

[Chairman: Mr. Oldring]

[10 a.m.]

MR. CHAIRMAN: Good morning everyone. I'll call to order another meeting of the Alberta Heritage Savings Trust Fund committee. We're expecting the Hon. Neil Crawford here shortly, but perhaps while we're waiting, we can begin with reviewing some of the recommendations. On that note the Chair will recognize ... Here's Mr. Crawford now. We'll come back to recommendations after we've had an opportunity to follow up on some of our questions to Mr. Crawford.

MR. CRAWFORD: Good morning. I'm being consistent, Mr. Chairman. Last time I left early; today I'm arriving late.

MR. CHAIRMAN: Welcome, Mr. Minister. We're glad that you could find time to appear before the committee once again. Maybe we can go straight to question period. The Chair recognizes the Member for Edmonton Kingsway, followed by the Member for Lethbridge West.

MR. McEACHERN: Mr. Crawford, we talked quite a lot about the Alberta Mortgage and Housing Corporation last time, and I'd like to swing to the Alberta Municipal Financing Corporation for a minute. That corporation has the right to borrow money and has borrowed about \$1.5 billion from the heritage trust fund at supposedly 14 or 15 percent. I think those borrowings were almost all in the late '70s and early '80s. I don't think there's been anything since '82. I'm wondering if the heritage trust fund -- and I guess when one asks that, one should really ask if the Provincial Treasurer would allow that corporation to pay out those debentures early and borrow on the market now at 9 or 10 percent. That doesn't seem to be happening, and from the point of view of that corporation, I'm wondering why. Surely that's what they would want to do.

MR. CRAWFORD: I think those debentures are in fact being refinanced. The AMPLE program is the upshot of the refinancing of some considerable portion of the Alberta Municipal Financing Corporation's debentures. I would have to admit that I don't know whether some of the more recent debentures have been taken in the market rather than through the trust

fund, but I could find out.

MR. McEACHERN: Most of the borrowings have been with the Canada Pension Plan and some with the market.

MR. CRAWFORD: Yes. I believe the heritage fund ones are the source of the rollover of debentures to a lower borrowing rate, and that is the source of the interest savings the Municipal Affairs department has which enables us to sponsor the AMPLE program starting next fiscal year.

MR. McEACHERN: Thank you.

I guess if we project that to Crown corporations generally in the fund, since most of the Alberta division is supposedly earning 14 or 15 percent -- if the same thing is going on with the Alberta Municipal Financing Corporation as with the other corporations that have debentures out of that fund, how can we maintain a 14 or 15 percent return on the fund if they in fact can rewrite those at lower rates of 9 or 10 percent?

MR. CRAWFORD: I expect to see the yield from the fund reduced in the next year or so. The only reason it's that high right now is the high interest rates we've had for some years.

MR. McEACHERN: When those loans were made?

MR. CRAWFORD: Yes.

MR. McEACHERN: Okay, thank you.

MR. GOGO: Mr. Crawford, I see the president of the corporation, Mr. Engelman, is here. This relates to the Alberta investment division as it applies to the Alberta Mortgage and Housing Corporation. Recognizing that the primary role of this committee is to assess and evaluate decisions of the investment committee and make recommendations based on that, I want to ask you a question, if it is permitted, with regard to the lending policies of Alberta Home Mortgage Corporation. The primary purpose, as I recall, Mr. Engelman and Mr. Minister, was to provide affordable housing for Albertans, which brings us to the area of those steps that are involved in granting a mortgage for a person of

low income in Alberta. This might sound like an old chestnut, and I don't wish to take bread out of the mouths of lawyers' children, but it seems to me that whenever the owner of a residence with a mortgage from Alberta Mortgage wanted to sell to somebody else and that prospective buyer qualified for a subsidy which would come out of general revenue for purchasing that asset of Alberta Mortgage, that person was not allowed to do it directly. The mortgage had to be paid out and a new mortgage created, with all those attendant costs — and they could count not only the cost of the mortgage but the appraisal fee and all the other things — which seems to me to defeat the whole purpose of providing affordable housing, the argument being that if a purchaser wants to purchase an existing home from someone who holds that mortgage, they should be able to purchase it directly without its being paid out and a new mortgage being created.

