[Chairman: Mr. Oldring] [10 a.m.]

MR. CHAIRMAN: Good morning, everyone. We'll call the meeting to order. I want to begin by welcoming the Provincial Treasurer here this morning and thanking the Treasurer for accommodating the committee. We had originally scheduled to meet with the Treasurer prior to Christmas, but at the request of this committee, we needed to reschedule it. So we appreciate your accommodating that, Mr. Treasurer.

It has been customary, and the practice has continued this year, to offer the floor to the minister for some opening remarks. We'd certainly extend that courtesy again this year, Mr. Minister. Following that, we'll have a question and answer period if that's agreeable. On that note, I'll turn it over to you. Perhaps you can introduce the departmental people with you.

MR. JOHNSTON: Thank you very much, Mr. Chairman. Of course, it is a pleasure for me to attend this committee to discuss an important part of the heritage of Alberta, the Alberta Heritage Savings Trust Fund, and to be able to, I hope, respond to the majority of the questions asked by the members of the committee and to receive input and advice from the committee as to how we can move the fund in the future in the context of the history of the fund and in the context of the changing circumstances before the province of Alberta, remembering always that the fund is a key part of the fiscal plan and one of the most unique and powerful funds that's ever been developed by an organization such as a government, I think, in the history of democratic governments in perhaps the free world. A little rhetoric just to get you warmed up, Al.

I would like to introduce my colleagues this morning, Mr. Chairman. With me is Allister McPherson, who is primarily responsible for the operation of the fund, the management of the investment, and has been around government since the inception of the fund and so has probably as much information and as complete an understanding of the evolution of the fund as anyone. He is the Assistant Provincial Treasurer. With me as well is Myles McDougall from my own office staff.

Well, we're considering the Heritage Savings Trust Fund at the end of March '87, the fiscal year, and I'm assuming that the comments and questions will be in that time period. Obviously, specific questions may have to be answered by others, but in the context of the very broad discussion as to the future of the fund, I will attempt wherever possible, as I've indicated, to deal with the principal policy questions before us.

The fund at the end of the year, as a matter of record, has $12.74 billion in financial assets and $2.629 billion in deemed assets. Total assets in the fund are approximately $15.3 billion, and that fund is invested in key sectors or key investment divisions which make up the operation. That is the Canada investment division, the Alberta investment division, the energy investment division, the commercial investment division, and the capital projects division, as I noted. Each one of these is integral to the operation and activity and objectives of the fund and has, I think, proved to be an important source of strength to the province itself.

We will continue, as we saw in last year's fund statement, to not transfer resource revenue to the fund, but of course the fund itself will be an important source of funds to the General Revenue Fund. Last year approximately $1.4 billion was transferred. We expect that in 1988, the future year, something less will be transferred to the General Revenue Fund, but as we have indicated, historically this accounts for about a $7 billion transfer from this savings account to the General Revenue Fund of the province, allowing us to have dramatic flexibility in terms of how we set our fiscal plan on the general revenue side and avoiding wherever possible increased levies of tax -- high taxes -- against the people of Alberta.

We have argued that the transfers on an annual basis would approximate a sales tax. As you well know, the province of Alberta is the only province without a sales tax in Canada. Largely that's a result of the operations and the wisdom of setting up the heritage fund and the continuing income stream which is transferred from the heritage fund to the General Revenue Fund, protecting and providing to the people of Alberta an opportunity to have a high level of services at the very lowest tax regime possible. In that sense the objectives of the government since the fund was set up approximately 11 years ago have in fact been achieved. Increased values have been garnered and accumulated in the fund, and the people of Alberta on a day-to-day basis have been able to enjoy the benefits of that fund, certainly in terms of income transfers, as I've indicated, and also in terms of the activity of the fund, in terms of its capital projects sector, the research sector, and [inaudible] sector which, I think, particularly improves the quality of life.

Success can also be measured in terms of economic diversification as a result of the fund's activities. There's a long list of specific projects which have taken place in the fund, and those certainly have added to the opportunity to attract additional businesses, economic activity, and a diversification of our economy. I can go into those in more detail, but obviously that objective of the fund has been achieved.

On the research side: again, a unique opportunity for this fund through the medical research foundation to add lasting benefits to Albertans and perhaps even to the world. The medical research fund is now well into its second review period, and I would expect that while that fund continues, it will obviously make major contributions to the social and medical welfare of this province through the research that's taking place and, at the same time, serve as a spark for diversification and attracting very qualified people to this province as a result of the hands-off special funding that's provided by the Heritage Savings Trust Fund to medical research. At the same time, of course, I must underline the importance of the fund in providing a unique opportunity for Albertans to participate in advanced educational opportunities through the Heritage Savings Trust Fund scholarship program, which, as well, is unique to Alberta and can only be possible as a result of the funding and the dollars which are now focused in the Heritage Savings Trust Fund.

Let me, therefore, conclude by saying, as I've said before, that there's an amazing opportunity for us in Alberta to have this fund in place. It provides not only ongoing assistance to the province in terms of income support -- a very large percentage of our total revenue in 1986-87 came from the fund; it provides us with a unique opportunity internally within the fund to pursue special projects which otherwise would not be possible in this province because of the deficit size right now or without loading increased taxes on Albertans. At the same time, a remarkable facet of our fiscal plan is that it has transferred billions of dollars to general revenue and will continue to make those transfers in the future. So I think we must be very fortunate. I think the wisdom is clear in establishing the fund, but moreover I look forward to an opportunity to discuss and pursue further the opportunity for enhancing the way in which the fund operates, looking for new ideas to reflect in the fund policy questions and seeking advice from this committee as to its future operations.

So I appreciate, Mr. Chairman, the opportunity to be here. I look forward to the opportunity to exchange views on this important and integral part of the government of Alberta.

MR. CHAIRMAN: Thanks very much, Mr. Treasurer, for those opening comments. Now I'll turn it over to questions. The Chair would recognize the Member for Edmonton-Kingsway, followed by the Member for Pincher Creek-Crowsnest.

MR. McEACHERN: Thank you, Mr. Chairman, and welcome to the committee, Mr. Treasurer. Thank you for postponing your visit.

The first question I'd like to ask is about the commercial division of the heritage trust fund. Just in passing, I note that it's customary for the Treasurer to bring in a copy of schedule 5 investments when he appears before the committee. I'm wondering if that'll be handed out. But more specifically on the commercial division, during the committee hearings with the Auditor earlier, I reminded everyone that the Treasurer had said that after October 19 we lost some $50 million in that crash. I asked the Auditor for an updated figure if he had one, and he said that, yes, as a matter of fact he did. The conversation got a little convoluted, but we did sort out. He said: "I mean, we're not sure what it is today as it is a moving figure, but the equity figure's around $124 million." I said, "$124 million above the . . ." and he said, "No, a decrease in the reported March figure." So as of October 31 he was saying that the portfolio for the commercial division was down $124 million. The next day or so, when you got back from a trip you were on, you indicated that that was not the correct figure. Could you enlighten us at this stage as to just what the true figure is or who was right or who was wrong?

MR. JOHNSTON: With respect to the Auditor's comments on the apparent swing in the value of the commercial investment division, I can't reconcile his numbers.

MR. McEACHERN: Can you not give us an alternative number or . . .

MR. JOHNSTON: I don't know how many questions we're going to be going.

MR. CHAIRMAN: Two supplementaries.

