

[Chairman: Mr. Oldring]

[10:05 a.m.]

MR. CHAIRMAN: Good morning, everybody, and welcome to the second meeting of the Alberta Heritage Savings Trust Fund for 1987. Perhaps if we can move right on to some of the recommendations, we won't be meeting on the same recommendations come 1988.

We'll begin with recommendation 16, and the Chair recognizes the Member for Calgary Buffalo.

MR. CHUMIR: Mr. Chairman, the recommendation in issue is:

That greater use be made of Alberta Treasury Branch facilities and offices to reduce the operating costs of the Alberta Opportunity Company.

The operating costs in issue are for the fiscal year ended March 31, 1986: general and administration costs of approximately \$6 million to manage a portfolio of loans, the disbursement of which totaled only \$24,333,000 for that fiscal year. So while there are some ongoing loans to be administered, we're finding an administration cost of \$1 for every \$4 of loans that have been put out into the market. Even considering the nature of the loan that is being made, the last-resort aspect of it, that is still spectacularly high by any standards.

The question arises as to whether or not there may be means of reducing this cost, and one notices that there are branch offices in many centres in the province, particularly in some smaller ones. I calculate that there are offices in 12 or 13 centres in the province. I believe this matter has been raised in the past, and I raise it again: whether or not some savings can be made by combining office space with the Alberta Treasury Branch operations in these communities.

Some suggestions have been made for a greater amalgamation and perhaps a complete amalgamation of the services of the Alberta Opportunity Company with the Treasury Branches. But at this stage the proposal we have made is a much more limited one, pending review of the more global aspect, that savings be made through office sharing. That is the purpose of this recommendation. It seems to me that it makes the most consummate and undebatable sense, and I'd be surprised if there were any comment or dissent from any

members of this committee. Is that a little zingier, boys?

MR. HAWKESWORTH: There you go, Sheldon, stealing our ideas again.

MR. NELSON: Mr. Chairman, I hear the Member for Calgary Mountain View suggesting that I'm stealing their ideas. I think the members are stealing my ideas. I've been talking about this and debating it for a few years now.

I have to support the motion as presented by the Member for Calgary Buffalo. As I've discussed on other occasions, both privately and publicly, I don't think the Alberta Opportunity Company has the right name as a lender of last resort. I think it should be a lender of first resort. It should be a part of the Treasury Branches. There has been discussion from time to time that it was not possible to do this for various reasons, but I think we have to examine all areas where we can more efficiently run departments of government. This is one area where it can be done. I'm not going to repeat some of the numbers that have been given by the Member for Calgary Buffalo. Certainly the portfolio itself is larger than \$24 million and has to be managed, but managed at what cost?

When I see some of the activity out there — and I guess I refer to Lyon Mountain as a prime example. They were trying to put this man out of business when, in fact, if they had appropriately and properly examined this whole thing initially and participated in a proper way, Lyon Mountain might have been a nice success story. Now they're putting in all the money they wouldn't put in previously through his management capabilities. They've put in a receiver at a cost of about \$1,000 a day and this sort of thing. As far as I'm concerned, the whole issue has been mismanaged by the Opportunity Company and maybe even the government.

I think utilizing the services and the many branches of the Alberta Treasury is a tremendous opportunity to get the Opportunity Company, if we wish to use that term, out to the community better than it is. Utilizing the Alberta Treasury Branches can be a facilitator for additional lending opportunities and possibly economic growth in the province. There can be developed within the Treasury Branches a

division that has a separate mandate, such as the Alberta Opportunity Company has, to create a little more diversification within the Treasury Branch itself.

I think we're seeing the major banking institutions reluctant to participate at any great levels in Alberta at the present time. The biggest activity is seeing how fast they can put Alberta businesses into bankruptcies and various other receiverships and what have you, especially if their security is reduced by some significant amount. Even though it still covers it, it doesn't necessarily mean it should be stuck with a bankruptcy.

As I've discussed on many previous occasions with regard to guarantees and what have you, the Alberta Opportunity Company is one of the worst guarantors in the banking industry. On the other hand, it does provide opportunities for some people. I believe that the opportunity to place this within the venue of the Treasury Branches is good timing right now and may save the taxpayers of this province money in administration costs and also the inefficiencies that are certainly built into this organization.

MR. CHAIRMAN: Any further discussion on recommendation 16? If not, we'll move to recommendation 17, and the Chair again recognizes the Member for Calgary Buffalo.

MR. CHUMIR: This recommendation, Mr. Chairman, is:

That all investment and expenditure decisions made by the Investment Committee (Executive Council) be reviewed by the Legislative Assembly.

At the present time the only aspects of the investments and expenditures made by the committee which are dealt with by the Legislative Assembly as a whole, as opposed to this committee, are those relating to the capital projects division, constituting 20 percent of the fund. The issue of the role of the Legislative Assembly has been raised a great deal in the past. One of the great advocates of greater reference of decisions to the Legislative Assembly was, of course, Mr. Gitter.

The nature of the role of the Legislative Assembly is in issue, of course, because there are certain types of investment decisions which do not lend themselves to advance decision or detailed analysis in advance by the Legislative

Assembly. On the other hand, there are certain types of decisions, by and large, which do. There is an aspect of the expenditures which should be and can be reviewed in advance by the Legislature. I refer to a recommendation made by the Auditor General of Alberta in a report forwarded to the chairman of the select standing committee on February 25, 1982. The first recommendation, contained on page [7] of that report, states:

It is recommended that consideration be given to amending the Alberta Heritage Savings Trust Fund Act to require investment in Provincial corporations and other government entities, under the Alberta Heritage Savings Trust Fund's Alberta Investment Division, to be first appropriated from the Trust Fund by an Act of the Legislature.

There we have the Auditor General recommending that there be a broad appropriation of funds in advance before being utilized for the broad purposes of the Alberta investment division and primarily the utilization for loans to Crown corporations. Of course, the rationale is that with those entities, being entities controlled by the provincial government, some element of planning is feasible in those instances. One can foresee and anticipate a general need. Needs do not arise and decisions need not be made on a moment-to-moment basis. I think that makes consummate sense, that that matter be debated in advance by the representatives of the voters of this province.

On the other hand, investment decisions with respect to the portfolio investments of the heritage fund, of course, cannot be determined in advance. These require the judgment and expertise of knowledgeable investors. However, they certainly can be reviewed in detail after the fact with in-depth information with respect to the nature of the investments and the types of return. Most particularly the thing that should be of concern to Members of the Legislative Assembly is the motivation, the rationale, for some of the investments, particularly where investments are made in certain corporations where a political factor may be considered to be present. These are matters which very clearly should be dealt with in the full Assembly.

This is not a new suggestion. It's one that has been made many times in the past.

However, it's one which has apparently fallen on deaf ears, wrongly fallen on deaf ears to date, and we raise it again as something which is worthy of recommendation by this committee.

MR. KROEGER: Mr. Chairman, a question to the Member for Calgary Buffalo. You have both investment and expenditure shown. Is the suggestion that investments should be debated on the floor of the House?

MR. CHUMIR: The general thrust of the investment decisions would be debated on the floor of the House. They would be debated in the sense of the type of return that is made, the general direction of the investment, and comparative returns. Some of the investments might be raised specifically, in the manner that they have here. For example, why is there a debenture loan to Luscar? It's a good question. The decision was made, and the answer may be very supportable and quite clear. It seems to me that's a valid question as to what the motivation is for investment in that type of entity.

MR. KROEGER: Given the fact that the Legislature sits a maximum of four months in the year and generally only three months, what do you do in the period when you don't sit and there is an investment to be made?

MR. CHUMIR: I'm not suggesting — and I hope I have made this clear — that there be advance notification of investment. In terms of the market investments, it would have to be ex post facto.

