that it is not the general policy of the government of Alberta to always be involved in support packages with regard to financial institutions. We were with regard to helping maintain the viability of credit unions in this province. We were, with others, in March regarding the Canadian Commercial Bank. But as I've indicated before, the situation with regard to the Alberta government's being involved in any support package for the Northland Bank is highly unlikely.

MRS. CRIPPS: I think the Provincial Treasurer

misunderstood the intent of my question. I wasn't thinking in terms of a support package. I was thinking in terms of atmosphere, commitment by the other banks, commitment of the whole banking industry to assure both investors and depositors that steps will be taken to ensure the viability of those banks and that the provincial government will monitor those steps as far as is within the realms of our jurisdiction.

MR. HYNDMAN: I think we have to remember the position that has been taken and was announced by the federal government with respect to the Northland Bank. That's taken under the federal Bank Act, under federal responsibility.

However, with regard to the borrowers from both the Canadian Commercial Bank and Northland and their customers, for example, as I've indicated we've been in regular touch with the curator, with the liquidators — the curator in the sense of the Northland Bank because it is not in liquidation at this stage — with questions and suggestions that we hope they will bend every effort to minimize the disruption or inconvenience to borrowers or their customers, realizing that there's always going to be some inconvenience in the movement and negotiation of various cheques drawn on those banks around the country.

As well, I was advised by the Treasury Branches that they are doing their utmost to try to assist in facilitating the banking arrangements as, I guess, is a traditional role they've had for many decades. While there will inevitably be some disruption, some inconvenience, we're assisting where we can, realizing that certainly the provincial role is a secondary one to the curator, secondary to the federal regulatory procedure.

MR. R. MOORE: Mr. Chairman, the Treasurer just answered some of my concerns. I might just make a comment. Like my colleagues, I take it very seriously when anybody loses money, individuals or the government. I am certainly glad that the Member for Little Bow concurs in our concern on how serious this is. I also want to congratulate him on indicating that this is a serious committee that has a mandate to investigate this. He wants us to carry out that mandate, and I congratulate him on that. It seems that we have other directions; other

committees could do this work for us. I commend the Member for Little Bow for his comments.

We've seen a lot of published reports in the last few days about the fallout from this. The losses are far greater than was first anticipated. Is there anything to the media reports in the last couple days that this is far, far more reaching out than we originally thought?

MR. HYNDMAN: Mr. Chairman, members don't want me to speculate on media reports, but to my knowledge there's no change in the information I gave the committee exactly a week ago with regard to the position of the provincial government regarding the full recovery of the two deposits that were there — the debentures and the \$60 million support package.

The federal government has not yet brought in for first reading the Bill which they must bring to the House of Commons in Ottawa in order to carry forward their stated commitment of protecting depositors over \$60,000. I'm sure there are decisions to be made and some uncertainty in that area, but with regard to the dollar exposure of the government of Alberta, there's no change in that sense. I wouldn't comment on other information with regard to the Bank of Canada, but that undoubtedly will be ventilated in great depth in the House of Commons/Senate committee, as it should be.

MR. NELSON: I had to step out for a moment, Chairman. I hope what I'm going to ask hasn't already been dealt with. If the six banks had so much confidence in this package that was put together with them and the three governments, why did they remove their money so quickly and silently without some of the other partners in this package being notified to indicate that their confidence in this thing had been reduced to the extent that they had to protect their own investors?

MR. HYNDMAN: I don't know the answer to that. Mr. Chairman, I've indicated that the Alberta government maintained all its deposits in these institutions in the course of the months and weeks after March 28. Again, I've indicated that not being the regulator we wouldn't have access to details as to deposits of other entities.

MR. NELSON: Chairman, maybe the Treasurer can help me out here. I might just make a comment. Considering the comments made in the interview with Mr. Pierce, it seems that the bank may have had a bunch of equity experts working at the bank, and of course, Vencap has a bunch of banking experts. They should have changed places.

I wonder if there's any suggestion that the big six banks set up the governments to ensure that their monopoly and stranglehold on the financial practices in Canada would be continued in its present form and that regional institutions would get a black mark.