MR. JOHNSTON: What we find in terms of the market performance . . . First of all, you know that the cost of the fund is $232.752 million, and I believe the market value of the fund at the year end was somewhere close to . . . [interjection] Do you want me to answer, or are you going to answer the questions? [interjections]

MR. CHAIRMAN: Perhaps Edmonton-Kingsway would be so kind as to ask his question and then extend the Provincial Treasurer the courtesy of listening. I would point out . . . [interjections] Order please. Again, the Chair would point out that there are 12 members that want to ask questions already this morning. So again, please, the courtesy of listening. Mr. Treasurer, if you'd be so kind as to continue.

MR. JOHNSTON: Sure. The market value of the fund at the end of March 31, 1987, was approximately -- where's that amount? -- $469 million; the cost of the fund was $232.752 million. Obviously, the fund was initiated early in February of 1982 when the decision was made by this committee and cabinet to invest in stocks and bonds of Canadian equities and corporations. As a result, the fund caught the five-year bull market, riding from the July-August '82 period through to the July '87 period. The fund experienced spectacular profits, and that was part of the wisdom of this committee in making that recommendation that that's where the dollars should be invested. But obviously the fund changes day by day. You don't have to be a stock market wizard to understand that as the market closes, obviously the fund value changes. I'm not able to reconcile the Auditor's figures. My figures were based on the fact that on October 16, 1987, the Toronto Stock Exchange was around 3,600 points; on October 19, it was about 3,200 points. That's about an 11 percent reduction in the market value, which is about equal to a fifty or so million dollar reduction. Of course, that's going to change on an hour-to-hour basis, and no one -- not even the Auditor and, for that matter, me -- can make a specific statement about what the value of the stock market losses were.

What you can say are the following, however. That is that the fund commercial investment division has done remarkably well because we initiated it at a time when the bull market commenced, we rode it for five years, and it's obvious that the commercial investment division has added substantial value to the overall Heritage Savings Trust Fund valuations. We have a mixed portfolio. The portfolio is not invested in anything except Canadian securities and some short-term bonds, preferred debentures, and has added, as I've indicated, dividend income and some capital gains in terms of transactions. So the loss value is that value that took place. Obviously, if the market is at its highest peak in the summer of 1987 and crashes -- where the New York market, for example, lost as much in terms of market value as the general gross national product of Canada and Switzerland added together -- we're going to suffer some losses. And that is essentially where it is right now.

What I would seek advice on, however, is not so much whether or not there was a day-to-day loss but what direction this part of the Heritage Savings Trust Fund should be moving. Should we be, for example, diversifying these dollars into other kinds of investment equities; that is, in other markets, in other countries? Is it appropriate for this part of the Heritage Savings Trust Fund to have cash surpluses and deal with cash surpluses? Can we, in fact, expect that we should increase this activity to a level to incur or to return larger benefits to the fund overall, as, in fact, its performance to date has shown?

We use our own specific index with respect to the investment. We thought that the Toronto Stock Exchange index was appropriate in some circumstances, but we did not believe the composite itself truly reflected the kind of investment decisions we wanted to make for the fund in that large portions of the TSE 300 are made up of particular stocks which we thought were too volatile for a balanced, wise portfolio. Therefore, over the period since February of 1982, we have initiated and formed our own index. That index is made up of the best performing stocks in twelve different composite areas, and we judge it from that particular index. That index has performed a touch better than the Toronto Stock Exchange over that period, and it's our view that even with the correction after the crash of October 19, '87, from the period of inception to the end of October 1987 the commercial investment division itself has returned approximately 21.2 percent return on investment, and that's better than you could do in any other fund based on the TSE or any other composite index.

That's a brief discussion, Mr. Chairman, with respect to the idea of the investment division. I'm looking for ideas as to how it can be improved in terms of its activities, and I can't reconcile the Auditor's comments.

MR. CHAIRMAN: Do you have a final supplementary?

MR. McEACHERN: Yeah. I find it passing strange that you can come up with a figure of 21 percent profit if you can't reconcile his figures. Somehow you should be able to sort out which it is and who's right.

In terms of the advice from the committee, the advice from this person is that you ignore recommendation 2 from this committee last year, which suggested that you put more money into the commercial investment division equities, and take it a little easy for the next year or two with the taxpayers' money in terms of gambling on the stock market.

However, I do want to get into another particular question, and that is the fact that the province has borrowed $1.6 billion from the cash and marketable securities section basically on the strength of an IOU note. In fact, there is something I take quite a lot of exception to, and that is that last year when members of this committee were meeting -- and the Treasurer was part of those meetings and said the same thing -- there seemed to be a feeling that we should not touch what they called the security of the fund. What that really meant was that we should not touch the capital of the fund. Already as of September 30, 1986, $569 million had been borrowed out of the fund. By December 31 it was $1.45 billion borrowed out of the fund on the strength of an IOU note that says, "Oh, we're going to pay it back."

Now, there aren't too many people that wouldn't understand that when you have a current account and a savings account and your current account runs out and you borrow money out of your savings account -- namely the heritage trust fund in this case -- and spend that money, you have indeed touched your capital. If you're going to pay it back -- if you put in an IOU note and have to pay it back, it's going to make calls on future revenues of the province and the money, in fact, is spent and gone. And for the government to pretend they were not touching the integrity of the fund, and to still pretend that and include them in the notes as if somehow it's still there, is nothing more than a sham and kidding the people of Alberta that we've got more money than we really have. Of course, the amount we had according to the annual statement was just under a billion dollars that we'd borrowed from the fund. By September 30 of this year it's back up to $1.6 billion. So I just say to the Treasurer: how can you take money out of the fund, stick in an IOU note, and then claim that we've not touched it?

MR. JOHNSTON: Well, I'm obviously taken aback by the statement, because it's going to require a considerable period to explain to the member how this operates. What happens, of course, is that we must then consider what is the maximum opportunity for the fund in the context of the fiscal plan which we talked about, ensuring that the fund is used to diversify the economy and that the resources of the fund are used and focused to benefit those sectors of the economy that are in need of assistance. And I suppose if you argue the use of the fund as a promissory note to the General Revenue Fund, then you must also look at the corollary of that, which suggests that it would be more appropriate for the General Revenue Fund to borrow the money offshore in the United States or somewhere else and have the interest that we have to pay flow somewhere else. Well, for the life of me that doesn't make any sense.

It seems to me that in terms of maximizing the potential of the people of Alberta's assets and to allow them to earn a larger return on the aggregate dollars available to the province, we should use, wherever possible, the resources or the liquidity in the Heritage Savings Trust Fund as one source of borrowing for the province, and on some policy basis and at some comparable market rate have the General Revenue Fund pay its interest to another part of the province -- that is, the Heritage Savings Trust Fund -- so a maximum benefit can accrue to the province of Alberta as we seek to encourage diversification; that is, come to the assistance of the farmers, because this money essentially was used to stabilize the farm borrowing costs at 9 percent and to stabilize the small business borrowing costs at 9 percent until we had an opportunity to move to the market and secure longer term funds for those two special funds. At the same time, it provided a fairly reasonable rate of return to the Heritage Savings Trust Fund in that we based our funding costs of the Heritage Savings Trust Fund off the market, some composite value probably made up of the average treasury bill rate or some promissory note rate.

But it seems to me in principle that if I were a taxpayer in Alberta, I would rather that the interest paid by the General Revenue Fund on necessary borrowings would go back to Albertans as opposed to going back to large banks. If the member is suggesting we should provide the interest to large banks or to offshore foreign sources, then that's his position; I'm interested to hear that. What we prefer to do, however, is to maximize the potential of the heritage fund. But liquidity is available. Some $2.5 billion in liquidity is roughly there right now to use on a short-term basis and to fund these two important priorities and, to some extent, the general operations of the province, make sure the interest flow goes back into the heritage trust fund and then, at the end of the year, transfer that interest back to the General Revenue Fund based on the earnings of the assets of the fund itself, stabilizing the General Revenue Fund, avoiding higher income taxes. So that's what we've done.