Your department, your predecessors, and the corporation have always said, "No, that's not possible; you have to have the legal creation of a new mortgage and so on." Have you reconsidered that policy at all, Mr. Minister, so that somebody wishing to buy an existing home with an existing mortgage doesn't have to pay out the mortgage but could transfer it and the purchaser could still qualify for the subsidy program?

MR. CRAWFORD: Mr. Engelman can add to this, but I would think one of the considerations is that if the property is foreclosed, the mortgage ceases to exist. If the property is quitclaimed, perhaps it's possible to assume the outstanding balance, subject only to the consideration that there has been some debate about the liability of the original borrower on the mortgage for potential deficiency judgments because the corporation hasn't been limited to the same. There have been court cases on that.

MR. GOGO: Mr. Minister, neither one of those cases — this involves an owner who wants to sell and a purchaser who comes along and wants to buy. If a purchaser wants to qualify under the subsidy program, the present policy is that the person cannot assume that mortgage and qualify for subsidy, but indeed the mortgage must be paid out and a new mortgage created, with the appraisal fees and the legal costs

involved. It seems to me that tends to defeat the policy of providing affordable housing. In fairness to you, Minister, it has been raised with your predecessors many times. I really think Mr. Engelman should be put on the spot to respond.

MR. CRAWFORD: Okay, he can answer. I've answered a question you did not ask.

MR. GOGO: And you are consistent, Minister.

MR. ENGELMAN: That particular item has been considered a couple of times, and we did in fact attempt to do that at one time. It was very difficult to make them work. I think that's basically the answer I can give. The loan that was put on didn't match the purchaser's requirements, so what was happening was that a second mortgage was put on. When we're talking about subsidies, who subsidizes the second mortgage? The legal costs involved were going to be there to a large degree anyhow. Some cases might slide right in, but there are very few. In fact, going back a few years, the few I saw did not work. We couldn't make them fit. That's the only answer I can give you on that, Mr. Gogo.

MR. GOGO: Thank you, Chairman.

MR. PIQUETTE: Mr. Chairman, to the minister. The information I've received is that approximately 4,500 properties were foreclosed in 1986 and about 1,000 of them are presently rented out or in the process of being sold. In my mind, it seems to be a very high figure. We have approximately 3,000 properties which are really providing no income at all to the Alberta Housing Corporation. I'm wondering if the Alberta Housing Corporation is not being negligent in the sense of not more actively marketing properties right now in terms of at least renting them out to someone if they can't be sold. I think you're not putting them on the market so you don't upset the marketplace right now. But in terms of the rentability of these homes, I was just looking at some of the figures. We could realize approximately \$10 million in revenues from renting those properties. Why isn't the Alberta Housing Corporation moving more aggressively in terms of renting the properties?

MR. CRAWFORD: One of the things that I'm asking go on the agenda for the board of the corporation very soon is the whole question of the marketing policy and rentals. Mr. Engelman could add details, but I would think that the properties that are not being rented may be located in places where there is no rental market. The corporation is certainly willing to rent. But some smaller cities have acquired quite a lot of these homes, and they are empty and there's no market there. Also, for about the last three years the private sector in the two major cities was also very overstocked with rental properties. Of course, people would make their decisions based on their personal budgets, and the private-sector people with rental properties were very competitive. So I think there are several reasons. I've had no indication that by offering the single-family dwellings for rent, they would all be taken up. There is still a gap between the renters and the stock that's available. So that's a response.

I want to conclude by saying that I believe that since the gap as to the vacancy rates has closed, particularly in Calgary and Edmonton, the rental policy does deserve another look now.