MR. HYNDMAN: That would be a somewhat interesting conclusion to draw in light of the fact that in March the federal government, unlike previous federal governments, decided that the region of western Canada was worth making an effort to save in terms of financial institutions. It would seem that the six banking institutions, essentially headquartered in central Canada, on being asked at that time, could have said: "No. We see that the federal government is prepared to make an effort to save this western bank, that Alberta is prepared to make an effort, that British Columbia is prepared to make an effort, but we six are not." They didn't say that. Because they came aboard with respect to the support package, they said that they were prepared to make that effort. Again, I don't have the details, and that's probably something which will and should be explored in depth in the Senate/House of Commons committee.

MR. NELSON: Chairman, we talk about a support package that was developed with the major financial institutions in Canada and three governments. One disturbing thing here is that it seems that we relied on information supplied by the banks, yet from the report it seems they pulled all or most of their money out. I'm wondering how much confidence they really had in it and whether they just suckered us with the information and background they had that we didn't.

MR. HYNDMAN: As I mentioned before, Mr. Chairman, there was a pooling of all available information from the federal government, its regulatory agencies, the Bank of Canada, the Canada Deposit Insurance Corporation, the

Inspector General of Banks, the six banks, and such that we had. That was the information on which the decision was made. I think we have to realize that that was the decision. I daresay that had those other eight parties agreed to move ahead and make an effort to save this western bank at that time and I had said, "Not Alberta; we're not going to lift a finger," there would have been quite an uproar.

MR. GURNETT: I'd like to go back to a comment the Treasurer made in responding to a question on September 4. He said:

I have already indicated to Price Waterhouse that I hope they will consider and be carefully aware of Alberta businesses who are borrowers from the Canadian Commercial Bank in the manner in which they now go about the conduct of the affairs of the bank. We will watch that carefully. I've indicated that we're prepared to respond if necessary.

I am still concerned about what kind of picture we're getting of the effect of the failure of the bank on Alberta businesses that depend on it. You indicated then that "we're prepared to respond if necessary." A week later is there any firmer set of plans rather than simply a general intention? I'm thinking particularly about those firms that are in good, healthy shape right now but have demand loans with the bank and those firms that depend on lines of credit. Is there anything more specific in place as to how the Alberta government will respond? I guess preliminary to that, is there beginning to be any picture of just how serious the problems may potentially be for firms?

MR. HYNDMAN: Firstly, Mr. Chairman, I think it's premature to say that the government of Alberta would respond, because the workout by the liquidator of the Canadian Commercial Bank is still proceeding and we're in touch with them. I'm satisfied that they're doing their level best at the moment to work out what is a unique and very complex situation with regard to their borrowing customers.

The hon. member mentioned an Alberta business, for example, in good, healthy shape. Such businesses would now be making efforts to find other bankers. If they are, as the member said, in good, healthy shape, they would want to work with the liquidators, the Price Waterhouse people, who are now running the bank, in order

to facilitate a movement of their account, their line of credit, and their demand loan to another financial institution. As I've indicated, there have been certain inquiries and work done by the Treasury Branches to try to help that.

We're watching it day by day. If it becomes necessary to respond in any other way, we'd be prepared to look at options.

MR. GURNETT: Mr. Chairman, I guess the other question I have for the Treasurer is a more general one. We listened last week and this week, not to comment on some of the earlier times in August and in the spring, to the information we've had. I have a lot of concern about the vagueness, in some ways, of the picture that starts to develop, particularly about the decision and how it was made and the inability to document and show us what happened. As the Treasurer looks back over all these incidents and the things that have happened with regard to the Canadian Commercial Bank, I wonder if at this point he's prepared to admit any inadequacy or hastiness or that the decision was in any way perhaps questionable or, as you look back from the perspective of what's happened since, whether it's a decision that should have been proceeded with more carefully. I'm posing that question because in the last week I've had so many people say to me, "This is millions of dollars of our money, of Alberta government money." There's certainly a perception that the responsibility of a Treasurer is to be a steward of that money rather than a gambler with it. I wonder if there is any sense of regret or feeling now, as you look back, that the decision could have been made better or differently.

MR. HYNDMAN: Mr. Chairman, the only sense of disappointment is that the bank wasn't able to become viable on the basis of the support package attempt we all made for a western Canadian institution. As I indicated, on the basis of the information that was available, we made a decision in March. The question is: was that decision right at the time? If you say it was not right, then you're saying there should not be a policy of this government of trying to nudge and help western Canadian institutions grow and that it was not right to have been part of a package with others to make the effort at that time, in March 1985, to try to make the bank viable. I think the decision was right at

the time. I think it was important for the west and for Canada that it be done.