What we've also done, however, is to replace some of those short-term borrowings. We are in such a unique position in that if the market goes against us in terms of funding the deficit, we have an opportunity to ride through the highs and lows of the market, to use the General Revenue Fund to borrow into the Heritage Savings Trust Fund on a short-term basis. If the market goes against this, of course we can wait till it corrects and then enter the market and repay that. That's essentially what we have done since the year-end March 31, 1987.

So I think it's prudent. It maximizes the use of the assets in the Heritage Savings Trust Fund, ensures that the benefits flow back to the people of Alberta to maximize the internal use of the funds in the Heritage Savings Trust Fund and ultimately to generate additional revenue to the General Revenue Fund, because as you well know, that income flow is transferred annually, and last year that accommodated about $1.4 billion of our total revenue in the General Revenue Fund.

MR. CHAIRMAN: Member for Pincher Creek-Crowsnest, followed by the Member for Calgary-Buffalo.

MR. BRADLEY: Thank you, Mr. Chairman. I appreciated the Treasurer's response to the version of McEachernomics that we've been hearing in this committee for the past two years. I want to ask the Provincial Treasurer relating to the Auditor General's report -- and in the most recent report he's come out stronger than ever with regard to the way in which the deemed assets are reported. Could the Provincial Treasurer provide us with his response to the Auditor General's concern about how the deemed assets are reported in the Heritage Savings Trust Fund report?

MR. JOHNSTON: Yes, I'll be glad to do that, Mr. Chairman. Without delving too far into the theory of what it is that should be reported in a financial position statement or a balance sheet, we must, however, as managers of the fund take some references as important to describing how the disclosure takes place in the Heritage Savings Trust Fund. We must look to certain guides for that. One of the guides, of course, is the Act itself which states how the fund should be organized and disclosed, and as all members know, it also sets out certain limits to the amount of money which can be invested in each one of these divisions. Secondly, we must look to the so-called uniform disclosure policies as described by certain accounting authorities, sometimes referred to as general accounting principles.

Now, in the case of the legislation, I've already made reference to it. It does describe what has to be disclosed on the financial position. It indicates clearly what we must follow, and we have done just that. Secondly, with respect to the accounting principles, there is no general agreement among accountants right now. The Institute of Chartered Accountants, as one of the authorities, does not describe what should or should not be done with respect to this kind of disclosure, and therefore that particular source of authority is silent. In terms of the evolution of accounting postulates, or what it is that should be disclosed as an asset, there is no clear authority with respect to what we have done historically in the Heritage Savings Trust Fund with respect to deemed assets as being inappropriate.

Over the course of the two years going back to March 31, 1986 -- and the reason I use that period is that we had the same Auditor at that time -- on March 31, 1986, we disclosed the Heritage Savings Trust Fund, including the deemed assets, in some composite total -- say some $15 billion. We did add the financial assets and the deemed assets into the same total. That year Mr. Salmon, the Auditor, did not put any qualifications in the audit report, appropriately so. We were precisely within the law, both the law of the province of Alberta and these postulates, or accounting laws, if you like. The general agreement in principles says we were in fact within that definition of appropriate disclosure. Moreover, the third point: this has been a consistent disclosure approach with respect to the Heritage Savings Trust Fund.

During the year, and on the advice of this committee, I reviewed ways in which we could be more certain that the disclosure of the deemed assets could be uniquely seen within the fund itself. Therefore, you'll see that this year we improved the disclosure, in my view, by totaling the financial assets and by totaling the deemed assets and not adding them together. So it can't be argued that we're disclosing inappropriately the total amount in the fund. What we did, however, was to add a footnote, footnote 3, which broke down more specifically the makeup of the fund. I think this is an important addition, because it showed the composition of the fund and the total amount of money in the fund itself.

So we have substantially increased our approval. The law has not changed, either the accounting postulates or the law itself for the province of Alberta. We've improved our disclosure, and yet the Auditor found it necessary to express some kind of qualification with respect to the deemed assets. So it is curious to me to see how this change in position could take place, because we've improved our disclosure, the postulates have not changed, the Act has not changed, yet a qualification is attached to this year's financial statements.

I should say that the Audit Committee, which is set up by the province to hear arguments both from management -- in this case the government -- and the Auditor on this point strongly suggested that we should make this kind of approval, this change, and if that change was made, that there would be no reason for qualification. But in fact the Auditor saw it differently. I can't explain why. It's not really all that significant, because what is significant is whether or not the assets have been properly controlled, whether or not the management information systems are appropriate. As you can see, there's been no doubt that we have put in place one of the best information systems and that disclosure on all other assets except whether or not deemed assets should be added in is totally in accord with all these principles I talked about, including the provincial law as well.

MR. CHAIRMAN: Supplementary?

MR. BRADLEY: Yes, a supplementary question, Mr. Chairman, regarding the capital projects division. Given the fact that last year we recommended that the fund in fact be capped and that no further transfer be made from nonrenewable resource revenues into the heritage fund, that leaves the capital projects division in a position of having no further flexibility in terms of additional dollars. As you well know, the capital projects division is 20 percent of the total Heritage Savings Trust Fund. We've had presentations to the committee requesting continuation of projects such as the land reclamation project. The Minister of Hospitals and Medical Care suggested that perhaps there's a one-shot opportunity to provide funding for ambulance service. The Heritage Foundation for Medical Research suggested to us that there was a need for an additional $150 million if the Heritage Foundation for Medical Research was to achieve its mandate.

Given the fact that there are no further dollars going into the fund -- I think right now capital projects is somewhere around 17 percent, maybe just over 17 percent, of the Heritage Savings Trust Fund, which leaves about 3 percent, some $450 million -- are there sufficient funds in that balance of the 3 percent to continue on with the projects which currently are approved?
Is there any flexibility there at all to initiate new projects? Otherwise, we'd be faced with looking at a legislative change to increase the capital projects division to greater than 20 percent. Could the Provincial Treasurer provide us with some advice on that matter as to is there any flexibility and also whether or not he feels we should look at moving the capital projects division from 20 percent to some higher percentage of the fund in order to accommodate these requests in the current projects which we are committed to?

MR. JOHNSTON: Well, you're absolutely right. You have focused on one of the problems of the deemed assets of the capital projects division in that in terms of compliance with our own legislation we have a limit of 20 percent of the fund that can be devoted to or invested in the capital projects division. Already that number is starting to be close to 18 or 19 percent of the total value of the fund. That information, in terms of percentages, is noted in footnote 3 to the financial statements, for better access to the understanding of the makeup of the fund itself.

But you're right. Because we have capped the fund in terms of transfers from the General Revenue Fund of resource revenue percentages -- because, of course, the money is more necessary to the General Revenue Fund at this particular point -- the increase in the fund itself will not expand. There will be a change in the makeup of assets, some assets moving from bonds or investments in other provinces into cash and cash being transferred from a variety of sources into cash within the fund itself. That's the normal kind of management of liquidity.

But it seems to me that I would seek the advice of this committee as to whether or not it would be appropriate to increase the so-called cap on the capital projects division from 20 percent to some other amount, because if that doesn't happen, it would seem to us, in terms of our calculations, that the capital projects division will come close to the 20 percent maximum sometime in 1989 or 1990, given the best estimate of the projects now under way or committed to and the best estimate of what the expenditures will be. Even if we start to spread out some of those investments, in fact, we would find that the cap could come perilously close to 20 percent sometime in late '89 and early 1990.