MR. ENGELMAN: Mr. Chairman, I would just like to add that I don't know if the figure of 1,000 rented properties is correct. We have a total of 3,700 properties designated rental. I don't have the exact figures as to what the rentals are, but I know that over 60 percent of them are rented, occupied. I can get better figures on it, but part of the reason for not renting is that they're in the process of getting ready for rent. Another factor is that most of the units are town houses. We have no problem at all renting single-family dwellings, but town houses are a little more difficult.

MR. PIQUETTE: What kind of marketing strategies are you deploying? I've heard some of the real estate people saying that they're not aware of a lot of these homes being available. Are those rented through your department, or is that given out to the real estate companies to actively market, to sell or rent? I was referred to a couple of cases in the last few weeks where people were not even made aware of available housing. What's the method of making that available to the public?

MR. ENGELMAN: Mr. Chairman, in Edmonton

and Calgary, through a proposal-call process, we have enlisted the services of rental agents and rental agencies for a good percentage of the units, and they are actively marketing them. There has been good response to that.

MR. PIQUETTE: Is that happening in rural Alberta as well?

MR. ENGELMAN: In some parts of rural Alberta. In two areas we have given the whole area to real estate or property managers to manage the portfolio in those areas. We have designated for sale 324 units, which is not a big percentage, and they will be listed. They are all listed under the multiple listing service.

MR. PIQUETTE: How many of these vacant properties have been converted into community housing projects, say, between April of '85 and March 31, '86? Was there any conversion of any of these town houses into community housing projects? Was there any attempt made to move in that direction?

MR. ENGELMAN: Six hundred and ninety-eight units, as a matter of fact, were converted to community housing.

MR. CRAWFORD: Was that basically single family?

MR. ENGELMAN: They were single family and ...

MR. CRAWFORD: The question was on town houses. We feel that the town houses are more suited to the rental supplement program for people who qualify under the joint federal and provincial program for rent supplements. We're getting a little bit further into that process now with the town houses.

MR. PIQUETTE: Can I ask one last question?

MR. CHAIRMAN: Sure, go ahead.

MR. PIQUETTE: This has to do with senior citizens' nursing homes. With the whole economic downturn, I realize the problem of finding money to build more nursing homes. Some of the proposals I've seen from my part of the constituency have been to try to convert some of these senior citizens' lodges into

nursing homes, especially where there is a vacancy rate which is in some areas fairly high. Has the government looked at the possibility of converting some of these lodges into nursing homes so that we can fill the gap? There seems to be an increasing need for nursing homes in rural communities and not so much in terms of lodges. Is getting that kind of conversion made available a possibility?

MR. CRAWFORD: I think it is. The considerations are that some lodges wouldn't be suitable for conversion; some perhaps could. We discussed this last meeting to some extent. I think the issue is the combination of care that's possible for lodges, like some home care in the lodges, the same as a person would have in his home under the home care program. That enables some people to live in the lodge longer and not need the nursing home.

There are some proposals for joint facilities, in the sense of some lodge beds and some nursing home beds. Many people believe there should be a single-window approach to accommodation for the elderly . . .

MR. PIQUETTE: A combination type of facility.

MR. CRAWFORD: Yes, that's right. A person may move from the self-contained to the lodge atmosphere to the home care in the lodge to the nursing home, and these facilities should be located in sufficient places in the province so that people can continue to reside in their accustomed communities. All of that theory is part and parcel of the thrust there now is to the one-window approach, that the accommodations may well be adaptable to one level up from what they are now. That would perhaps serve more people better.

MR. NELSON: Just briefly, Chairman. Community housing projects were brought up, and I want to jump in and make it very clear that there are some who don't necessarily agree that we want to expand these community housing projects in new, completed communities. These communities have been developed under a planned process by the local municipal government. Citizens have moved into those projects with a certain understanding, and that is not necessarily one of continually increasing the amount of social

housing in those communities, because it has an impact on those communities.

I want to ask the minister and Mr. Engelman how much further it is projected this additional type of housing may be punched into some of these new communities, changing the mosaic of those well-developed communities under certain guidelines as projected when they were first bought, purchased by people who felt they were moving into a certain type of community. Now these changes are being pushed down their throats, and they don't like it. I want to know if that's to be ceased, and if it's not to be ceased, how much input these community people will have.