As indicated by a number of people, it would certainly have been very incongruous, if given the feelings of others who were prepared to make that effort for an Alberta, a western Canadian financial institution — we have to remember that hindsight is a wonderful thing. We felt we should be a part of that. I believe that's appropriate and justifiable.

MR. GURNETT: What I'm saying, though, is not that there shouldn't be decisions to support a diversity of institutions in western Canada and not that we don't need those things. My question was more whether it was a good decision. I don't think any decision is necessarily good just because both of us may accept an underlying principle behind that. With the hindsight you now have, I'm wondering whether you wish you had been a voice in the wilderness and said to those eight other parties: "Just wait. We definitely, as much as you people, want western Canadian financial institutions, but I have these concerns." I don't disagree about the need to support the institutions. I'm just asking whether it was a good decision, because any decision isn't necessarily a good one.

MR. HYNDMAN: Mr. Chairman, on the basis of the time line we all faced and the objective of trying to maintain confidence and viability in the bank, that decision was the right one. I gather that the hon. member and the group he represents would not have made that decision, and the bank would have failed in March. That's the only other alternative you're driven to if you follow your line of reasoning.

MR. R. SPEAKER: Mr. Chairman, to the minister. Today the minister indicated that there were three to four days' time during which the decision was made. In our earlier minutes I notice the minister making the comment that it was just hourly, so it had to be a very quick decision. Maybe hourly means three to four days. I would like the minister to walk through that period of time, so we as a committee better understand what he was faced with and the kinds of people he was involved with. One area specifically I want to explore a little further is the involvement with persons from the Canadian Commercial Bank, in terms

of consultation and review of either annual reports or documents they may have. If the minister could first of all walk us through those three days, I think that would help us understand the situation a little better.

MR. HYNDMAN: Mr. Chairman, the Canadian Commercial Bank indicated in the days prior to the support package that they had a very serious liquidity problem and that they were going to end up with very serious consequences, and could anything be done. They indicated that they had made this information available to the federal government, to the inspector general, I presume to the minister, and to the Bank of Canada, so we were aware of their problem. They stated that it was a serious problem, and one alternative was a support package.

MR. R. SPEAKER: Was that a month prior to the March decision? Are we talking about January or February? Are we talking back in 1984, when you were made aware?

MR. HYNDMAN: That would be in the days, at most in the weeks, prior to the March decision.

MR. R. SPEAKER: Would it be in the month of March that you were made aware of the fact that there were liquidity and reserve problems?

MR. HYNDMAN: Yes. It was in the month of March that we knew, through the bank, but as well through the information in the hands of the regulators, of the federal inspector general, that that was a problem. At that time there was a request by one of the entities of the federal government: would we have a senior competent person come to Ottawa in order to meet with others who might be involved to assess the nature of the problem and see if there were any other options? I instructed the Deputy Provincial Treasurer, Mr. Allister McPherson, to go to Ottawa, which he did. During the course of the ensuing days and hours there were many, many discussions by him and myself over the telephone, conveying to me the nature of what was going on. I also had discussions with other members of the federal government. I, in turn, had discussions with members of our government, and then at the time, moving towards the support package, it was indicated that there was the possibility of a

support package involving these nine participants. We agreed to go along as one of the participants in the support package of \$255 million.

MR. R. SPEAKER: Mr. Chairman, did the minister have any direct discussions with directors of the Canadian Commercial Bank?

MR. HYNDMAN: Not with directors of the bank; with the president of the bank, as I recall, Mr. McLaughlan. Of course, having been informed by him that there was a serious problem, we then talked to the inspector general and others in Ottawa to get other objective information as to what the regulators who had the files saw was the problem and what options were available to everybody.

MR. R. SPEAKER: Mr. Chairman, could the minister indicate whether it was Alberta that alerted Ottawa with regard to the problem, or was it Ottawa or one of the banks that alerted Alberta to the problem?