So recommendations from this committee would be very helpful, would set us a guide as to how we can deal with the legislative changes, if necessary, and would reflect the priorities of this committee in terms of how this money can be spent. That's what this committee should be doing, and that kind of advice would be very, very helpful to us.

MR. CHAIRMAN: A final supplementary?

MR. BRADLEY: Yes, a final supplementary, Mr. Chairman. I wanted to ask a question relating to our recommendations last year, recommendation 2, in terms that it was an equity recommendation, as was our recommendation 4, that

> when debentures from the Canada Investment Division and the Alberta Investment Division came due, the capital be reinvested with the objective of earning the highest rate of return, similar to investments in the Commercial Investment Division.

We've known what happened on October 19. There's been some volatility in the stock market. Since the March 31 annual report, have we increased our position in terms of overall dollars invested in the commercial investment division? Are we, as the Canada investment division and Alberta investment division investments come due -- the debentures from there -- investing more in equities? What's the view of the managers of the fund in the long term? Do they see it as being prudent to invest in these equity positions at this time? Is there an advantage to us to get in at this time rather than waiting a couple of years until things settle out? Are there some advantages for us?

MR. JOHNSTON: First of all, you touched on a series of concerns or problems or posers for us with respect to the management of the financial assets of the fund itself. It is true that this year there'll be some fairly large redemptions of the advances to other provinces. The bonds which we invested in through the Canada investment division will in fact start to turn over into cash.

As you know, the Canada investment division is part of the reason there's been such a high rate of return in this fund, because the capital investment division -- some $1.857 billion of assets -- was invested in the bonds of other provinces. Those rates range from about 9 percent to about 15 percent, if you'll allow me some rough numbers there. Obviously, that rate of return was significant, and obviously, other provinces who have accepted dollars from the heritage fund can now borrow that money in the market at a much lower rate in Canada. Assuming the credit of the province of Alberta, you could probably raise that money now for about 9.5 to 9.8, someplace in there. So it's to the advantage of a province to redeem those bonds, pay us the cash, and borrow the money elsewhere.

That then generates a significant amount of liquidity in the Heritage Savings Trust Fund in 1988, more than we have at the end of the year. The 2.25 at the end of the year probably has increased already by certain rollovers of provincial bonds. Obviously, if we're making 13 or 14 percent on an investment in a bond in another province and the short-term T-bills, for example, are paying us 8.7, 8.5, depending what kind of a term you're looking at, we're losing in terms of what we could have made in the previous year because the market has essentially shifted dramatically and the short-term interest rates are down. Therefore our rate of return in the fund itself can be expected to reduce in 1988, and therefore fewer transfers to the General Revenue Fund can be expected as a result of income stream from the heritage fund itself.

But with the increased liquidity that is exactly the problem we're facing. Now, we've already heard criticism that we shouldn't be investing the liquidity of the heritage fund in the good old Alberta government. That seems to be a criticism. Well, I don't agree with that; I think we should be using that money to invest at market rates in the province of Alberta. The province of Alberta is a very good credit, one of the best in the world, and I think if we can use the money to maximize the advantage of the province of Alberta, we should do that.

With respect to the commercial investment division itself, that investment division under the legislation can increase based on the dividends and the capital gains that are made on disposition of the assets. And yes, the commercial investment division has increased by approximately $15 billion year over year, and that is essentially, as I have indicated, the income stream from that pool of money. As I've indicated earlier, this commercial investment division is invested only in Canadian equity, or short-term bonds, if you like. It seems to me that if you wanted to fully diversify the fund and to shelter it from the vagaries of one economy, it would be appropriate to have the commercial investment division to a modest extent diversify into other kinds of equities in other markets. Perhaps it would be appropriate to have some in the United States market; perhaps other markets, including Japan, may well be appropriate investment vehicles. Because, of course, there is a contrast in terms of economies. The Japanese economy, as everyone well knows, is a very strong economy right now, whereas the American economy, in terms of those alternatives, is suffering somewhat as a result of the market crash of October 19, '87. So if I were to receive a recommendation that we would be able to expand the commercial investment division to give it a wider diversification in terms of other equity sources, I would look very favourably upon that.

As to the total amount that should be invested in the commercial investment division, it seems to me that again that's a matter of judgment. I don't believe we should have too large an equity exposure because, of course, that has a higher risk factor. Even though the commercial investment division has generated a 20 percent return since inception on an annualized basis, in fact, that is a very high return. Of course, that will compound in about four years -- say, three and a half years -- therefore the doubling effect is quite rapid. But obviously, the risk is also commensurate with the rate of return. Now, if you want to have a more conservative portfolio, then you would opt for a balance of short-term securities and triple A bonds and perhaps even some foreign bonds, if necessary, to protect against currency changes. But that balance is one which has to be struck.

I think the fund has emerged and evolved to a reasonable position. My own personal view would be that I'd like to see more of the commercial investment division diversified into other economies. I would like to see additional resources directed towards that division, because I think in that division you have a better protection against inflation, you have a greater annualized rate of return, and you protect the integrity of the fund more appropriately by the addition of more equity than what the fund now has. With respect to the short-term investments of the fund, we are now continuing to invest those in very conservative, traditional investments such as T-bills, government of Canada treasuries: those kinds of certificates.

MR. CHAIRMAN: Thank you. Member for Calgary-Buffalo, followed by the Member for Lacombe.

MR. CHUMIR: Thank you, Mr. Chairman. I'd like to welcome the minister here and express some admiration for the nerves of steel which he has, as reflected by his calm in having our money invested in the stock market after the events of October 19. As an accountant the minister, of course, knows the importance of the accuracy of financial statements. Collectively we in this province have noted the problems which have arisen in our financial industry, partly as a result of difficulties with the manner in which financial matters were reported.

The financial statements of the heritage trust fund are spectacularly misleading. This is not a new contention or issue; it's old hat. In part it's been raised by the Auditor General in an issue which has already been discussed to some extent this morning with respect to the issue of the deemed assets, which the Auditor General has been advising we should get off the balance sheet for a number of years now. We see this year's wizardry is not to add the total of the numbers that are on the balance sheet. Well, I'm sure that's not going to fool the *Globe and Mail* when they get down to writing their next editorial about the $15 billion we have in the heritage trust fund.

We also see problems with respect to the inflated value of the receivables in respect of the over $7 billion of loans to provincial Crown corporations. Anybody who has been on this committee for some period of time, as we have, will be well aware that the true fair market value of the assets of the heritage trust fund is closer to $10 billion or $11 billion rather than the $15 billion in total, including deemed assets, or the $12.5 billion of financial assets.

Similarly, in order to complete the circle and to show that nothing is accurately stated in these financial statements, we have a spectacular overstatement of revenue, last year stated to be $1.445 billion. But we all know that that high figure arises from having high interest rate receivables from Crown corporations paid into the heritage trust fund at the same time as these Crown corporations are required to be subsidized to the tune of hundreds of millions of dollars from the General Revenue Fund in order to enable them to make these payments to the Heritage Savings Trust Fund. So the revenue is probably closer to $1.1 billion.

Now, all of these factors mislead Albertans, but equally importantly they mislead eastern Canadians and the *Globe and Mail*, and they significantly impact on the attitude toward Alberta in formulating financial policies and in terms of projects and assistance that are provided to this province.

To wrap that all up, I'm wondering why, as the minister responsible, you don't get the accounting of the heritage trust fund in order so that the financial statements accurately reflect the true financial state of this fund.