MR. McEACHERN: Gee, we'll have to put up with some community housing.

MR. NELSON: You'll get your turn, Alex; just watch it.

MR. CRAWFORD: Community planning, of course, has long included social housing or community housing when the planners decide that that's the best way. As I perceive the argument, many people have long thought that it's fair for municipal planning, city council, and organizations that must zone and plan to include social housing in various subdivisions. I can see the concern when the corporation deals with the Housing Authority and commits certain homes to community housing, as it has done. One could look at the original plan and point out that that was never part of the subdivision, never part of the original plan.

I have assumed that the city of Calgary, for example, has some input into the Calgary Housing Authority. The Calgary Housing Authority becomes the agency responsible for the supervision of those units that are converted. So it has perhaps not worked well. But when it was done, I think it was done in good faith and in the belief that not constructing new community housing projects was wise, given the inventory of housing available. If a difficulty has arisen because the owners in the neighbourhood anticipate that this will depreciate the value of their properties somewhat, I can understand that.

Unless Mr. Engelman wants to add something on what was recently done this year in that respect, the only conclusion I have is that if the consultation with the city was not sufficient

beforehand, we would undertake that in the future. I believe the corporation is not at this point recommending any further steps in that direction.

MR. NELSON: Mr. Chairman, I wasn't even going to get in on this until this was brought up. I don't think anyone here including myself has any difficulty placing social housing into all communities, and I want that understood. In those new communities much of the social housing was planned. Developers built specific projects that were sold to the government through Alberta Mortgage and rented out to lower income families. We don't have any difficulty with that, because that was planned. If it was a planned subdivision, no problem.

Where we've gone wrong is with communication. Certainly there was very little communication with the city of Calgary when this was done, as per the mayor of Calgary's notes and letters to, I believe, yourself and Mr. Engelman, copies of which I've got, and also through discussions I've had with him. We've created an unbalanced situation in Calgary and possibly in other communities and put much of this housing into those areas where people are in a lesser income bracket, where they are trying to look after and purchase their property. Ultimately, what has happened is that they're annoyed at the government and Alberta Mortgage in particular that they are possibly seeing some further depreciation of the value of their property for various reasons which we could go into for an hour.

All I would like to have is some assurance that if there are future considerations given for additional social housing to be placed in a community, discussion with the appropriate authorities at the municipal level, or the MLA for that matter, be considered so there are no surprises and a whole bunch of upset people in the communities.

MR. CRAWFORD: That's agreed to.

MR. NELSON: Thank you. You've already said that.

MR. PIQUETTE: How many lots does the Alberta Housing Corporation have? Is that information available? We didn't receive our annual report, so it's very difficult to get some of that information. How much land do we have

assembled and own in Alberta? Do you have any up-to-date figures?

MR. ENGELMAN: I have these numbers because I just addressed the Alberta Urban Municipalities Association on this issue. The Alberta Mortgage and Housing Corporation has developed over 11,000 lots since the early '70s. Of those, we have sold about 9,000. We have about 2,100 developed lots right now in about 30 communities.

MR. McEACHERN: Undeveloped ones?

MR. ENGELMAN: That's developed lots.

MR. McEACHERN: Any undeveloped ones?

MR. ENGELMAN: Yes, we have some undeveloped lots. We have 4,300 acres in land banks.

MR. PIQUETTE: 4,300 acres undeveloped?

MR. ENGELMAN: Yes.

MR. PIQUETTE: With the market currently the way it is -- and a lot of these undeveloped lots or acreages were probably purchased at a very high price -- is there any intention of trying to adjust the pricing of them in terms of putting them on the market so that they're at least competitive with the private sector, or what kind of planned strategy has your department developed?