MR. KROEGER: After the fact.

MR. CHUMIR: Yes, certainly after the fact. The only instance in which it would be before the fact would be as recommended by the Auditor General in 1982. If there is to be an appropriation under the Alberta investment division — for example, for Crown corporations — in that instance, since the government controls Crown corporations and can anticipate a general need in advance, they aren't decisions that have to be made on a moment-by-moment basis and that appropriation can be debated in advance.

But the investment decisions have to be made independently by the committee. It's just

an after-the-fact review of them which I think is equally merited in the Legislature as it is before this committee. It doesn't mean they have to be raised. It doesn't mean you have to make a special big deal about them. It doesn't mean there has to be special focus. It's just that they are there and that the members of the Legislature have an opportunity to raise issues which they feel are material to the administration of the province in the full Legislature. As it is, that opportunity is not available.

MR. KROEGER: You made reference to Mr. Ghitter's position. When we had the debate in the House, his position was that all investments should be debated on the floor of the House before they are made. It was literally unworkable because you're not there. Of course, now we're not worried too much about investments; the flow is pretty light. But at that time an average of over \$3 million a day, including Saturdays and Sundays, had to be invested. We couldn't wait for the sitting of the House to make those kinds of decisions. That's one thing.

The other one is that if you were to get into a debate on the relative merits of, say, three companies, all manufacturing steel or processing [inaudible] or whatever, if you got into a public debate on the companies' share values and what their management capabilities were, you could impact in a very negative way on the operation of the companies. If you owned a company and I got up and made a speech in the House that Chumir is a lousy manager and Kroeger is even worse and we can't buy the shares of that company, I don't think it would work. So you're talking after the fact?

MR. CHUMIR: Very definitely. I can't see how it would work before the fact. It's a nonstarter.

MR. KROEGER: But that was the position Mr. Ghitter was taking. You made reference to his proposal, and so it was different from what you're suggesting?

MR. CHUMIR: To that degree, yes.

MR. McEACHERN: Mr. Chairman, I'd like to say that our party supported the basic concept of the heritage trust fund right from the start,

but we were never in favour of the degree to which it was to be controlled only by cabinet. I say "only by cabinet" because the mechanism set up to review that has been inadequate. This 15-member committee operating once a year is not an adequate review of the procedures of the investment committee. We have always maintained that the basic decision on taxpayers' money that is to be allocated for whatever purposes should be made in the Legislature of the province of Alberta. That's what the MLAs are elected for, so that's where the major decisions should be made.

While I agree with what the Member for Chinook was saying about decisions about specific investments in specific companies being too difficult to make in the House, nobody is asking to make that decision in the House. But if you're going to put \$3.4 billion from the heritage trust fund into the Alberta Mortgage and Housing Corporation, a Crown corporation, that's the kind of decision that should have been made in the House.

Motion 69, which I mentioned, would go a long way to restoring legislative control over a major portion of the fund. We've had this 10 years of no real accountability and no real legislative planning for where the heritage trust fund has been going. But if we took the deemed assets out and put the ongoing responsibilities under the deemed assets section of the capital projects division back into the House, if we put the Crown corporations back into general revenue and hence back into the House, then I would say that a major portion of the fund would be back under the jurisdiction of the Legislature in a proper manner.

The other portion, the portion of the fund that is loaned outside of Alberta, is the only one that can really be considered an investment where you might try to maximize income and say that the sole purpose is to invest that money and maximize income to help the general revenues of the province. The others, which are spending money within Alberta, are to some extent social programs, diversification programs, programs with purposes other than just making money.

It seems to me that that would go a long way to bringing a lot of the control of the fund back into the Legislature where it should be. A lot of it would become part of the basic budget. For the other part that is invested outside, we might look at setting up a slightly different

model in terms of control and have a little more accountability, much like the AOSTRA fund does. I think that's something this committee should investigate and look at, and perhaps in another year we could make some recommendations in that direction. But the motion as it stands is certainly one in the right direction.

MR. HAWKESWORTH: A comment and a question. I presume that what Mr. Chumir is getting at is that if this year the Provincial Treasurer buys into the West Edmonton Mall mortgage bond issue, we would get an opportunity to debate that in the Legislature in the spring or whenever the Provincial Treasurer reported on that. I really don't see what the difference is between investing in that and investing in capital projects, which we have up to 10 days to review. It's money under the fund, and I don't know why one category gets extensive scrutiny and another doesn't.

In terms of what exists today, does the Provincial Treasurer or the investment committee have an investment policy available? On what basis do they make decisions? Are there any policy considerations that guide whether they put money into certain financial institutions and not others or certain corporations and not others, over and above this policy of no more than 5 percent of the outstanding shares in any one corporation? Is there a document called the investment policy which is used by the investment committee in allocating these funds in any way?

MR. CHAIRMAN: I'm not sure if you're directing the question at the Chair or not, but certainly the Chair doesn't have that information at his fingertips. Perhaps it would be more appropriate to address that to the Treasurer when he returns.

MR. HAWKESWORTH: By the way, is he going to be coming before we're done, Mr. Chairman?

MR. CHAIRMAN: Hopefully, he's still going to try to squeeze in an hour this week, recognizing, of course, his constraints with budget preparations and deliberations and the demands that they are taking on his time.

MR. HAWKESWORTH: I guess my point is that failing any change in the legislation in order to

implement this resolution, it would seem to me that if there were such a thing as an investment policy, perhaps at least that could be submitted by the Provincial Treasurer to the Legislature or even to this committee for review and comment. I think it goes without saying that these kinds of decisions ought to be reviewed by the Legislative Assembly as a whole. I think it's an important principle that we should be promoting.

MR. CHAIRMAN: The Member for Lethbridge West followed by the Member for Pincher Creek-Crowsnest. On that point?

MR. CHUMIR: I was just going to say, by way of example of the type of question that might arise, that the commercial investment division invests in the stock market, and a good chunk of the portfolio is invested in oil and gas companies, particularly the very large integrated companies. A question that can arise, and I'm not making any implication in this regard, is whether or not the provincial government, through the Executive Council sitting around the table and investing in these companies, might find a conflict of interest or be influenced in terms of their policies by virtue of the fact that a good chunk of provincial moneys, through the heritage fund, are invested in those companies. I don't know what the answer is, but it's certainly a debatable issue.

MR. GOGO: On this very point of Mr. Hawkesworth's, Chairman. The Treasurer was before us. The question was put to him, as indicated in the transcript, with regard to the commercial investment division, notwithstanding the 5 percent maximum investment in any portfolio of any security, that maximization of return -- I'm not talking yield now. I clearly recall putting the question as to the primary criteria of the Alberta investment division. As I recall, the only criterion he responded to was the maximization of return in the Alberta investment division. I think I recall that the question was put, although I didn't put it, about vulnerability in terms of diversification. I think that's what Mr. Hawkesworth is getting at; i.e., what are the criteria for investing? To my knowledge that wasn't responded to. I think it would be a reasonable question to put to the investment

committee, whether it's to the Treasurer or not.

MR. BRADLEY: Mr. Chairman, I don't know if this point has been made earlier in the discussion with regard to the comments of the Member for Calgary Buffalo when he said that it was an Auditor General's recommendation that Crown corporation borrowings from the trust fund receive Legislative approval. In fact, it is my understanding that the practice today is that we introduce a resolution on an annual basis approving the upper limit of those borrowings by a Crown corporation, that, in fact, the Heritage Savings Trust Fund can lend to a Crown corporation in any given year. That has been the practice on an annual basis for the last two or three years. That practice should meet the member's concern there -- the fact that we do that and there's opportunity on the floor of the Legislature to debate that resolution and to preapprove the limits which those Crown corporations can borrow from the trust fund.