MR. JOHNSTON: Mr. Chairman, the statements do reflect the financial position of the fund. The only disagreement which the management or the Auditor have is with respect to deemed assets. I've explained that point already. So it is in fact misleading to suggest that the statements themselves are inappropriate, because they satisfy all the accounting criteria, have been based on principles which are agreed to by other than those in the management of the fund, and in fact have been disclosed on a basis consistent with previous years. So to suggest that the fund is misstated is, in fact, misrepresentation. It just isn't the case.

MR. CHUMIR: I suppose we'd have probably said the same thing with respect to all of the financial institutions that have failed and received audited financial statements. However, let me pass on and suggest . . .

MR. JOHNSTON: Is that a question, Mr. Chairman?

MR. CHUMIR: Did it sound like a question? [interjection]

MR. CHAIRMAN: Perhaps the Member for Calgary-Buffalo after that lengthy first question will come up with two very succinct supplementaries.

MR. CHUMIR: I would like to suggest to the minister that it's time for a thorough review of the policy and direction of the fund and that we need input in this regard from different segments of the community, through public hearings in particular. I believe this would be good for those who are formulating policy and particularly good by way of educating the public. We know the government enthusiasm for public hearings, as evidenced by those which weren't held in respect of Meech Lake and the free trade proposals, but I'm wondering whether the minister will agree that it's time for a major review and that this review should be one which involves the public through hearings.

MR. JOHNSTON: There is no doubt that the debate on the Heritage Savings Trust Fund is a very significant debate in terms of the economy, the fiscal plan of the province, and the long-term benefits which will accrue to citizens of Alberta as a result of the investment in the Heritage Savings Trust Fund. Of course, over the past 11 years we have asked the advice of the people of Alberta on many occasions about how the fund should be properly used, whether or not the principles of the fund itself are appropriate, and how in fact the internal resources of the fund can be maximized to ensure the kinds of goals and objective that I talked about. The diversification, the savings facet, the fiscal plan facet: all these are significant. I think, generally speaking, these goals and objectives have certainly been reinforced by public policy debate across Alberta over the past decade.

Now, it's intriguing to hear that the Member for Calgary-Buffalo is more concerned about the views of the Toronto *Globe and Mail* than he is about the views of Albertans, because he seems to be possessed by some editorial writers at the Toronto *Globe and Mail*. My view is that we need to communicate this more directly to the people of Alberta. I tend to agree with that position, and I've indicated before that we have done a considerable amount in that area. We've had advertising campaigns, which have been the subject of criticism by the opposition when we were trying to simply communicate the things that have been achieved in the fund. That's been a subject of criticism and, to some extent, ridicule. We have attempted to communicate on that basis. We've called elections, to some extent, on the basis of the Heritage Savings Trust Fund, going back a few years. And now we're showing the benefits of the fund in terms of the annual opportunity of the income flow to the General Revenue Fund. Many people in Alberta, if not most people in Alberta, realize that in some fashion they're receiving a benefit as the result of the income stream being transferred to the General Revenue Fund to reduce taxes and to maintain this very high level of the services which are provided by this government in this province.

So I think any way in which we can engender additional debate about more creative ways to use the fund, recognizing that any time you have a creative idea such as the Heritage Savings Trust Fund itself, it engenders its own kind of policy questions and self-criticism, which is healthy and positive -- but to have done nothing in the case of the Heritage Savings Trust Fund would have frittered this money away in some unreasonable fashion, and we would not have the kinds of protection that we now have in 1986-1987, where the income flow from the fund is being used to benefit all Albertans. Because we have established a fundamental approach to the management of the resources of this province; that is, you save some money when you have a lot of money, and you use it when your money flows are down. That is essentially what we have done.

That notion and that concept are well understood by Albertans, and that notion and that concept are now benefiting Albertans. They understand that very clearly, because we have the lowest level of taxes in Canada and we have no sales tax. Why? Largely because of the Heritage Savings Trust Fund itself. On top of it, in terms of those deemed assets, which tend to frizzle some accountants' minds as opposed to upset the people of Alberta, the people of Alberta know full well that imaginative decisions within the capital projects division themselves -- to diversify the economy, to build and to expand the quality of life in this province -- give us a unique opportunity compared to other provinces, which cannot be matched by the fiscal plan of any other government in terms of what has been achieved by these government dollars, these dollars which belong to the people of Alberta which have been managed, handled, and invested to maximize the potential for Albertans.

That's the result of this fund, Mr. Chairman. That's why other provinces are emulating this fund, attempting to set aside some savings, realizing that fiscal plans are not predictable and linear, that in fact they vary, that a variety of forces can change the revenue base of any province, including this province, as we've seen. Therefore, that predictable stream of income which is transferred from the heritage fund to the General Revenue Fund has been part of our salvation through this difficult period, and that's where the wisdom of this fund emerges.

MR. CHUMIR: I take it that the answer is a synonym for "no."

The price of oil and gas is obviously key to the future of this fund. The one thing that has concerned me about the free trade agreement is the recent discussion in the United States with respect to imposing an import tax on oil, a proposal which is supported by at least two candidates for the presidency, Hart and Doyle. I'm wondering whether the minister would be in a position to advise us: if such an import tax were imposed, would the tax apply to Canadian oil, and what impact might we expect in Alberta from such a tax?

MR. JOHNSTON: With respect, Mr. Chairman, I have some difficulty connecting some sovereign discretionary policy which is very conditional -- it's certainly not certain right now -- with respect to the heritage fund. I'd be glad to debate the free trade arrangement. I know both parties are opposed to it, and that, of course, will be debated elsewhere but not in the context of the Heritage Savings Trust Fund certainly.

MR. CHUMIR: With respect, Mr. Chairman, the Alberta Liberal Party has not taken a position in opposition to the free trade agreement, notwithstanding continual statements by the government. We have many questions about it, and I know that's disturbing to the government, to have questions of such substance asked, but we persist notwithstanding. We are . . . [interjection]

MR. CHAIRMAN: Maybe we can get back to the Heritage Trust Fund select committee, and I'd recognize the Member for Lacombe.

MR. R. MOORE: Thanks, Mr. Chairman. I'd just like to make a comment that on the question of public hearings I think any responsible MLA is in contact with all his constituents. I think every citizen in Alberta is represented by an MLA, and they certainly have input to a far greater extent than holding a few public hearings across the province. If the MLA were doing his job, he wouldn't be concerned about having to have public hearings; he would know exactly what his constituents were thinking on all problems.

However, getting back to the heritage trust fund, we see these projects like the Mackenzie health centre, Kananaskis Country, a scholarship program. It touches on the revenue, and the fund itself has a beneficial effect on every facet of Albertan life, from your health, recreation, your education, and so on. But there comes a time when people have to recognize that all these things we enjoy in Alberta also come under funding from general revenue. I'd like to ask the Provincial Treasurer here -- there seems to be a blurring. Every time there comes up something that people want, they direct it towards the heritage trust fund. "What's wrong with the heritage trust fund because it doesn't fund this?" There is general revenue, which all other provinces use to fund it. What should we be doing here regarding general revenue and the heritage trust fund so that we don't have this continual demand on a fund that is invested and working for Albertans and put all these demands back in the area of general revenue -- the response be directed toward that way? What should we be doing? Because it seems to be going all the other way and the public -- we hear it here today from a couple of members -- pointing toward that heritage trust fund as if it takes on all the responsibility for funding in Alberta.

MR. JOHNSTON: I agree, Mr. Chairman, with the general theme of the comments from the member. One of the problems I have faced personally -- well, not in this job but in other jobs -- is the unloading of the costs of the heritage fund onto the General Revenue Fund.