[Mr. Hyland in the Chair]

MR. ENGELMAN: To respond to that, most of these lots were developed with municipal agreements whereby the municipality is responsible for purchasing the lots at our cost at the end of five years. Any agreement to reduce the lots has to involve the municipality, because under the terms of the agreement they have to pick up the shortfall in the end. This may be better than leaving the lots unsold, because if they're sold and built on, the municipalities will get some tax revenue at least from the developed lots.

The whole issue of municipal involvement and planned development, not just with Alberta Mortgage and Housing Corporation, is a subject that Mr. Crawford may want to comment on.

It's bigger than the Alberta Mortgage and Housing Corporation.

[Mr. Oldring in the Chair]

MR. PIQUETTE: The town of Athabasca, for example, has 70 developed lots with the five-year agreement with the Alberta Housing Corporation. What would happen to a town like Athabasca if the Alberta Housing Corporation after the five-year term is over says, "Well, you simply pick up the shortfall"? What kind of financial situation would that put a town like Athabasca in? I can imagine other rural communities are probably in the same kind of position. How are you addressing that problem? I can see some really horrendous things happening if after the five-year program is over, they're sitting on a lot of vacant lots and are told to pick up the cost of developing those lots from the Alberta Housing Corporation. We could be putting some towns in a bankrupt position. What's happening in terms of that negotiation?

MR. CRAWFORD: We've extended the five years in all those cases where it would help the municipality. I believe we've also written off a lot of the interest on those. The interest has been reduced on some of the programs, but I believe, Joe, that interest write-offs on some of the municipal agreements have also taken place. I realize that that leaves a problem all the same, in that the original purchase price was more than the lot would sell for now. We've had some discussions with communities in the sense of trying to arrive at a mutually acceptable proposal for marketing some of the lots at a reduced price. Some of that has happened. Mr. Engelman would be more specific than I on the details.

MR. ENGELMAN: With respect to the interest write-off, we haven't added any interest to the municipal agreements since March 31, 1983. That's a substantial reduction in cost to municipalities, so that's one thing we've done, and we've extended the agreements rather than asking the municipalities to pay immediately. We will discuss with municipalities the lot sales and when and how the costs will have to be paid.

In the particular case of Athabasca, we have met with Athabasca as a matter of fact.

MR. HYLAND: Mr. Chairman, I put up my hand when the minister was about halfway through his last answer to the Member for Athabasca-Lac La Biche. It was on the specific of whether the corporation carries out negotiations with communities on a cost split of the loss or something, rather than communities being forced to a loss. That question has been answered.

MR. NELSON: Chairman, I have a question related to land sales. I just want to know why the Alberta Mortgage and Housing Corporation would not sell developed land to a city, town, or community at its real market value to assist them in securing industry and investments, rather than selling at book value and having that small town take a loss on its resale to that industry to create jobs.

MR. CRAWFORD: Some of the land is sold at appraised values. We have offers from cities and towns to buy for less than the current appraised values. We don't feel able to give it away, and I think a deal at the appraised value for land that the corporation owns, not subject to the municipal agreements, which we've just discussed -- we would look at any deal for the owned land. Make us an offer we can't refuse.

MR. NELSON: Mr. Chairman, I'm not suggesting that you shouldn't examine land at its real value, albeit appraised. As you know, the corporation has land, housing, et cetera, at a value related to book value or mortgage, whatever the case might be. A small municipality, in trying to obtain land -- in fact, they had to buy land themselves through the mortgage corporation, which cost them more than the value because they purchased at book value, I guess, rather than appraised value, so they might obtain a specific industry they wished to have, which I believe was creating employment for 120 people. I'm just wondering why we would not encourage that rather than being very insistent that the price of the land is such, it's on the books at such, that's what we're going to get for it, and that's too bad.

MR. CRAWFORD: I think Mr. Engelman may have some specific cases to cite.

MR. NELSON: So do I.

MR. CRAWFORD: The policy does include the prospect of selling below the book value for the appraised value. That is considered practical. I don't know how many recent cases there are. There was a long time when nobody offered to buy the land. In recent cases where some more offers are being made, bills are being made too.