The other points that have been made in terms of review of investments after the fact: I think one of the reasons this committee was set up was in fact to do that and have that scrutiny of the investments and make comments on them.

Those are my comments with regard to the proposition.

MR. McEACHERN: Very briefly on that point, while what you say is true, in the last Legislature Motion 12, as I recall, was the one that indicated the amount of money that would be going to AOC, ADC, and AMHC. It was a pretty terse sort of statement and just a blanket amount. There was very little explanation, and there was no annual statement to look at to see why they needed this amount of money or anything. It was a pretty inadequate sort of explanation, if you like, or a pretty inadequate debate, because there really wasn't anything to debate. You just looked at this number and sort of said, "Should they get \$188 million?" We didn't really get much of an explanation of what the interest rate would be or any sort of background information on it, so it's a pretty inadequate legislative scrutiny of those figures.

MR. BRADLEY: My only comment is that the opportunity is there, and if the members wish to

explore it, they certainly have that opportunity.

MR. McEACHERN: You can ask questions, but if you don't get answers and don't have information, where does it take you?

MR. CHAIRMAN: Any further discussion on recommendation 17? If not, we'll move on to recommendation 18. Again, the Chair recognizes the Member for Calgary Buffalo.

MR. HAWKESWORTH: Just before you carry on . . .

MR. CHAIRMAN: The Member for Calgary Mountain View.

MR. HAWKESWORTH: I think you also grouped recommendation 41 with that, did you? I have a note 41 beside mine.

MR. CHAIRMAN: That's correct: 17 and 41. I'm sorry. Any discussion on recommendation 41? Did the Member for Edmonton Kingsway want to comment any further?

MR. McEACHERN: I think not. I think it covers very basically the same ideas.

MR. GOGO: You're tenacious, Alex, I'll tell you.

MR. McEACHERN: You don't need to tell me that; I know.

MR. CHAIRMAN: Actually, recommendation 16 was tied in with recommendation 45. The Member for Athabasca-Lac La Biche is not here. What are the wishes of the committee?

MR. HAWKESWORTH: I think we could come back to it later.

MR. McEACHERN: Recommendation 45?

MR. CHAIRMAN: Yes.

MR. McEACHERN: Recommendation 45 is very similar to one we debated, number 16. In fact, I think I spoke in support of that idea. I don't think we need to do it again.

MR. PAYNE: You'd just be making the same speech again, really.

MR. McEACHERN: That's right. I'll accept recommendation 45 as having been debated in the same light as number 16. However, if Mr. Piquette gets here before we break up, I suppose we could ask him if he wanted to comment.

MR. CHAIRMAN: Okay. Are we on recommendation 17 now?

MR. CHUMIR: Mr. Chairman, I was just closing off on that, concluding comments. I generally try to avoid flogging these things to death. I have my say and then leave it. But I gather that I just might conclude, in commenting on Mr. Bradley's observation with respect to the motion that was made with respect to the loans to Crown corporations, that that procedure certainly falls short of what was recommended specifically by the Auditor General, who recommended that it be first appropriated from the trust fund by an Act of the Legislature.

I would just point out that the traditional means by which funds are appropriated is through legislation. It's certainly a more formal and more comprehensive process and gives us greater opportunity for assessment and debate, and I think that definitely is the preferred procedure. But I think the state of the knowledge and information we have with respect to the trust fund is so incomplete, fragmentary, and vague that we're in a learning stage. It's hard to anticipate just the course and direction that debate might take if we were given the complete opportunity to do so. The Auditor General's recommendation was one example of a means by which debate could be enhanced, but the opportunity may take many differing and fruitful directions once the concept is adopted by the government. I guess that would be my final comment on that issue.

MR. CHAIRMAN: Moving on then. Recommendation 18, and it was going to be debated or grouped with recommendation 50.

MR. CHUMIR: This recommendation is: That the annual reports of any Crown corporation holding debentures from the Alberta Heritage Savings Trust Fund be made public within six months of the end of the Crown corporation's fiscal year, regardless of whether the Legislative Assembly is sitting. If a final report is not

ready, a limited report containing all available data should be made available to the Standing Committee.

The impetus for this resolution arose out of the fact that the annual report of the Alberta Mortgage and Housing Corporation for the fiscal year ended March 31 was not available to this committee at the time we heard witnesses with respect to the issue, and in fact it is still not available. I just had a call made over to the offices of the Alberta Mortgage and Housing Corporation, and apparently the matter is just now about to go to press, notwithstanding a statement of representatives to the committee earlier, on November 25, 1986, that it would go within two weeks of that point in time.

MR. CHAIRMAN: Excuse me, Member for Calgary Buffalo. It's a small room that we're in, and there's a lot of distraction from the construction and whatnot. I'm wondering if we could hold the subcommittees outside the room. Sorry for the interruption.

MR. CHUMIR: So that is a matter which is of some concern. The concern blends in with the practice that reports of these Crown corporations be tabled in the Legislative Assembly and that they not be available until that period of time, which presents some obstacle to the obtaining of information in the event the Assembly is not sitting. I find myself puzzled as to why that should be the governing rule; there is probably some element of historical tradition about it. So the thrust of this recommendation is to ensure that this committee have available to it the maximum amount of information available, cognizant of the fact that sometimes through the period of time in which we're sitting or through specific circumstances a report might not be available but that in those instances every effort should be made to ensure that what available information there is, short of a complete report, be before this committee. That is the basis of this recommendation.

MR. HAWKESWORTH: Mr. Chairman, I support the resolution. It's very similar to recommendation 50, in that in recommendation 50 Mr. Piquette has suggested that these reports be available prior to this committee's meetings. Basically, he's directing that for this committee to do the job given to it by the

Legislature, we need to have as much up-to-date information as possible.

It also comes back to the resolution we've just been debating; that is, this whole matter of review of investments by the Legislative Assembly. The way the Act is structured has given that responsibility to this committee, and as much as we feel that these decisions ought to be reviewed by the Legislative Assembly, in the absence of any change to the Act, that is a job of this group here that meets once a year and takes the time to give these reviews some more in-depth study on behalf of the Legislative Assembly. If we're not getting the up-to-date information, we can't do our job, we can't perform properly, and we can't do the kind of scrutiny and ask for the kind of accountability that we're expected to.

I think it's just such a basic kind of request that we be given the most up-to-date information possible in order for us to fulfill our mandate, and I strongly support resolutions 18 and 50, which basically address that very issue.

MR. GOGO: Mr. Chairman, I'm very sympathetic to Mr. Chumir's request, and I'd like Mr. Heron to help me here. I have a little difficulty with that. If a Crown corporation has one one-hundredth or one one-thousandth of its operating capital from the heritage fund, should this committee be dictating the policy of the Crown corporation? It seems to me that it would be much more in order if that were to read, "if the Crown corporation were in default or arrears of paying on those debentures, then it becomes the business of this committee."

I look at the fact that the annual report is '84-85 and we're now in 1987. One has got to say, unless we've axed 98 percent of the corporation's people, why in hell isn't that information available? Not from the point of view of this committee but from the point of view as a legislator, I would tend to agree. I can't believe that something dated '84-85 is the latest information available to a legislator on a Crown corporation that the Legislature is responsible for. That's a bit of a side issue from this committee in my opinion. It would seem to me — and that's why I wanted Mr. Heron's help — that in normal circumstances unless you're in default or arrears, I don't think it becomes the business of the bank. For example, if the bank is a lender to a corporation, I don't know why we would be any different. So I'm very

sympathetic to the question, why the information is not available, being put. I don't think particularly that it should be available to this committee unless they're in arrears or default.

MR. McEACHERN: Just a couple of points. I think it's totally unacceptable that we should be expected to meet and analyze and talk about the Crown corporations or the parts of the heritage trust fund investments without the necessary information. Not only should we have the annual statement, but we should have an update if more than three months have gone by, in particular if six months have gone by. We should have some kind of update statement from the minister and some kind of analysis of what has happened since that annual statement was out plus some projections into the future.