It's probably fair to say that during the period of abundant resources in the General Revenue Fund we paid perhaps less attention to those long-term costs which are implicit in the decisions and which were effectively transferred to the General Revenue Fund in many cases, which are now being part of our problem. But of course, when resources are available and you're not increasing taxes, they're fairly simple decisions.

The other element that is under debate, of course, is: are these kinds of investments unique enough or special enough or unusual enough to have been categorized as capital project divisions themselves? I think in most cases we satisfied that test. But one of the recent examples, which is an example that we had to face, deals with one of the investments from the medical research foundation. You'll notice that the medical research foundation is shown as a capital projects division. On schedule 7, for example, you'll see it, wherein the Alberta Foundation for Medical Research is shown as $300 million. Obviously, though, the fund is worth something close to $475 million or $500 million in terms of market value. It's been very successfully invested, and the drawdown has not been as high as usual, as expected. Therefore, the fund is in a fairly liquid position.

So the people who manage the fund decided it would be appropriate to build two capital buildings to house the research initiatives, one at the University of Calgary and one at the University of Alberta. Well, they were not as anxious as the government was to pay the operating costs within this fund itself. Therefore, we have to factor into our General Revenue Fund, in terms of Advanced Education specifically, the costs of operating these two facilities even though the increase in the fund itself has been extremely high, probably increasing $150 million over the original cost -- an item, by the way, which many members choose to ignore in terms of the valuations here. Nonetheless, it has increased, and we have seen an unloading of those costs onto the General Revenue Fund.

That's been typical of what's happened. Therefore, it's true that probably some of the fundamental costs of the General Revenue Fund, in terms of our operating costs, have been influenced by these capital costs. I think we're probably more careful now, and therefore it may be fortunate as well as lucky that the fund is now being capped. Therefore some of the unloading of costs in the future is being restricted simply because you're bumping up against the 20 percent limit.

MR. R. MOORE: Supplementary, Mr. Chairman. Now that the minister has brought up the medical research foundation, I'd like to go back to it a little.

When the officials appeared before us the other day, they were saying they required around $150 million in funding over the next three years to continue their thrust forward. I raised the concern with them at that point, and I'd like to raise the concern, Mr. Chairman, with the Provincial Treasurer. Inasmuch as the results from the medical research foundation benefit not only Albertans but all Canadians just as well, I'd like to know from the Provincial Treasurer what efforts we're making to see that the federal government pays a portion of this research. It's putting Canada in the forefront of medical research. They bask in the glory of it; they share equally in the results of it. I'd like to know what they're doing on the funding end of it or whether we could get them to take a fair share on the funding end of it.

MR. JOHNSTON: Well, I suppose, like some of our forefathers, we tend to be pioneers in these areas, and that's what's happened with respect to this research fund. This is unique. I don't think any other government has set up a fund of this order, where they put the money in place, take the hands off, and then have it evaluated by peer groups. I mean, this is unique. It probably is a model which other governments could use if they had the resources, as opposed to simply providing annual funding through research dollars that some governments do. But I think the results will be apparent, and I think the results will be real.

What we have found is that as a result of taking this hands-off approach, by putting the fund in place in fact we've attracted some significant high-calibre world leaders in terms of medical research. If you had a federal presence, I'm sure there'd be some way in which the federal government would attempt to get them into Toronto. Although the Member for Calgary-Buffalo is more concerned about Toronto issues than he is Alberta issues, we'd rather have them here in Alberta, working for Albertans with these dollars, adding to the benefits which will accrue to Albertans as a result of that scientific research, adding to the strengths of the University of Alberta, the universities of Calgary and Lethbridge as opposed to the University of Toronto. We would rather have them here in Alberta, Mr. Chairman, working to the benefit of Alberta. That's how you build an infrastructure. That's how you build an intelligent, research-based direction.

We did not approach the federal government with respect to these funds. We had the dollars here. We thought it was a unique initiative which was important enough in terms of the priorities within the fund itself to establish it. It's now working very, very effectively. Some breakthroughs are suggested and have taken place. We diversified the economy in terms of other kinds of medical diversification, Chembiomed in part, as a result of that. I would expect that over time this will add a tremendous amount to the longevity of humans, not just in Alberta but worldwide. I think the remarkable results will take place probably in the next decade.

MR. CHAIRMAN: The Member for Calgary-Mountain View, followed by the Member for Stony Plain.

MR. HAWKESWORTH: Thank you, Mr. Chairman. I'd like to welcome the Provincial Treasurer to our hearings this morning as well.

I would like to ask the Provincial Treasurer if he'd turn to page 37 of the annual report, where the financial statements are contained and notes to the financial statements are found. One of the notes has to do with contingencies. It indicates here that there are various claims and potential claims in respect to various capital projects, and the total is somewhere close to $18 million. While these have not been fully processed so there can't be any statement made as to whether they will be actual claims or simply potential claims, that can't be determined at this point. But I'd like to ask the Provincial Treasurer if he would today give the committee a list of what those claims and potential claims against the fund are.

MR. JOHNSTON: First of all, I can turn to page 37, which is your first question. No, I'm just . . .

Any time you have a large operation such as the Heritage Savings Trust Fund or you have a large number of construction projects, as you do in the capital projects division of the fund, you will obviously have disagreements as to what costs are in, what costs are out, whether or not there are additions, whether or not the contract has been abrogated or avoided or certainly is in dispute. These essentially emerge from these kinds of contracts with various contractors across the province on various projects over a variety of time. The fact that they are noted here is probably the maximum potential loss. It's unlikely that we'll allow these losses to take place without taking a strong defence. This is a disclosure which is approved by the accounting authorities and similar to disclosure in previous years and probably is not material in the context of the $15 billion fund itself.

MR. HAWKESWORTH: Well, I think the people of Alberta would be interested to hear the Provincial Treasurer say that $18 million of their money is not material.

MR. JOHNSTON: No, I said that it's not material in the context of the $15 billion fund itself. It's material certainly to the government, it's material to you and me, but in the context of disclosure it's not material. Otherwise, it would have been put into the body of the statement itself.

MR. HAWKESWORTH: Mr. Chairman, I find it amazing that nobody is prepared to give the information to members of this committee about this particular item. I've now asked this question a second time, previously to the Auditor General, who told me I had to ask the Provincial Treasurer. Now the Provincial Treasurer is refusing to answer the question.

MR. JOHNSTON: No, that's not accurate at all. Mr. Chairman, I must interrupt. [interjection]

MR. CHAIRMAN: Order please.

MR. JOHNSTON: Mr. Chairman, since I'm being being accused of avoiding an answer, then I must say that I was never asked to provide the information. You said, "What is the general notion?" I gave the general notion.

MR. HAWKESWORTH: Mr. Chairman, I asked if he would now, today, give a list to this committee of those claims and potential claims. I thought I'd made my question perfectly clear, and you refused to . . .

MR. CHAIRMAN: Second supplementary question.

MR. JOHNSTON: Subject to checking, if you're saying . . . I can run down them and tell him that number one is the irrigation headworks, Paddle River basin, Kananaskis Country, Walter C. Mackenzie, Fish Creek Provincial Park, more irrigation, more Kananaskis, St. Mary main canal, Highway 40, miscellaneous, Forty Mile Coulee, LNID: there they are. Those are construction claims against those particular projects.

MR. HAWKESWORTH: Mr. Chairman, would the minister then put a dollar figure beside each one of those projects that he has just listed for us?

MR. JOHNSTON: They range from -- you know, the miscellaneous claims, for example, are $1.1 million. Outstanding claims by irrigation construction companies, presumably as a result of disagreements over payments, would probably total, including Paddle River, about $13 million or $14 million. Walter C. Mackenzie is about $200,000. Kananaskis outstanding claims would probably total $3.9 million, someplace in there. They're mostly on the irrigation side.