MR. HYNDMAN: It would basically be the federal regulatory authorities, who had access to all the information, who alerted us to the problem. I think it was roughly simultaneously that the Canadian Commercial Bank did the same. They came and very frankly indicated that they had this problem and that they either had just advised or were about to advise the federal government of the information. So the parties involved were informed.

MR. HYLAND: Mr. Chairman, my question is related to a question Mr. Thompson asked on September 4 that appears on page 210 of Hansard. It relates to the minister considering using the Treasury Branches for the movement of government moneys paid out, issuing of cheques, et cetera. We won't know, I suppose, until the investigation is done, but if we find that money has been moved out by the major banks -- and we have a considerable amount of money in and moving through the major banks, with the trust fund investment portfolio, that's continually on the move, plus the investments and payouts in other parts of the government -- would the minister reconsider his decision about using the Treasury Branches more for moving that money through the system? Even if the Treasury Branches just get the service charge.

on that money, it would indeed make it possible for them to lower their interest rate by a percent or a percent and a half or whatever the number would be. I wonder if the minister would reconsider it. If the banks did pull their money out like that, maybe one good turn deserves another.

MR. HYNDMAN: Mr. Chairman, I think we have to remember the basic mandate of the Treasury Branches. Over the last 10, 15, 25, or 30 years there's been general approval by the Legislature that they are a financial institution which fills gaps in areas where Alberta is not served, that they must and should act in a businesslike and competitive way in respect of their loans and their accepting of deposits. Remember that all the moneys the Treasury Branch loans out are moneys on deposit from Albertans, in 500,000 accounts, and those Albertans quite properly want to maintain the highest possible interest on those deposits. So the spread between the money paid on the deposits and the money that's going to be charged on loans is an important part of good business, an important part of assisting Albertans who are borrowing and who have money on deposit. As I've indicated, I think the Treasury Branch is, in their tradition, doing everything they can to facilitate and has in some specific instances already assisted some borrowers of the Canadian Commercial Bank who needed to get advice and make other arrangements. They will be doing that.

I'm sure the Treasury Branch and other western Canadian financial institutions, which I believe still have a good future, will of course be approached by borrowers from the CCB and asked if they can look after their accounts. Doubtless those accounts will go to schedule A chartered banks and to the local financial institutions, including the Treasury Branches.

MR. HYLAND: Perhaps, Mr. Minister, if they were handling service charges on the volume of moneys that go through, that would be able to pay a long way toward their operational costs. The depositor would get his interest, and there wouldn't have to be such a differential between the interest on savings accounts and the interest paid by borrowers. That could be covered by more movement of money through there. It's just an idea.

MR. HYNDMAN: Of course, the Treasury Branches normally operate on very close margins in order to provide the best benefits to the people of the province. They will sometimes have small profits; they can have a small loss. Generally, in doing that they are continuing to provide those benefits to Albertans. I take notice of the point made.

MR. R. SPEAKER: With regard to the possible conversation with Mr. McLaughlan of the Canadian Commercial Bank, Mr. Chairman, was the Provincial Treasurer made aware of the fact that the auditors of the bank had requested — and I believe it would be in 1984 — that the reserves be increased and that at a subsequent time the bank was not able to increase their reserves? Was the Provincial Treasurer aware of that? Was there any consideration with regard to that information?

MR. HYNDMAN: With regard to any investments by the Alberta government, we would be, as would any other investor, looking at and reviewing all the audited financial statements, not only annual reports but quarterly reports as well. So that would be information everyone would have had, the regulators as well as the Alberta government and others.

MR. R. SPEAKER: Mr. Chairman, to the Provincial Treasurer. In the 1984 report to the shareholders by the Canadian Commercial Bank the bank indicated that

the most important development in fiscal 1984 was the June 27th acquisition of the remaining 61% of the outstanding shares of Westlands Diversified Bancorp, Inc.

The report goes on to say that the investment in Westlands and its substantial operating losses resulted in a \$6.5 million erosion in Canadian Commercial Bank's income.

It also points out here that in the purchase of Westlands Diversified Bancorp, the assets were \$471 million, in round figures, liabilities \$486 million, and goodwill acquired was \$18 million. Goodwill was paid. I was wondering if the minister had reviewed that specific item with regard to the actions of the Canadian Commercial Bank as one of the items that would maybe raise the question: is this bank really functioning as it should; did it make some good investments and purchases? Did the

Provincial Treasurer review that matter?