The fact that that can be done quite clearly by any department of the government is obvious from the work that we got from Mr. Kowalski. I'm not commending him in a sense except to say that he fulfilled what would be a normal expectation, I would think, of the kind of situation we're in.

I just would say to the rest of the ministers that they were totally lax. In fact, I recall that the Treasurer made no attempt to update anything for us, and when one of the other ministers, Mr. Webber, expressed that we would likely only see \$2 billion in revenues from resources, he expressed surprise at that. He had appeared before this committee only a couple of weeks before. He should have had that kind of information available, summarized, and passed out to this committee so that we would know what we were talking about when we were talking to him with the latest possible up-to-date information.

That's the kind of thing I would expect for this committee in the future. I found this hearing totally lacking in that regard.

MR. HAWKESWORTH: Mr. Gogo's comments motivated me to get back into this discussion. What has motivated this recommendation is a situation affecting Alberta Mortgage and Housing Corporation: \$3.4 billion, 20 percent of the total assets of the trust fund, and we're operating with financial statements that are 18 months in arrears.

MR. McEACHERN: ADC also.

MR. HAWKESWORTH: The one that primarily caught my eye initially was Alberta Mortgage and Housing Corporation. You've got 20 percent of the total assets of the trust fund. You don't know what's been happening in the last 18 months. That, I think, is a serious situation.

I do think it is the business of the bank, so to speak, to use that phrase. I think many businesses in this province will say that their banks ask for monthly statements about their changes in financial position and how they're doing.

MR. GOGO: Regardless of the size of the loan? That's the point I was making.

MR. HAWKESWORTH: Yes. I think you'd find that banks are very protective — shall I use that term? — of their loans outstanding and show a great deal of interest in the individual businesses to whom they've extended the loans to the point that some businesses in this province will probably tell you that the banks are too dictatorial in the kind of up-to-date information they request and require.

I just think that when you've got that amount of money outstanding from the trust fund in a Crown corporation, we should be getting some up-to-date information from them about their financial position.

MR. CHUMIR: I'm not sure that I understood the nuance of what Mr. Gogo was saying, but if he was suggesting that we have no business asking for current reports and information from the Alberta Mortgage and Housing Corporation ...

MR. GOGO: That's not what I said, Sheldon.

MR. CHUMIR: What was the ...

MR. GOGO: That's not what I said at all.

MR. CHUMIR: What was the tenor of the ...

MR. GOGO: That's the same thing as saying, "I want a financial statement of Manitoba because we lend Manitoba money." I said that although I agree with the fact that it upsets me as a legislator that it's delayed so long, surely with regard to that recommendation it would depend on the size of the loan. If the loan were just a



token into a Crown corporation, I wouldn't say that that Crown corporation has to report to this committee.

Mr. Hawkesworth made the very valid point about one-fifth of the total; that makes a different story. That doesn't deal with the principle of the recommendation.

MR. CHUMIR: I think virtually all our investments in Crown corporations are significant, and on top of that they're not merely once-and-for-all investments; they're of an ongoing nature. We're putting money into them on an annual basis, and if we have no business asking for information with respect to the financial statements, then we would have no business asking any questions with respect to the operations of the entity, period.

Of course, I think it's accepted, by virtue of the fact that the administrators of these corporations are here before us to answer questions, that that's very much the nature of the business of this committee. Our advances are made specifically because we are endorsing the social nature of the projects. These loans are not really made on a commercial basis even though interest rates are set at current commercial rates. There really is a social purpose for the loan.

I would think this is very much in order and that your comment might relate to a very rare circumstance that isn't really relevant to what's before this committee.

MR. R. SPEAKER: Mr. Chairman, I'd just like to say that I agree in principle with the suggestion that's being made. I think it's a good one and very legitimate. When we focus on the one report in question, the Alberta Mortgage and Housing Corporation, I felt that the presentation of Mr. Engelman was to provide information, but he didn't do that preamble work to show respect to the committee in terms of the amount of debenture money we've made available to him. He should have had an up-to-date report available, not this formal report. It should have been an interim report submitted to us. He could do that. In that interim report I think there should be two things: the best up-to-date figures possible; secondly, in that interim report should be the reasons why the formal report cannot be made available. Sometimes there are some good reasons; for example, the Auditor hasn't had a chance to go

through all of their books and look at them as well as he should.

One of the questions that's pressing the Alberta Mortgage and Housing Corporation, as I understand it, is the question of the value of their assets and those assets that can be put out on the market where they can't recover their losses. They don't know what to do with those, and the Auditor doesn't know what to do with them quite yet. That question has been one that has faced the Auditor for the last two to three years. That would be a good, legitimate reason: saying the Auditor needed more time, so the '85-86 or '86-87 report could not be made available to us. But it doesn't prohibit an interim report with the best possible up-to-date statistics.

For example, if I look back in my notes, he provided for us at the meeting the number of housing units that had been foreclosed on and went on and on with other things that I'd written down. There's no reason that couldn't have been put into a document in that six-month period at the end of their fiscal year and submitted to us prior to our initiation of our meetings so that we could have had a better discussion with him and Mr. Crawford the day they arrived, rather than leaving some loose ends hanging following that meeting. Better work could have been done.

Mr. Engelman and I have had a number of circumstances where I felt he hadn't completed the assignment or showed respect to the group that he was to present information to. That's part of his shortcomings, but because of that, I think this committee has to be a little more assertive and by resolution and by the support of the government secure the best information we can in written form.

MR. CHAIRMAN: Any further discussion on recommendations 18 or 50? If not, we'll move on to recommendation 19, and the Chair recognizes the Member for Calgary Buffalo.

MR. CHUMIR: Mr. Chairman, this recommendation reads:

That Alberta Mortgage and Housing Corporation annual reports and annual reports of other Crown corporations should more clearly reflect the net realizable value of loans and assets.

This recommendation is related to recommendations that were discussed

yesterday, particularly recommendation 15, relating to the representation with respect to the fair market value of the assets of the Alberta heritage savings fund being reported. The bottom line from the point of view of the interest of this committee is to be able to make a realistic assessment as to the likely net realizable value by the heritage fund on debenture loans made to these Crown corporations so that we can value the assets, particularly in the Alberta investment division.

As I noted in some of my comments yesterday, you require the abilities of Sherlock Holmes in order to bob and weave your way through the reports of these various corporations to interpret exactly what some of the statements in there relating to provisions for losses do or do not mean. They're just hiatuses. The format of the reports is complex. It's stated in accounting language, as if the reports were being presented to the investment committee of an accounting firm or a brokerage firm rather than to provide information to the people of the province of Alberta. I think we can do much better and be much more comprehensive and give ourselves as legislators and the people of this province a much more effective amount of information.

As I said yesterday, I'm basically fed up with having to piece together information from differing sources and spending all my time trying to get the information together rather than having it very clearly before me so that I can sit back and attempt to assess policy decisions. This just repeats itself over and over in terms of matters before this committee and the Legislature. So I think it's time we made some strong statement in that regard.

MR. R. SPEAKER: I would agree with the purpose that's set out here. I just want to relate an experience of a couple of years ago, when I made an attempt to determine the loss in terms of asset value of the Alberta Mortgage and Housing Corporation. I had meetings with the Auditor at that time and some other officials. By definition the Auditor can only indicate that there's a loss in asset values or loan values when the Alberta Mortgage and Housing Corporation determines that the loan or asset is a loss. Beyond that, if the asset is held on the books of the Alberta Mortgage and Housing Corporation at a certain value, that's the value we get in the Heritage Savings Trust

Fund. It may be a loss, but it isn't a loss, which is a kind of frustrating situation.