MR. HAWKESWORTH: Thank you, Mr. Chairman. I'd like to ask the Treasurer -- back in our last meeting a year ago, I guess, we got a schedule 5, which listed the investments in Canadian equities by category, and then by category it broke it down into individual firms: the number of shares held, the cost, and the market value. Given that this was done for both the fiscal years 1985 and 1986, I presume that the minister's department is keeping track of the market value of these investments. In the schedule 5 as it appears in the most recent quarterly statement investment report of the fund, the cost of those investments at that date was $247.412 million. Would the Provincial Treasurer give us the equivalent market value for that same quarterly statement?

MR. JOHNSTON: Well, I haven't got it with me, but I'd be glad to provide it.

MR. CHAIRMAN: Thank you. The Member for Stony Plain, followed by the Member for Little Bow.

MR. HERON: Thank you, Mr. Chairman. Our Treasurer has done a superb job this morning of relating this statement to us and how it's guided by general accounting principles and how the investments shown in here are at the lower of cost or book. But over the recent weeks we have repeatedly heard claims from some members of this committee that the assets should be written down, that they should reflect some doom and gloom scenario which I haven't been able to understand. Just this morning the Member for Calgary-Buffalo picked up the NDP theme of "write down the assets." These statements are "spectacularly misleading" are the words he used, and that they're probably only worth $10 billion.

I'd like to pursue a different message to Albertans, Mr. Chairman. I know that the Provincial Treasurer is guided by the accounting principles, but in terms of telling the message out there, I'd like to say that the assets are worth a lot more, that there's perhaps an equal debate that could be made to write up the assets. I look at the example our Treasurer gave us this morning, when he said that the commercial investment division is shown at cost, somewhere around $220 million or $230 million, and on that cost it's yielding 21.2 percent. He didn't mention that in 1986 the market value of these assets was shown at $375 million or that in '87 they were shown at $479 million, and that the recent adverse stock market conditions have probably pulled them down. But he related the earnings and the benefit of that 21.2 percent and its contribution to the heritage fund, to all Albertans.

So what I would like to do is to ask the Treasurer to reflect for just a moment on the write-up of the assets. We talked a moment ago about the Canada investment division, and it's shown at $1.8 billion. Page 39 of the statement says that these investments yield somewhere between 9.5 and 17.75. Now, we know that the recent Canada savings bond issue at 9 percent was oversubscribed in a few days and that the federal government raised some $15.3 billion. We know that last summer the Alberta capital savings bonds, yielding 8.5 percent, were oversubscribed in a very few days, and we raised approximately a billion dollars. I'm saying that if we were to take these securities with the guarantee, the provincial guarantee of other provinces, and if we were at arm's length like any other arm's-length portfolio manger and we marketed these securities out, they'd be very easy to sell, say, at a yield to maturity of 9.5 percent, and there would be a very large resulting market value appreciation.

I'd even go so far as to ask the Provincial Treasurer to look at the Alberta investment division. If you apply the same logic, that the yield to maturity on these securities guaranteed by the province of Alberta, which has one of the best credit ratings in the world -- if I were to market those out at, say, a yield of 9.5 percent, surely we could see a 30 percent market value appreciation in those securities. Then if we're talking about a 30 percent appreciation, Mr. Chairman, we're talking about the Alberta investment division being written up to some $10 billion, or 2.3 higher than it is now. We could make the same type of analysis on the Canada investment division, where we could write it up another $560 million.

But all of this requires that we liquidate the fund, that we shoot the golden goose that lays the $1.5 billion egg. I would like to hear the Provincial Treasurer respond, not only on strict accounting principles but on the reasoning that many of these assets are worth a lot more than what we've talked about in true accounting terms.

MR. JOHNSTON: A very appropriate question, Mr. Chairman, in that that has been one of the themes which we've tried to outline and to develop more fully with respect to the valuations of the fund itself. While it is true that some of the investments in the heritage fund, in particular some of the commercial investment division perhaps and some of the Alberta investment division investments, are, as I say, below water, in that we will probably suffer some long-term losses, these again are not material in the context of the overall value of the fund. We can, however, simply work through the asset schedule of the balance sheet of the heritage fund at the end of March 31, 1987, and maybe some brief comments as we run down them would be appropriate.

What the Member for Stony Plain has said is accurate, that in fact all of the financial assets could be securitized, as they say; that is, in some form taken to the market and converted into cash or liquid assets very simply. It's the kind of mechanism which is being followed by a variety of governments and a variety of large corporations which, for example, are selling into the marketplace such things as the outstanding balances on their credit card accounts as legitimate collateralized investments for a certain group of investors. All of us are aware of the traditional form now, called CMOs, or collateralized mortgage offerings, where in fact a portfolio of mortgages is offered into the marketplace, and there sold with certain prices and certain risks and certain guarantees, and they become a traditional investment opportunity. Major American government agencies, such as the so-called Fannie Mae, have in fact introduced that as one of the novel approaches to ensuring liquidity in an otherwise longer term portfolio and, therefore, balancing the short-term and long-term positions of the fund.

Because of the new dynamics in the marketplace worldwide and because of the new kinds of instruments, I suppose, that are now available in the marketplace in terms of financial institutions, it's likely that most of these commercial or financial assets of the heritage fund could be converted to cash fairly readily. And they could be converted to cash probably at market value. If, as the member says, in the case of some of the agencies of the government the current government guarantee continued, obviously that could be converted to cash very quickly, and obviously it would be a salable item because the guarantee would extend, as it now does to the heritage fund, to the certificate in the marketplace as well. That would make it salable, provide an adequate rate of return to the investor, and would prompt an investor to convert from cash, where he's making maybe 8.5 or 8.6, into some kind of a collateralized offering, such as a collateralized mortgage offering, where he would earn a larger rate of return and would shelter himself or fix his rate of return over a longer period of time.

In the Canada investment division, for example, which is one of the first items we see, which totals $1.8 million, the yields have been very favourable, and if you went back to, say, March 31, 1987, you'd find the yields in the marketplace then would be about 7.5 to 8.25 percent, somewhere in there. I think the market was fairly soft at that point, Allister, and interest rates were moving down dramatically. So you can appreciate that if they were, say, 8.75, which is one of the reasonable rates, and we had a bond that was earning 17.75, which is the high end of the distribution with respect to the Canada investment division, obviously the amount of money we've invested at 8.75 should be earning -- if you were earning 17.75 you need only one-half as much money invested, or our investments here are doubled; a very simple equation. Therefore, most of these investments, these advances to other provinces, if they were to be marketed today would in fact attract a market above the current cost.

We have not made any attempt to establish the current market value of these bonds because we intend to hold them to maturity, but if we had wished to sell them in the marketplace, we could have sold them at a fairly significant profit. In other words, the market value of the Canada investment division is significantly above its par value or book cost, in this case, and therefore that unaccounted surplus or profit is in fact implicit in the valuation of the heritage fund itself.

It's true, as the member pointed out, that these in particular provide us a high income flow, and if we were to convert them into cash, of course we'd be losing that income stream and would have to replace it for some lower income potential, such as the current rate today as opposed to that high income potential, say, of 13, 14, 15, 16, or 17 percent. Obviously, we prefer to get the 17 percent as opposed to the 8.75 in the market today.