MR. HYNDMAN: Of course, the Canadian Commercial Bank, as do hundreds of thousands of other businesses, used their own judgment in making investment decisions. Certainly, we were aware, as was everyone else, of the purchase of the Westlands Bank in California and were aware that it had some problems. However, my recollection is that sometime in 1984, maybe the '84 annual report, there was a report that Westlands had turned around and was in the situation of a fourth-quarter profit, I think it was. So that was other information which, in addition to other facts, we looked at.

MR. R. SPEAKER: Mr. Chairman, the Provincial Treasurer seems to indicate in terms of the answer to the question that all of this material was removed. Could the Provincial Treasurer indicate how involved he was in his role, other than discussions over the telephone? Were there a number of those three days when the decision was made? I understand it's been longer than three days. We're getting further back, earlier into March. Discussions occurred, and the Provincial Treasurer was aware of the possible collapse at an earlier date than just a few days before he had to make the decision. He wasn't rushed into the decision, as we've been led to believe in this Legislature.

MR. HYNDMAN: No. The intensive discussions took place over the course of three or four days, as I mentioned, with our representatives and the representatives of the other parties all meeting in Ottawa on a regular basis, essentially morning, noon, and night, over the days immediately prior to March 25.

MR. GURNETT: My question again centres around this whole matter of the way in which the decision on the bailout was taken. I know that we've now been told by you many times, Mr. Hyndman, that basically the Alberta government was surprised by what happened, and then this very, very rapid sequence of events led to a decision having to be made to participate in the bailout. But I think I speak from the same sense of frustration that people talking to me have had. People out on the street somehow feel that just can't be the case, that we don't tie up these tens of millions of dollars, or hundreds of millions eventually in the

case of the federal involvement, on that kind of basis. So I guess the lack of hard evidence seems to be a really critical part in that. To restore some confidence, to give people a feeling that the Alberta government wasn't participating in this bank for some extended period of time knowing that it was unhealthy, that it had serious problems, and that it may in fact have been terminally ill, and to alleviate a nagging sense that knowing those things, we were tying up the public's money, what can we be given to supplement your statements, to let us say: "Oh yes, they did have something to hang those decisions on, to continue to have this financial involvement in the bank, and then to extend it into the bailout package"?

MR. HYNDMAN: Again, Mr. Chairman, I've provided information at length on this topic on at least -- I guess this is the fifth or sixth occasion. I recall that when the announcement was made, a news release was issued. The House was sitting in the spring, and we had a useful series of discussions on this issue in the question period. During the estimates of the Treasury Department, we had a further in-depth discussion of the issue and I again indicated the reasons the decision was taken; then again in the meeting we had here in early August and a week ago and today.

The key issue the hon. member is dealing with is: was the decision that was taken on March 25 the correct decision? That is the question people in the province are now addressing, and I think are reaching the conclusion. If the hon. gentleman is taking the opposite point of view, that that was the wrong decision, that we as a government should not have joined those other eight members of that support package, that's the key decision. That decision was taken, and he's entirely at liberty to call in question that decision. But I haven't heard that happen.

MR. GURNETT: I guess I'm questioning the background to that decision's being taken.

MR. HYNDMAN: But what about the decision? Do you agree or disagree with the decision to make an effort to save a western Canadian bank?

MR. GURNETT: I would say that it's a very difficult statement to make unless we have that

background, unless we know what was said and what facts and figures and information were discussed in those meetings that took place in those fatal hours. That's why I've asked several times about the possibility of having a fuller picture, with detail of what took place, so that I could evaluate whether or not it was a good decision.

MR. HYNDMAN: Doubtless, with this Senate/House of Commons committee there'll be not only a full picture but a three-dimensional, IMAX type of picture of the whole situation as they hear witnesses, cross-examine witnesses, and go into considerable detail, as they should.

MR. R. SPEAKER: Mr. Chairman, to the minister, with regard to the \$60 million itself and how it was conveyed to the Canadian Commercial Bank in terms of the bailout. Were any conditions attached to that \$60 million, other than a contribution to their — I'm not sure just what the mechanics are. Certainly, with a little more research I'd have had that. Would that go to their reserve fund? Is that where the \$60 million would go, for the bank to shore up its base? If that is so, were any conditions attached to the \$60 million? Is there a written agreement of some kind between the three parties and chief executive officers of the Canadian Commercial Bank in terms of that \$200 million—some given to them to shore up their financial situation?