At that time the Auditor suggested that sometimes a two- to three-year period has to go by before it can really be determined whether or not there is a loss. My estimate at that point, when we had some \$3.3 billion in debentures to the Alberta Mortgage and Housing Corporation with other losses by various persons that owned real estate, was that they had lost a third of their value. We lost \$1 billion, but what showed up in the Auditor's statement was something like \$250 million to \$300 million, which to me was not a real assessment of the value of the loans and assets.

I think we as a committee should be pressing the Auditor and the Alberta Mortgage and Housing Corporation to give us the best assessment at a point in time. That's what I see as the purpose of this motion, and that's why I support it.

MR. GOGO: Chairman, I want to ask Mr. Chumir, regarding the Canada investment division — in other words, to be consistent with the way it is on page 47 — are you saying then that all the loans to the other provinces should reflect annually their market value? I mean, they're debentures as well; they carry an interest rate as well.

MR. CHUMIR: Certainly.

MR. GOGO: So to be consistent through the report, in the commercial investment division, if we're prepared to show the market value of the equities, for example, we should be prepared to show the market value of debentures. Is that the thrust of your request?

MR. CHUMIR: Mr. Chairman, that was in fact number 15 yesterday, and I would support that. I think you have to take a look at all ends, and in fact I think the loans to the other provinces are worth more than face value. Ultimately, in a commercial sense I think they've been a great investment. I have some questions about the concept of loans to other provinces, which are problematic. But sure, I would say that we have to report those at fair market value as well. I think those can be valued. The financial pages will tell you what provincial and federal bonds are trading at on the market, and these are comparable types of [inaudible].

MR. GOGO: The fly in the ointment, as I would see it, Chairman, is that traditionally the credit rating of the recipient determines to a great extent the interest rate they must pay. As you know, it's a policy of the Alberta government that all provinces are treated equally. Therefore, the credit rating of Ontario was the credit rating applied to Newfoundland, for example, which under normal circumstances would be substantially different. I don't know what that does, and I guess here is where the question of the policy of the government comes in. In other words, how could they show a market value? Presumably a market value for a debenture in Newfoundland would be different from a market value for a debenture in Ontario.

MR. CHUMIR: The bond markets of the country recognize that already. The value of a debenture of the province of Alberta has traditionally been worth more than that of most, if not all, of the provinces of this country for the last 10 or 15 years. That's now unhappily changing, but I don't find anything untoward as a result of that.

MR. GOGO: The other question I would need help on is: what would be normal policy of a Crown corporation, or any corporation, with regard to the debentures it holds? Does it show face value, or does it normally show a market value?

MR. McEACHERN: The heritage trust fund legislation says that they will show book value instead of showing the fair market value. I think it should show both.

Is it my turn?

MR. CHAIRMAN: Member for Edmonton Kingsway, followed by the Member for Stony Plain.

MR. McEACHERN: I would just say that the difficulty one might experience in trying to arrive at a fair market value is something the accountants can work out, but I will go back and reiterate some of the points I made a minute ago on number 18 and number 15.

There is no reason this committee shouldn't have the best possible information. It should certainly have the annual statements. They should reflect as fairly as possible the value of those assets. We should have some kind of

update by the minister when he comes here if those figures are even six months old, let alone 18 months old, as we got caught on some of those reports because we didn't have the last annual statement. They should reflect as fairly as possible the present situation, with some kind of written projection into the future that we could get our teeth into. The kind of information we've had from the ministers, and in many cases from the reports, has just not been adequate. This kind of resolution would help to address that.

MR. HERON: Mr. Chairman, I would just like to mention that I do not have a problem with showing an investment or a debenture in the heritage fund — and we're looking at the heritage fund — which is guaranteed by the province of Alberta at book value. I think what we're trying to do with some of the suggestions here is to go in and actually back up one step and do an analysis of the Crown corporation through this committee.

I have some trouble with the hon. Member for Calgary Buffalo's recommendation, and I'm very surprised that a lawyer would ever suggest or be an advocate of making something armchair easy to read. It's very clear. I take exception to the suggestion that the accountants are trying to fudge the numbers and that they're very, very difficult to get at when, in fact, the statements have a statement from a chartered accountant and from our Auditor General that the statements are presented in a consistent and generally accepted fashion. I would hate to think of the nightmare we would be advocating if we allowed each and every Crown corporation in every statement to provide this armchair, easy-to-read qualitative data.

That doesn't mean, however, that we should be reluctant to recommend changes to the statements which provide us with more information that is within generally accepted accounting principles. If you're speaking of asking for information which shows a greater breakdown of the loans in arrears so that you can make that assessment, certainly that's a very valid and fair recommendation. But to ask for some qualitative assessment of the financial position of a Crown corporation is, I think, totally out of order, Mr. Chairman.

MR. McEACHERN: I have to get back into the

discussion because of the comments of Mr. Heron. He pointed out that the statement about the value of the debentures is accurate and that it was signed by accountants and the Auditor General. That's true. In fact, those debentures put out by the heritage trust fund into the Crown corporation did bring in 14 or 15 percent and are worth what they said they were worth.

But I don't see that that's any reason why we should stop there and not take a closer look at the Crown corporation itself. In fact, that very point you made re-emphasizes the point I was trying to make earlier when I said — in number 69, for instance -- that we really should eliminate that triangle we have. We have Crown corporations, the heritage trust fund, and the General Revenue Fund. Because of this little circle of responsibilities to each other, we allow a fiction that says that these Crown corporations are bringing in 14 or 15 percent when you and I know they've been losing money for the last four or five years. We take money out of our general revenue pocket, put it into the Crown corporation so it can meet its obligation to the heritage trust fund, and then we can claim that the heritage trust fund is making 14 or 15 percent. If you eliminated that heritage trust fund and just had the straight relationship between the Crown corporation and the General Revenue Fund, that kind of fiction would be totally impossible and we'd get it straightened out. We'd get the value of the Crown corporations told to us true and straight, as it should be.

At least this goes partway in meeting that kind of problem in saying, "Look, for heaven's sake, let's at least have the facts straight before we start discussing what we're going to do with heritage trust fund money." So I think it's a good resolution.

MR. CHUMIR: It's interesting to see the legal profession being saddled with the blame for attempting to obscure from a member of the government, which is a master of creative accounting.

Let me put in the very simplest, graphic terms what we're getting at here. As of the end of the last fiscal year the Alberta investment division consisted of \$8.177 billion. Of that the Alberta Mortgage and Housing Corporation had debenture loans outstanding from the Heritage Savings Trust Fund at \$3.387 billion and

miscellaneous other loans to different Crown corporations. We constantly hear questions and we constantly see references in the press with respect to what the value of the heritage trust fund is. This committee has been sitting for several months. We've heard evidence from the Alberta Mortgage and Housing Corporation. I would like to hear — I'd be baffled and astonished if any member of this committee can possibly tell us what the realizable value is of the \$3.387 billion we have invested in that corporation.

Certainly that is pertinent. It's relevant. It's right at the heart of what's at issue. We've dealt with the fringes of issues. We've dealt with minor, puny detail. But we don't have the basic question of what it is worth, what the value is there. We can speculate, but I think that's totally unacceptable. We're just not doing our job.

MR. NELSON: I look forward to all your support on resolution 11.

MR. CHUMIR: We've lost a lot of money in those companies. But we don't know how much, we can't find out, and we don't have reports.

MR. GOGO: I hope to have the transcript at 2 o'clock; I don't have it here. I recall Mr. Engelman sitting at this table alongside his minister and making the statement that Alberta Mortgage and Housing Corporation's value is probably — he may not have used the word "probably"; I will check the record — \$2.5 billion. Do members not recall that statement?