MR. NELSON: That's somewhat encouraging.

MR. McEACHERN: I note that the heritage trust fund Act requires that we report about the heritage trust fund at book value. That does not apply specifically to a Crown corporation. Nonetheless, most of the debentures for the Crown corporation are from the heritage trust fund. That gives us a little problem of accounting if we want to give the real value of the Alberta Mortgage and Housing Corporation. It would be interesting to know what it would be, and perhaps you could enlighten me a bit.

I would just offer that earlier this session I suggested that it might only be worth about two-thirds. The other day I talked to a fellow at the western C.D. Howe institute who thought it would probably be worth only about half. So in some sense the \$3.4 billion value of debentures is really not worth that much to Albertans. If you took the two-thirds figure, it would be some \$2.2 billion, and if you took the half figure, I guess you'd be down to about \$17 million. I'm wondering if you have any sort of ideas on that. Perhaps Mr. Engelman would like to get in with some kind of assessment.

MR. ENGELMAN: To respond to that, we haven't done that kind of evaluation. The evaluations have been done relative to land and to mortgage lending. But we have all the social housing projects. If you want to get into valuing those, they are all on our books at cost. I know that market value for some of them is higher than book value. A lot of it was built in the 1978 to '81 period, and construction costs were high, so those would be down too. Those projects are being amortized, written off, on the basis of annual depreciation or annual cost allocations. If you got into appraising them -- we have special use kinds of facilities. If you want to get into market values, what is a lodge worth on the market?

MR. McEACHERN: Yes, it becomes very hard

to evaluate.

MR. ENGELMAN: So you have to use cost on those. I think some of the original lodges were built for \$200,000, but some of them were built for millions.

MR. R. SPEAKER: The first high rise was \$3.3 million.

MR. McEACHERN: So you're saying that it's really very hard to put a dollar value on it, even if you did set about appraising it. Some parts you could, though: the land you've assembled, which you were talking about here, appraised value.

MR. ENGELMAN: The land is valued.

MR. McEACHERN: At current values?

MR. ENGELMAN: We have adjusted our values this year.

MR. McEACHERN: There have been some adjustments.

MR. ENGELMAN: Yes.

MR. McEACHERN: Thank you.

MR. PIQUETTE: One last question. When can we have the '86 annual report? Is it ready?

MR. ENGELMAN: It will depend on whether it has to be tabled in the Legislature. It should be ready shortly.

MR. CRAWFORD: When will it be ready, Joe?

MR. ENGELMAN: For printing? Within a couple of weeks.

MR. CRAWFORD: I've often done this before with reports that must be filed; that is, rather than wait, provide a copy to each member when it's ready. I've felt that so long as the copies go to every member, the Assembly won't object.

MR. PIQUETTE: Other departments in these trust fund hearings have provided quarterly and, in other cases, annual reports. The Alberta housing corporation represents such a big part of the trust fund report that I'm wondering why

we don't have a quarterly or annual report we can sink our teeth into when we're actually doing committee deliberations and recommendations.

MR. CRAWFORD: I guess we didn't know that members would be aided by the quarterly or half-yearly sort of unofficial reports. We were thinking of the annual report, and had we known before last week that members would ask for this, we might have been able to come up with something.

MR. PIQUETTE: Thank you.

MR. NELSON: Watch the budget dollars. Keep them down. Don't spend too many of them.

MR. McEACHERN: Just mimeograph paper, something cheap.

MR. CRAWFORD: We'll print the annual report and provide it to every member.

MR. CHAIRMAN: Thank you very much, Mr. Minister and Mr. Engelman, for the co-operation and courtesy you've extended to this committee. We appreciate your reappearing and providing some more insight for the members.

We can proceed to recommendations. The Chair has already received seven. Perhaps we can begin by giving those members the opportunity to read those into the minutes. I would remind everyone that at the time you read your motion or recommendation into the minutes, by all means give a brief description, and I underline the word "brief" for all members. The Chair will entertain questions for clarification purposes only, and again reminds members that now isn't the time for debate. Certainly I'm looking forward to some hearty debate at future meetings, but today isn't the time.