MR. HYNDMAN: There's legal documentation, which I'm sure will be among the early documents tabled in the committee in Ottawa. Certainly, the \$60 million was advanced some weeks ago. I recall there was an order in council which advanced that money. It was advanced on the basis of a number of conditions, of course, which were announced in the news release of March 25. One of them was that the support package moneys would be advanced provided everybody else put in their part of the support package deal. As mentioned in the news release, the moneys were advanced essentially in return for the documentation and the future rights which the province had with respect to its options to purchase shares in the Canadian Commercial Bank. As mentioned in the support agreement, the two news releases of the federal minister and ourselves, we

secured what was necessary from the point of view of advancing the \$60 million, as did all the other parties when they advanced their share of the \$255 million.

MR. R. SPEAKER: Mr. Chairman, in light of that, when the agreement was being struck during those three days of intensive discussion, was there any discussion with regard to the various institutions that were depositors — Alberta, the six banks, or the federal government — of maintaining their deposits with the Canadian Commercial Bank? Was that an item of discussion, or was it ever raised in the discussions you had directly? Did Mr. McPherson make you aware of any such discussion?

MR. HYNDMAN: As I mentioned in response to a previous question, Mr. Chairman, that issue was not key to the package to attempt to keep the bank going. The question of the size of the support package and the nature of what was necessary to take the nonperforming loan problem off the bank's shoulders was the key issue that was fundamental to the discussions. As I mentioned before, I would say there was an informal understanding that the normal banking relationships, including deposits, would be maintained. We maintained those deposits over the course of time, and I think that was an appropriate and understandable approach.

MR. R. SPEAKER: Mr. Chairman, the statement by the Provincial Treasurer in response to my initial question relative to Mr. Chip Collins was that he had no discussions. It seemed to be a blanket "no" in terms of "at any time", not prior to Mr. Pierce's resignation or after his resignation. I'd like that clarified. Did Mr. Collins make that statement to the Provincial Treasurer as of today or yesterday? Is that an up-to-date comment by the former Deputy Provincial Treasurer?

MR. HYNDMAN: I think my initial comment was clear, Mr. Chairman, but I'm happy to reiterate it. As late as today I talked to Mr. Collins about this, and I indicated the information that had been put forward to the committee, that it had been alleged that four or five years ago Mr. Collins had called Mr. Pierce with regard to the bank. Mr. Collins told me that at no time in his recollection did he

initiate a phone call to Mr. Pierce on any occasion for any reason and that he has no recollection whatsoever with regard to a conversation with Mr. Pierce on any telephone call on any matter relating to the Canadian Commercial Bank or anything else. Mr. Collins said to me that the one incident he remembers involving Mr. Pierce was when Mr. Pierce, as president of Ranger Oil, was in Mr. Collins' office in the Terrace Building in Edmonton discussing some matters that Mr. Pierce wanted with regard to Ranger Oil. That is Mr. Collins' recollection, and I support him.

MR. R. SPEAKER: Mr. Chairman, to the Provincial Treasurer. It's with regard to conversations between the Provincial Treasurer or Mr. Collins with any other present or former directors that raised any matters that are similar to the allegations of Mr. Pierce about actions in the bank which were unacceptable. Could the minister indicate to the committee whether any other discussions occurred with any other former or present directors where they raised concerns about the activities going on in the Canadian Commercial Bank?

MR. HYNDMAN: Mr. Chairman, from Mr. Collins' reputation, and certainly from my knowing that gentleman, I know that as a conscientious public servant he would have brought to the attention of the government any concerns he came across that were material or serious. That's the kind of person he is. Similarly, I would have with regard to any knowledge I had.

MR. R. SPEAKER: The answer from the Provincial Treasurer is no, there hasn't been any discussion such as that? There haven't been any other serious matters brought to the attention of either the Provincial Treasurer or the former Deputy Provincial Treasurer in terms of concerns by directors or past directors of the Canadian Commercial Bank.