MR. CHUMIR: I have that here. I'll pass this copy of the transcript to Mr. Gogo. I think the reference of any specific value was speculation to Mr. McEachern, who speculated \$2.2 billion. Mr. Engelman did not in fact comment on that. He indicated that they hadn't valued a lot of the social housing, which may or may not be a reasonable position. I suspect it is reasonable. But I don't think we ultimately got a bottom line from Mr. Engelman.

MR. GOGO: Do you have Mr. Engelman's testimony there?

MR. CHUMIR: I could be mistaken, but I'll just pass it over to you. Your recollection of hearing that specific number was fairly close,

but I think it was Mr. McEachern's speculation. That's what I was saying before. There is lots of speculation. We don't have a statement from ...

MR. HERON: A question on this topic, Mr. Chairman. Clearly, if one wants to speculate on what the losses may or may not be, one is free to do that. But I think Mr. Engelman was very, very clear when he said that there's a certain point in time in an accounting sense when you realize a loss. It's not 30 days, as soon as a loan goes into arrears, or 90 days but when it's realized that it's adequately reflected in accordance with the generally accepted accounting principles in the statements. Having made that statement, I recognize fully the need for timely and good documentation. Once you have that documentation, I think there is always going to be a period after you receive it when you're going to be speculating as each economic downturn changes the market value of those assets. That's fair ball. You can speculate, but I think we're here to look at quantitative data as best presented by the accounting profession.

MR. McEACHERN: But remembering what Mr. Speaker said about the process.

MR. CHAIRMAN: Any further discussion on recommendation 19?

MR. R. SPEAKER: Mr. Chairman, on 212 of the transcript Mr. Engelman says:

The change in accounting was the result of a change in legislation which allows the deficit to remain on the books of the corporation rather than being funded by the Provincial Treasurer on an annual basis. The losses will be funded as cash is required; in other words, as the actual losses are incurred or as cash is required, which means, if I correctly interpret this bit I have drawn out, that he can carry it on and make the thing look good at book value for a period of time until cash is required. I think the intent of what we're saying here is that — and I agreed with Mr. Heron earlier when he said let's get the best figures in that report as quickly as possible. If it's a potential loss, we should know it's a potential loss. Then we can make our own political judgment as to when the loss is going to occur.

MR. CHAIRMAN: Any further discussion on recommendation 19? If not, we'll move on to recommendation 20.

MR. CHUMIR: This resolution provides:

That copies of the agreements entered into by the Province of Alberta with Financial Trustco Ltd. and any other companies relating to the construction and development of the lodge and hotels at Ribbon Creek, be made available to the Standing Committee.

This was discussed very thoroughly in respect of the fund's investments in Kananaskis Country. It's quite clear that the provincial government and the heritage fund have a very substantial investment in Kananaskis Country and made very significant direct advances to facilitate the development of the lodge and the hotels at Ribbon Creek. Nevertheless, we do not have available to this committee nor, to my understanding, has the government otherwise made available copies of the agreements which reflect the dealings between the people of the province of Alberta and these companies. I find that on a global basis this is very unsatisfactory. If a deal is being made with the use of public funds, that should be made public as a general rule.

This resolution is narrowly related to this particular investment which is before this committee at this time, and I'd like to make it clear that I think that as a general rule these agreements should be made available. It's one of the things where we could well use freedom of information legislation in this province to ensure that the people have a right to be informed of the terms upon which their moneys are being invested. That is my comment.

MR. PAYNE: Mr. Chairman, first of all, I'd like to just make a comment on the broader issue of publicizing traditionally confidential information between two contracting parties. Outside of government, of course, two or more contracting parties generate documentation that is confidential to those parties. However, when you move partly into government and one of the contracting parties is government, should there be, or is it defensible to expect, the same kind of confidentiality? That broader question has plagued me for the seven or eight years that I've been a member of the Assembly, but I have come to the position that it is not appropriate

to expect the same kind of confidentiality simply because of the involvement of public funds.

We do, of course, have one interesting precedent. I recall the hon. Merv Leitch standing in the House in 1981 and taking several hours to read every jot, iota, and tittle of the Syncrude agreement, which was every bit as significant to this province as the Financial Trustco agreement with respect to the Kananaskis village. So with that precedent and this broader principle that I've clumsily articulated, I find myself supporting this particular recommendation.

MR. HAWKESWORTH: Just to follow up on that comment made by Mr. Payne, I think there's also been another precedent set that is more directly related to Kananaskis, and that's the release of the lease agreement between Kan-Alta Golf Management Ltd. and the province to run the golf course at Kananaskis. The minister at the time, Mr. Trynchy, gave an undertaking to the Legislature that he would check into what effect confidentiality had and, having checked into it, decided that it would not be any breach of confidentiality to release that particular lease, and that is now public information.

I think what Mr. Chumir is recommending here is that the same be done with these particular leases and agreements affecting the development of the Ribbon Creek lodge and hotels. I think that it's quite in order, and I certainly hope that the minister will do that regardless of whether this is adopted by this committee or not.

MR. CHUMIR: I'm delighted to hear the comments. Being involved in business myself, I understand the element of confidentiality. I've reviewed to some extent the parameters that apply in different freedom of information statutes across North America. They are quite common across North America. I can very much understand how in some instances there is a certain type of commercial information where there are trade secrets which are of a confidential nature and should be kept confidential, and any freedom of information legislation I've ever seen makes provision for that.

But we're talking about basic terms of agreements in which provincial funds are

expended. You mentioned Syncrude. We're talking about deals with the Husky upgrader, in which perhaps hundreds and hundreds of millions of dollars in provincial funds will be expended. It certainly leads to suggestions that there is something to hide if disclosure is not made. I find it inconceivable that the exact terms upon which significant, huge sums of money are invested are not made clear to the people of the province. Once you accept that, and that seems to me to be so obvious and so rhetorical, then you get differences in magnitude but not differences in principle in respect of smaller amounts. Public business should be done in public, and the terms upon which public money is invested is of public interest. For the life of me, as a businessman, I can't see why this should not be disclosed unless there's something embarrassing, and in that event one wants to be made aware. That's where the public interest in disclosure arises.

MR. McEACHERN: The point about public disclosure has been quite well stated, so I'll just reiterate that I think that's a very important principle you've put forward. I've heard the Member for Little Bow make the same statements in the House and we, of course, have pressed the government for information about SBECs and that sort of thing. Grant Notley, of course, worked with Ged Baldwin for freedom of information Bills. The feds finally passed one, but we couldn't get the Alberta government to pass one. So I certainly recommend that to the government, to have some freedom of information whenever government dollars are involved.

There is another little aspect of the whole Kananaskis thing. I went on the tour only one day out of the two, but something I came away with when we got to the hotel development at the bottom of Mount Allan, for example, was that I found the government was building the information centre and the hotels were building the hotels. I couldn't help thinking that that typified a lot of the things I'd heard that day. It seems that the government is the one that puts up the money to do the infrastructure and the things that aren't going to make any money, and the hotels and private enterprise are the ones that are allowed to jump in and build something that will make money. If they're not sure it will make money, then the government gives them guarantees and makes sure that somehow the

deal will be sweet enough that they will get into it.

So I think it's really important that those deals be made public and that we be able to scrutinize them and see just exactly what is going on.

MR. PAYNE: Mr. Chairman and members of the committee, I apologize for getting back in a second time. Although I have spoken in support of this resolution, there are limits to that support and I feel a personal obligation to articulate those limits.

It's one thing to expect and to ask for public tabling of the kind of contractual documents we've been discussing, but it's quite another to ask for some public presentation of background documents. I'm thinking that one of the contracting parties, in negotiating with the government, may have brought forward very sensitive documents related to the financial picture of the contracting party -- maybe confidential market projections, that kind of material. It seems to me that there may be some in the opposition or elsewhere who might treat the public presentation of the contract itself as a stepping stone to a public request for additional background material like I've described. I'd just like to indicate for the record that I would not be supportive of that kind of supplementary appeal or request.