With those guidelines, the Chair would now recognize the Member for Lethbridge West, followed by the Member for Pincher Creek-Crowsnest.

MR. GOGO: Thank you, Mr. Chairman. I have several recommendations I would like to read into the record. Number one is that deemed assets shown in the financial statement of the Alberta Heritage Savings Trust Fund would be

shown with the value of \$1, as opposed to the estimated or projected value of some \$2.4 billion, the explanation being that as the deemed assets are not for financial yield but for improved social and economic well-being in the long term future, they should not be shown for a value other than \$1.

Secondly, Mr. Chairman, I would recommend that as the Alberta Heritage Savings Trust Fund has now been in existence for some 10 years, the government of Alberta should consult with business, labour, and the general public as to the goals and objectives of the fund for the next 10 years. By way of explanation, the Premier who was the instigator of the fund, Mr. Lougheed, is no longer here, and many of the investment committee are new. They're essentially working with the fund's original objectives, so I think it would be in the interest of the citizens of Alberta. In view of comments made recently by the leader of government that the fund be capped or the corpus of the fund be dipped into and so on, I sense that the objective may be changed. So I would make that recommendation.

Thirdly, I would recommend that the Alberta investment division transfer the investment in the Alberta Energy Company to the energy investment division, as indicated on page 50 of the annual report, and finally, Chairman, that the equity position of the commercial investment division, one of the stars, I think, of the portfolio, be increased by purchasing more common stocks in Canadian corporations.

With that, Mr. Chairman, if I could pass those to the Chair, those would be my recommendations.

MR. CHAIRMAN: Thank you very much, Mr. Gogo.

MR. McEACHERN: Can I ask a quick question? Do we get copies of each of these as they're put forward?

MR. CHAIRMAN: I've just consulted with the recording secretary, and what the Chair is going to do is make sure that typed copies are provided to everyone for this afternoon's meeting.

MR. McEACHERN: Okay.

MR. BRADLEY: Mr. Chairman, I've circulated



copies of my recommendations to the other members, so I'll briefly review them with the committee. The first is a very obvious one. We've had a lot of discussions, and I think the general consensus is that the direction in which we should move is that the nonrenewable resource revenue currently being transferred from the General Revenue Fund to the trust fund be discontinued until such a time, I suggest, as the General Revenue Fund is in a surplus position again.

Secondly, I believe we should be looking at investments as they come due, in terms of the capital, and we should be investing the fund to get the highest possible rate of return so that we can continue to have a significant flow of income from the Heritage Savings Trust Fund to the General Revenue Fund to help us during this budgetary position. I'm recommending that as the debentures from the Canada investment division and the Alberta investment division become due, the capital be reinvested with the objective of earning the highest rate of return, similar to those investments in the commercial investment division.

Finally, perhaps from a local perspective in terms of the future of the coal industry and a determination to see us able to access not only domestic but international markets, I believe we have to have some emphasis with regard to funding in terms of research and rail transportation. I'm recommending that funding be provided for the research and development of coal transportation technologies and that consideration be given to investing in new generation coal railcars as a means of reducing coal transportation costs in order to assist in the development of markets for Alberta coal; i.e., the Ontario marketplace.

MR. CHAIRMAN: Thank you very much, Mr. Bradley.

MR. PAYNE: Mr. Chairman, the one recommendation that I'm bringing forward today results from the responses the committee was given by the Premier and the Provincial Treasurer to my questions regarding the use of Toronto-based brokerage firms as opposed to Alberta-based brokerage firms for those bond and equity transactions made by the heritage fund administrators. I'd like to read into the record the draft recommendation.

With the objective of strengthening the

Alberta-based investment brokerage community, it is recommended that Heritage Savings Trust Fund transactions involving the sale or purchase of bonds and equities be made through Alberta investment dealers wherever feasible and where such transactions are required to be made directly through dealers in eastern Canada, that not less than 50 percent of the gross commissions be credited by such dealers back to their Alberta offices.