MR. HYNDMAN: Again, I feel I can say with certainty that had any information material to that kind of investment come to Mr. Collins' attention he would have brought it to the government's attention. I indicated that he did not do so. He indicated the extent of his limited discussions with Mr. Pierce. That is the situation with regard to him and with regard to

me.

MR. CHAIRMAN: Would there be additional questions forthcoming from committee members?

MR. R. SPEAKER: Mr. Chairman, one final question to the Provincial Treasurer. From time to time during the evolution of information with regard to the Canadian Commercial Bank, as one member I know I'd certainly appreciate the Provincial Treasurer continuing access to him by members of this committee. I'd appreciate it today if the Provincial Treasurer could comment on that and indicate his willingness to come back to the committee again at a later time.

MR. HYNDMAN: The committee makes decisions, Mr. Chairman. I don't make decisions. As I indicated, I would think there's going to be a full review of this issue in other forums over the course of the months ahead. That may well raise further issues the committee would like to discuss.

MR. R. SPEAKER: The answer from the Provincial Treasurer is that at that point in time the Provincial Treasurer would be prepared to return to the committee?

MR. HYNDMAN: Mr. Chairman, the committee makes its motions and decisions, and I'm the servant of the Legislature and the committee.

MR. CHAIRMAN: Would there be additional questions forthcoming from committee members? There being none, thank you, Mr. Hyndman, for the initiative in responding to the motion that was put forward before the committee today.

MR. CHAIRMAN: Committee members, we indicated earlier that we were going to be sitting till 4 o'clock today. Prior to the arrival of Mr. Hyndman, we had recommendation 41 under consideration. Mr. Nelson was talking about the Alberta Opportunity Company and the Treasury Branches. I believe there was a question before him for clarification. I think Mr. Gogo had a question, Mr. Nelson.

MR. NELSON: Chairman, I don't recall a question other than it was repeated for the members so they would get the drift of it. I thought we would discuss it at an appropriate time in the committee.

MRS. CRIPPS: Mr. Chairman, I have a question. Mr. Nelson, are you indicating by the motion that you believe that rather than abiding by the regulations of the Bank Act, the Treasury Branches should become lenders of last resort? As I understand it, that's changing the mandate of the Treasury Branches. Is that what we're talking about?

MR. NELSON: First of all, I don't think the Treasury Branches come under the Bank Act. Secondly, yes, it would change their mandate.

MR. HYLAND: Mr. Nelson, are you talking about all Treasury Branches or a separate division of Treasury Branches that would be lenders of last resort on these kinds of things?

MR. NELSON: That would have to be determined by Treasury, I guess. In general terms, rather than opening a separate division, you could use the same branches or expand on them.

MRS. CRIPPS: Before next year could we get clarification on whether the Treasury Branches come under the Bank Act? If I remember rightly, when interest rates were very high and we put a ceiling on our interest rates through this Legislature, I believe 14 percent, we were going to be prosecuted by the federal government under the Bank Act. I sure would like clarification before next year.

MR. GOGO: Mr. Chairman, inasmuch as Mr. Nelson is referring to the Alberta Opportunity Company, which receives a subsidy of some \$6 million or \$7 million a year by votes in this House, would it be his intent to also give consideration to the Agricultural Development Corporation of Alberta, which in many instances lends as a lender of last resort but primarily to the agricultural community?

MR. NELSON: No, Mr. Chairman. I hadn't considered ADC at all at this point.

MR. GURNETT: Could I make another

recommendation?

MR. CHAIRMAN: That's exactly what we're on right now, so we'll deal with recommendation 42.

MR. GURNETT: Thank you. I'd like to pursue the suggestion that was made by one of the other committee members earlier this afternoon, that the amendment I proposed to today's earlier motion be considered by the committee as a recommendation in its own right, especially in view of the last hour's discussion. Do I need to read the whole thing into the record again? All right. My recommendation is:

That this committee recommend to the Assembly that a special committee be struck and charged with

(a) investigating all aspects of the relationship between the Canadian Commercial Bank on the one hand and the provincial Treasury and the Alberta Heritage Savings Trust Fund on the other, with specific reference to the information and circumstances leading to various decisions taken over the last several years to engage in various forms of investment in and with the bank;

(b) investigating the reasons for the collapse of the Canadian Commercial Bank;

(c) investigating the effect of the collapse of the Canadian Commercial Bank on the economy of the province of Alberta; and

(d) making recommendations for policy and statute which would, in the opinion of the special committee, have the effect of precluding a recurrence of such a bank failure in the future.