MR. HAWKESWORTH: Just to clarify that last point, I think the resolution states that it would be "agreements entered into by the Province of Alberta." So if there hasn't been an agreement entered into or there are documents that don't form appendices or part of that and so on -- in fact, coming back to the Kan-Alta lease agreement, certain appendices were not tabled as part of that agreement. But in essence, the agreement and the nonconfidential appendices were all included in what was tabled at that time.

MR. PAYNE: Yes. My supplemental comment was not directed to the resolution or recommendation as presently worded but to a possible future temptation that might come from the other side.

MR. HAWKESWORTH: Oh, we're always tempted.

MR. PAYNE: Precisely.

MR. CHAIRMAN: Any further discussion on recommendation 20?

MR. R. SPEAKER: Just for clarification, the member is requesting "any other companies related to the construction and development of the lodge and hotels." Are you also asking for information on the terms of reference and the guarantees in terms of funding? Would this be inclusive of that?

MR. CHUMIR: I would think so.

MR. R. SPEAKER: If anything, it's very broad and general.

MR. CHUMIR: Certainly it's intended to be comprehensive with respect to all the agreements. But, again, it doesn't go into the other matters, some of which Mr. Payne referred to.

MR. R. SPEAKER: Yes, and I agree with Mr. Payne on that question.

MR. CHAIRMAN: Any further discussion then on recommendation 20? If not, we'll move on to recommendation 21.

MR. CHUMIR: Mr. Chairman, this recommendation is:

That where public funds are used to directly finance and support commercial development, as in the case of Ribbon Creek Lodge, the Province of Alberta should participate in some of the profits. This is as much a statement of philosophy as anything. I must admit that general, broad statements of this nature sometimes require deviation in detail. But as a general principle, I'm very much attracted to the philosophy that when the government advances public moneys to assist commercial development in some way or another, the general rule should be that the government should have a piece of the action. The classic example is that which was referred to by Mr. Payne a moment ago, the heritage fund investment in Syncrude, in which we are a participant.

I must say that I look with some concern each time I see another announcement of government intention to participate in some

form of support of commercial development, as to whether or not we are simply helping a commercial entity and taking the risk upon the shoulders of the people of this province of Alberta without commensurate potential benefit. Again, one example is the Husky upgrader. I reviewed that, and I have some concern about whether the type of support that's constantly spoken of simply means that we're bearing the risk and are going to get none of the profits. As a matter of principle and philosophy, I think it's unacceptable that we should bear the risk and not get some of the profits.

It's far more important in larger matters of that nature, but the issue arose in rather spectacular form in terms of the Ribbon Creek lodge development, where millions of dollars of public money has been injected into that proposal and the return is the very, very skinny lease fee. It is currently in the few thousands of dollars and, as I recall, will escalate to the munificent sum of approximately \$10,000 in lease fees in the year 2051 with absolutely no provision whatsoever for sharing in the largess in case that should be a raging success. It's just a very poor way of utilizing public funds in an age in which it is becoming increasingly clear that there are more calls and more demands on government to prop up and support investments and greater and greater response by government to those calls and demands.

As a matter of philosophy in this province, it's time we addressed exactly how the government is going to participate in those. The precedent we've set in the past, in which we've taken a piece of the action if we're going in, seems to me to be the proper precedent and the proper direction generally, again providing the caveat that these are business decisions and that you can't always get what you want, as Mick Jagger said. If we have the documents made available to us and all the information after the fact, then we as legislators and the people of this province will be able to assess the merits of each of those investments, whether or not the failure to take the piece of the action was the right one.

Anyway, those are my comments in support of this resolution.

MR. HAWKESWORTH: It sounds like Mr. Chumir is singing, "I can't get no satisfaction."

Mr. Chairman, this is very similar to

recommendation 62, which I've submitted:

That the Province of Alberta adopt a policy to enhance the rate of return on its investments in Kananaskis park.

It arises out of exactly the same kind of concern. A rate of return can come about in a variety of ways. As suggested in this resolution, one would be equity participation related to risk: if you share in the risk, you share in the rewards. I don't think it's right that you participate where you share or maybe assume the risks and do not share or assume any of the rewards that go with that. That just runs counter to the way the entire system has been set up. If you share in the risk, then you reap the profit that comes from doing that. The way I see these investments being structured, the province assumes the risk and somebody else assumes all the rewards, if there are any rewards flowing from those investments.

Secondly, there are other ways you can enhance your rate of return. The lease rates on the land are very, very low and bear no relationship whatsoever to the millions of dollars of public investment being made there. I think that needs to be altered.

Things like infrastructure, putting in water and sewer, are usually done by public bodies, usually at the municipal level. But every municipal corporation I'm aware of gets a rate of return on its equity investment in its water and sewer system.

Things like property tax are paid for by property owners to meet the cost of things like roads and other kinds of infrastructure where you don't get a rate of return on that investment. In many cases the province, although it doesn't sort of take property tax, has often asked for money in lieu of taxes to help meet the costs of public investments to service those property developments.

There are so many categories under which this province appears to have forgone any kind of income from its investments in the Kananaskis that it just runs counter to accepted practice in any other situation. I think it needs to be reconsidered and changed. I think the policy affecting the rate of return that the people of this province get for the investment of their funds in Kananaskis needs to be reconsidered, and a new policy needs to be established.

I support the resolution in front of us, and I also feel that resolution 62, which is very



similar to it, needs to be approved by this committee.

MR. R. MOORE: Mr. Chairman, I have some concern about this motion, because with government whatever you do in one area, you have an obligation to apply it equally in other areas. We can't just direct it at Kananaskis Country. If we were to take a look at this wherever government funding is going in directly, I think the government would have an equity position in every farm in Alberta. The Nutritive Processing Agreement that we have up there, which is a great thing for diversification of our industry, is a direct involvement of dollars into those firms to get them to locate and develop these things in these various rural areas. Then we should be saying to them, "Well, we can't give that to you unless we're in an equity position to share in the profits." I think that isn't the role of government to get in.

There are some parties that believe government should control industry and that, but it isn't the way it should be. Industry is out there. We're there to assist them and make available a compatible climate for them to develop and provide the jobs and the revenue that is required to make this country go. But for us to say, "Do that" . . . I don't object to that in this particular case in Kananaskis Country, but once you bring a deal like this in, you apply it all through government. It would end up with a total socialist state. There are those around this table who would love that, but I don't think that's what the people of Alberta want. It certainly isn't what I want. It's a very, very dangerous motion which I would have to oppose.

MR. BRADLEY: Mr. Chairman, I appreciate what has been said by others with regard to this particular investment, but I think one should go back in history a little to the beginning of the Kananaskis Country, the concepts that were put forward then, and what we were trying to achieve. Kananaskis Country was a total concept of a recreational area for Albertans. Included in that concept were recreational facilities available to Albertans and also accommodation in Kananaskis Country. You could have the outdoor camping experience if you wished, you could have a recreational vehicle park, or you could have the opportunity

to stay within Kananaskis Country in some sort of lodging facility. In fact, a lot of debate went forward as to where such facilities would be located in terms of alpine villages. There was a concept at one point where there would be a number of alpine villages. The decision then came down to where the alpine village would be and what would be involved in it. It's appropriately located adjacent to the golf course and the downhill ski facilities.

I think the appropriate decision was made that there should be on-site accommodation. They looked at how you'd achieve that. Obviously, the first way the government looked at it was that it should be entirely within the private sector, and that was the proposal that went forward initially. It came back that we would not see a private-sector development go forward if it was totally on commercial terms. So we accepted the responsibility that government would have to put in infrastructure if we were to see accommodation on-site. We accepted with our eyes wide open that the government would be responsible for the sewage and water development to the property line and then put that out to the private sector to see what sort of response would come back in terms of the actual accommodation facilities.