If I could be permitted an opportunity to make just one or two comments without wishing to engage in debate, Mr. Chairman, I would make the obvious observation that the lifeblood of an investment brokerage firm is commission income. When commission income is high, professional staff is added, larger premises are sought, additions are made to the capital equipment such as computers, and perhaps most importantly, staff additions are made in the area of research and analysis, with the support staff that goes with those kinds of professionals. It goes without saying that very considerable sums are involved, and it's my understanding that a great many of these quite fundamental sale and purchase transactions are made through eastern-based firms. Having listened to the Premier and the Provincial Treasurer, I am of the very firm view that a good number of these transactions could be placed through Alberta-based firms. I do appreciate that some of these transactions and the thinking that goes on prior to the final investment decision involve talented analysis and judgment from larger firms in Toronto that have the research capacity. I have no trouble with that.

What I'm proposing is an arrangement similar to a heritage fund elsewhere in Canada, and that's the Quebec heritage fund, called the Caisse de depot, which is very much larger than ours, where a great many transactions are made through New York-based firms by reason of the availability there of research and analysis skills that are needed and useful. But my understanding of the Caisse de depot is that in such transactions the resultant commission incomes are shared with the Montreal-based offices of those New York firms so that there isn't an outflow from that province. With the recommendation I'm making, there isn't an outflow from this province of commission incomes, which could be used to strengthen the investment community and, in turn, strengthen

the larger economic community of the province.

Thank you, Mr. Chairman, for that opportunity to add my PS.

MR. CHAIRMAN: Thank you.

MR. NELSON: Mr. Chairman, I'll introduce three of these resolutions, and in light of the time, I think I'll leave discussion to another time so that we can fully debate them. I haven't got copies for everybody. We're on an austerity program, and I thought it would help austerity by not duplicating them, because they will be in Hansard.

MR. CHAIRMAN: We all appreciate that, Mr. Nelson.

MR. NELSON: The first one is that the Select Committee on the Alberta Heritage Savings Trust Fund Act consider during its deliberations an overall review of the present direction of the investments of the fund, a review of the direction the fund should take in the immediate term and in the long term, and recommend to the Legislature any new direction to be taken by the fund.

The second resolution is that the Select Committee on the Heritage Savings Trust Fund Act recommend to the Alberta government that it make available \$100 million annually for each of the next five years for dedicated research and development focussed on the goal of reducing the cost of production of oil and gas.

Mr. Chairman, the third recommendation is that the committee recommend that (a) the Alberta Mortgage and Housing Corporation not be permitted to invest further capital funds for any projects other than senior citizens' accommodations; (b) the minister put in place a committee, which would include three members of the Legislature, one as chairperson, and four members of the public, to completely review the corporation and make recommendations to the minister and that this committee be given full authority to review in detail all aspects of the corporation and to call witnesses for examination; and (c) the Alberta Mortgage and Housing Corporation develop innovative ways to consider means of having the private sector take over the direct lending to individuals and businesses, thus removing over a period of time the Crown corporation's direct involvement in the mortgage lending field.

Those are the three I have at the present time, Mr. Chairman. I have two more forthcoming.

MR. CHAIRMAN: Thank you very much, Mr. Nelson. Are there any other recommendations that members would like to introduce at this time?

MR. PIQUETTE: We'll be tabling our recommendations on Thursday.

MR. GOGO: Are you having them bound now?

MR. CHAIRMAN: If there are no further recommendations then, the Chair would entertain a motion for adjournment until this afternoon at two, at which time we'll hear from the Minister of Forestry, Lands and Wildlife.

MR. GOGO: Before you take the vote, Chairman, did you say that it was your intention to take the recommendations introduced this morning, have them printed, and distribute them to members this afternoon?

MR. CHAIRMAN: That's correct.

[The committee adjourned at 11:05 a.m.]