MR. CHAIRMAN: Additional comments you'd like to make with respect to it, Mr. Gurnett?

MR. GURNETT: Not at this time.

MR. CHAIRMAN: Questions from committee members?

MR. COOK: Mr. Chairman, I'd like to question whether it's in order for the committee to consider the motion, for the second reason you cited in your decision earlier today. I don't

think this committee has the mandate to deal with the question. If it's not in order, it wouldn't be on our agenda. If it is in order, it should stand and retain its place on the list of recommendations.

MR. CHAIRMAN: We're at the question-and-answer stage right now with a proposed recommendation that's been put forward by a committee member. What section 620 of Beauchesne says in terms of a direct recommendation may very well be correct on the basis of what Mr. Cook has indicated and certainly would be consistent with the decision made earlier by the Chair in dealing with an amendment to a motion before the committee at the time. As I understand it, what we're dealing with now, subject to clarification, is looking at possible recommendations the committee might want to advance as the result of a report the committee is charged with writing. At the moment I'm not exactly clear how we would deal with that, but prior to tomorrow morning we'll certainly attempt to find some further information.

We have additional members: Mr. Thompson, Mr. Gogo, Mr. Nelson.

MR. THOMPSON: Mr. Chairman, I submit that we should accept the recommendation. If we find it's illegal or out of order or whatever, then we can scratch it off the list at a later date, but at the present time I don't think we should be hasty in this. We should accept the recommendation as stated by the Member for Spirit River-Fairview.

MR. GOGO: Mr. Chairman, I agree with Mr. Thompson. I think the Chair would be advised to seek the counsel of Parliamentary Counsel.

MR. NELSON: Basically, I was going to make the same comment as Mr. Gogo.

MR. HYLAND: Much the same. Going through the recommendations we have, we're instructing people to consider various things to various ministers. This motion is maybe not to a minister, but it's instructing the whole Assembly, to which we report. Whether we agree or disagree with it, I think it's probably in order.

MR. CHAIRMAN: I have no difficulty with

having the motion read as recommendation 42 subject to clarification from legal counsel with respect to the interpretation of it.

MR. COOK: Could I ask you also to cite 621 in Beauchesne, which is even more precise. It says:

A committee is bound by, and is not at liberty to depart from, the Order of Reference . . . In the case of a committee upon a bill . . .

and it goes on in section 621:

. . . the House has enlarged the Order of Reference by means of an Instruction.

We could ask the House to allow us to consider this, but we'd have to get specific approval or authorization.

MR. CHAIRMAN: I very much appreciate your input with respect to this matter, Mr. Cook. I think we'll take it under advisement in terms of arriving at a conclusion. At the moment we have proposed recommendation 42 read into the record. I indicated that we would take it under advisement and that the chairman would report to the committee after seeking advice from legal counsel on this very important matter.

We have now arrived promptly at the hour of 4 o'clock. We have 42 recommendations that have been addressed to the committee. I ask that by tomorrow Miss Conroy have recommendations 35 to 42 added to the sheets of paper we already have on this matter. Would those members who read a motion into the record this afternoon kindly assist her in this regard by giving her the appropriate words?

Can I draw to your attention that tomorrow we will reconvene at 10 o'clock in the morning with the Hon. Al Adair, Minister of Tourism and Small Business, and tomorrow afternoon at 2 o'clock with the Hon. Don Sparrow, Minister of Public Lands and Wildlife. If there is time at the conclusion of the morning meeting with Mr. Adair, it will be our intent to return to this discussion of recommendations, and in essence we would then be in committee stage with respect to number 1. We'll then have to govern our time accordingly. We'll have to seek decisions tomorrow with respect to additional meetings of the Alberta Heritage Savings Trust Fund standing committee to resolve the discussion of recommendations and, secondly, to make a decision with respect to the proposed tour of irrigation. That might be within several

weeks from now, but we cannot make that decision now unless we know what time frame we're going to be working with.

Can I ask you to have a good night's sleep and have alert minds tomorrow, and we'll see you at 10 o'clock. Thank you.

[The committee adjourned at 4:01 p.m.]