Everyone here is familiar with the negotiations that went on. The government came down to a decision that, yes, we wanted on-site facilities and we were prepared to finance it totally, build the facilities ourselves, look at the future in terms of some lease arrangement, and then lease out the facilities that the government built.

As events transpired and appropriately so — and I think most members of the public of Alberta would rather see those facilities in private-sector hands than totally government owned and operated — agreements were made to have the private sector build the facilities. That's the direction in which we're proceeding. I just want to have on the record that at least from my point of view I'd rather see those facilities owned and operated by the private sector rather than on the basis of the government totally building them and then leasing back to a private-sector operator.

MR. R. SPEAKER: Mr. Chairman, as a point of information from the hon. member, in terms of the agreement that was arrived at in terms of the operating deficit, was there any agreement

reached with these three companies or individuals that are building those facilities? Is the operating deficit of those persons . . .

MR. BRADLEY: You'd have to ask that of the minister responsible.

MR. R. SPEAKER: I just thought . . .

MR. BRADLEY: I'm not aware that there's any contribution by the province to operating deficits, but you'd have to ask the minister that.

MR. CHAIRMAN: Any further discussion on recommendation 21? If not, we'll move on to recommendation 28.

MR. R. MOORE: What was my 28?

MR. CHAIRMAN: I might point out that we've just passed the halfway mark. We've dealt with 36 of the 70 recommendations.

MR. R. MOORE: Mr. Chairman, I don't think I have much more to say than what I said the last time other than that throughout our fully developed area of Alberta we have a shortage of grazing lands available to farmers and ranchers. In other areas of the province we have underdeveloped tracts of land that can provide the grazing we're lacking in the more developed areas. The government has seen fit to put these grazing reserves in there and make them available to ranchers to utilize wherever they have excess cattle that require grazing. I would like to see adequate funding to provide this necessary alternative to utilizing good cropland for grazing cattle and utilize some of these borderline areas.

The other thing that has happened is that because there is a shortage of grazing, we're opening up a lot of areas in the green areas and allowing ranchers to put cattle into the green areas. I speak of the area west of Rocky, which I'm very familiar with, Mr. Chairman. They allow so many hundred head in there every year, and they compete with the wildlife for the pasture that's there. I think our officials are monitoring that very closely. I don't think it's overgrazing. There is the possibility that it could happen down the road.

The one thing that is happening that we should be very concerned about is that during the hot summer days these cattle go up and

down all those fishing streams there, which are the spawning grounds for a lot of our sport fish. It's destroying them, because these cattle walk up and down those creeks. I've been out there personally, and I've seen many miles of creekbeds totally destroyed for fishing habitat, for their spawning. To relieve this pressure, I think we should be looking at selectively picking borderline areas and creating grazing reserves wherever we have the demand for them and cutting down on utilization of the green area for pasture.

MR. McEACHERN: My point is not specifically on the particular proposal in the sense of the grazing areas themselves and how they're used, but rather that it indicates a need for spending more money from the heritage trust fund. I think number 7 was another one that suggested money be spent on specific projects. Of course, that's quite within the purview of this committee. However, I think there has been something of a consensus building on a couple of main points, one being that we likely would not transfer money into the fund this year or would at least recommend that the government not transfer money into the fund this coming year. Another one was that we continue to take the earnings of the fund out of the fund and back into general revenues to help with the deficit situation.

There's already something in the neighbourhood of \$100 million to \$150 million in ongoing projects under the capital works projects that need to be funded. I guess I'm just saying to people who make proposals like number 28 and number 7 that I hope you're seriously considering where that money is coming from, what assets of the fund are available for those ongoing projects, whether we are prepared to put more money in, and that side of it. When you start proposing to spend more money than we've been doing in the past, I think you ought to think seriously about where it's coming from in terms of the fund and the parameters we have to work with at this time.

MR. CHAIRMAN: Any further discussion on recommendation 28? If not, we'll then move on to recommendation 29.

MR. R. MOORE: Mr. Chairman, I was concerned about the thousands of dollars of heritage trust fund money that goes into

research projects inasmuch as where the end results benefit. I would like to make sure that when we get these reports on these research projects, those researchers or promoters of those projects should clearly indicate to the citizens of Alberta -- after all, it's the citizens' money they are utilizing -- where they will apply in the private sector. The public wants to know that.

It's very nice to write a doctorate. We see this happen in a lot of cases, where a guy goes for his doctorate, gets research money, writes his research paper, and puts it up on the shelf. He benefited by it; he gets a bigger wage when he goes out there. That's all very good, but he should foot it himself. Nobody gets the benefit of this. The research people say, "Well, you can't tell where a lot of this research is eventually going to help the private sector; it may be 10 or 15 years until that information we have developed or proven will come into play."

However, the public has a right to know. With all this research there must be an end objective to help the public. Surely they should be able to state that this research project will assist in this given area.

The one to come closest to it is the medical research. In their report they do indicate, and I think that is very good. But I'd like to see all these research things being looked at in this way. They're all willing to come up and apply for these research projects. Whoever the scientist or the individual is, when they apply for research money, they should be able to indicate to us where that is going to benefit you and me as citizens. I don't think that's asking too much of them, Mr. Chairman.

MR. HAWKESWORTH: This came up in a previous session of this committee. I think it was Mr. Nelson's proposal in terms of technology development for the oil industry; that is, the licensing and patenting of these developments where they're funded through the Alberta Heritage Savings Trust Fund. Are those patents and licences registered so that as they're sold or developed or produced in the private sector, some of that money flows back to the initial group that did the research? This is what the whole debate with the drug companies is about. They say, "We need this money to support our research." Doesn't the public approach research the same way? There is an enormous investment of public funds, and

when a discovery is made and new advances and development take place, they get licensed and patented so that some of the proceeds from the sale of those developments flow back into the research facility that initially developed them. Isn't that common practice in the private sector? Why isn't that same practice followed -- or maybe it is -- in the public-sector research facilities? Don't we act the same way as any private-sector corporation?

MR. McEACHERN: The interesting comment from my colleague here makes me wonder then if number 29 is really worded quite the way you meant it. In one aspect of it you did. If the government's going to put up the money for research, who is that research going to benefit? You want to see some benefit to the private sector, but I believe you also want to see -- at least I would certainly want to see -- some benefit back to the citizens of Alberta at large, not necessarily a private firm. If a private firm got some benefit, fine, as long as they also helped to pay some of the costs of the research in some manner; in other words, the patent things he was talking about.

I wonder if your resolution isn't a little bit narrow. "Where research results can be applied in the private sector to benefit" -- well, I guess you say, "to benefit the general public," so you're assuming a general benefit. I guess that makes it acceptable in that sense. Yes, I think there should be a benefit flowback. I guess you're really trying to put some onus on the researchers to say, "We've done this, and I think it will benefit in this way." Whether this gets taken up immediately or not is another question, but I suppose it would at least be some indication that they have some responsibility to the advancement of the general good.

MR. R. MOORE: If I could, just on that. I didn't refer to the patent end of it. But if they're developing something in the agriculture area, I want them to say that it will benefit the agriculture sector by increasing production in this area or cutting down expenses in that area. In the medical profession -- I'm saying the medical foundation does a fair job in their reporting, showing where it will benefit in cancer or benefit the health of the general public through a cure or preventative action they have discovered, through that method.

MR. CHAIRMAN: Any further discussion on recommendation 29 at this time? If not, I think it would be an appropriate time to break off for the morning. We'll reconvene at 2 o'clock. I thank everybody for their co-operation. We were able to make a lot of progress.

[The committee adjourned at 11:53 a.m.]