With respect to the Alberta investment division, page 40, schedule 3, again looking at these items, let's for a moment look at Alberta Government Telephones and Alberta Municipal Financing Corporation. Both of these companies, these entities, Crown agencies, are very effective agencies. There would be no problem at all in either substituting these investments for traditional forms of investment, and obviously we could do that. If, for example, the discussion with respect to Alberta Government Telephones continues as to privatization, who knows what our value of Alberta Government Telephone investments would be. If you were to convert bonds into shares and the shares were in some kind of a price/earnings ratio, then obviously the valuation of AGT commission, shown in '87 at about $1.3 billion, would be something higher than that, because one of the provisions of privatization would be in fact to convert those bonds into shares. That's a possibility, and that obviously is one of the routes we would take, as has the British government taken a similar route, and therefore you're adding significant value to them.

In the case of the Municipal Financing Corporation, similarly these are normal kinds of investment certificates which, if we wanted to, we could either sell into the marketplace in some fashion or certainly substitute that source of money.

With respect to Ag Development Corporation, AMHC, and AOC, because the government guarantee is involved there, obviously the market value of these bonds is essentially the market value or the book value, and they're properly disclosed at that value. Notice that the Auditor made no comment about those valuations. We could take these debentures and as well sell them into the marketplace in some form of securitization, and therefore we could turn those dollars into cash. But obviously we have to give future consideration to how we fund these three agencies, and again we follow the simple principle that it's better to pay interest to the Heritage Savings Trust Fund and reap the benefits in the longer term than to pay it offshore to somebody else. We have done that, and that's been the principle which we've followed here. However, the valuations on these are as good as described here, could in fact be sold in the marketplace and converted to cash. I'm not too sure that we'd reap the same kind of interest rate today that some of these debentures are paying.

With respect to the other three, the corporate debentures, there's some softness here. I believe my colleague Mr. Shaben talked about the Ridley grain terminal. With respect to these investments, however, it's my understanding that this year they are paying us some interest, not quite at the 11 percent level. We expect that over the period of the life of this grain company, this investment will reap its 11 percent. We have received, I think, $11 million or $12 million in interest payments this year below what has happened. We're not, however, accruing the interest on this debenture, but of course this is part of our diversification initiative to assist the farming community of Alberta in allowing them to have more reasonable access to grain facilities.

IPSCO: I don't think there's any problem with that one. Bralorne has been reorganized, and I think we've had to take a slight loss on that particular investment.

With respect to the common shares of Alberta Energy Company, though, here we see a significant increase in valuations, shown here at a cost of $87 million. You can make your own calculation, but I think some of our cost of these shares was down around $4.50, if my memory is not too far off. Obviously, if you go from $4.50 to, say, today's market value of even $16 or $17, you're reaping a significant profit on these funds, and obviously that increase in profit must show up.

Participation in Syncrude: again, income flow taking place. The valuation of that resource is more difficult but clearly far above the cost, and that also could be sold in the marketplace, if you wish, along with our investment in Alberta Energy Company. We could sell that into the marketplace at any moment, turn it into cash, and do whatever we wanted with the money internally. If there is a better way to use the dollars, as opposed to reaping economic benefits in terms of increase in valuation and rate of return arguments and equity and yield calculations, then that should be done. But I think that this is where it should appropriately be placed at the present time.

Then, going back to the energy investment division, we have the commercial investment division. [interjection] We've already seen in the case of the commercial investment division that the cost of these assets, now at $232 million, is in fact far below the actual market value.

MR. McEACHERN: Mr. Chairman, point of order, please.

MR. CHAIRMAN: Point of order?

MR. McEACHERN: Yes.

MR. CHAIRMAN: Order for one moment please. There is a point of order being raised by the Member for Edmonton-Kingsway.

MR. McEACHERN: You know, we've had a lot of complaints the last few days from other members of this committee that preambles have taken too long. We had one of the longest ones on this question, and now we're getting a far longer answer than necessary. We're all aware of these things he's saying. Why don't we get on with the questions and get a little more sharpness into it?

MR. CHAIRMAN: If you're encouraging . . . [interjection] Provincial Treasurer.

MR. JOHNSTON: With respect, Mr. Chairman, this is a fundamental question about a very large sector. The Alberta investment division constitutes $7.8 billion; the Canada investment division, $1.8 billion. Those two in themselves are about $9.6 billion, which is close to 80 percent of the total value of the financial assets. It's been a source of criticism before by the opposition, the valuation question, and I'm attempting to respond to show the balanced policy position, how we manage the investment itself, how the valuations are not reflected in the financial statements, and how the income stream is vitally important not just to the fund but to the General Revenue Fund itself. Now, if the opposition doesn't want to hear those answers, is not interested in the philosophy and the policy behind them, then they should go somewhere else, because I believe that's an important question that needs to be answered for the people of Alberta, providing a fuller understanding of what it is this fund is doing for the benefit of Albertans.

MR. McEACHERN: We know that already. We're paying most of it ourselves.

MR. CHAIRMAN: Order please. Thank you. I think the question was a good question. I think the response is important to this committee, and I would encourage the Treasurer to continue on, please.

MR. JOHNSTON: Thanks, Mr. Chairman. There were only three other elements that probably need to be touched on. That is the commercial investment division, and that probably won't take quite as long because of course we've had a partial discussion of that investment. I think that in any kind of a portfolio management policy where you must take a variety of approaches to the way in which you organize your assets, whether it's in fixed assets, shares, bonds, other kinds of debentures, it's important that a part of the fund be invested in equity. I've already made comments about my own view that the commercial investment division should be extended so that it's not isolated into one set of equities -- that is, the Canadian equities -- and should in fact be more diversified. I would seek advice as to how we can expand that into both dollar aggregate amounts and a variety of equity bases as well.

The energy investment division on schedule 4, just a brief comment there. These are again not material investments, but they are obviously still $8.75 million, and this is earning that amount of money. Obviously, you can see that if the earnings on the yield to maturity is 13.875 on this bond, it obviously has a higher value than a bond invested today, say at 8.5 or 9 percent. Therefore, the market value of that investment likely is above what is disclosed here.

Let me then turn to the cash and marketable securities, because here is part of the problem. We are seeing that we are more and more increasing the liquidity of the fund. If we seek the general directions of this committee and our legislative committee that manages the fund overall, then of course our options are starting to be limited as to how we manage those dollars. That's why we thought it was appropriate to invest some of that cash into important things for Albertans where there was a rate of return as well, but as well where there is a diversification taking place. We came to the assistance, in this case, of farmers and small businessmen.

I think that one of the problems we'll face in the near term is that the yield on a larger portion of the assets, such as the cash and marketable securities in this case, is in fact down. Therefore, we have a larger percentage of the fund at a low yield area. Therefore, we have problems in terms of ensuring that the cash transfers from the heritage fund to the General Revenue Fund continue at the same level. In fact, I don't think that can continue, because the current market in terms of short-term investments or the very conservative kinds of investments is in fact reducing. So we expect that in the next year we will not be able to transfer that high level of dollars, $1.6 billion, $1.4 billion, as we have done historically. In fact, available income stream will be reduced.

Well, in a nutshell, Mr. Chairman, we have shown here that these assets, first of all, are very marketable; many of them can be put on the marketplace at far higher values than you've seen here today. In fact, the Auditor has made it very clear that the valuation of these financial assets is not in dispute, but in fact we have not gone to the extent of revaluating upwards those assets which in fact should be valuated upward. I've given you significant examples of where additional value to the overall fund would accrue if we did just that. In the Canada investment division and the Alberta investment division and all the investment divisions we could show that up. But we have followed a traditional approach here, a conservative approach, in terms of this disclosure. That's why I think that in terms of disclosure over all, of the $15 billion or so of the fund, the $12.744 billion is very appropriately disclosed. I think we've noted as well that it's an important source of the income transferred from the heritage fund to the General Revenue Fund that ensures the General Revenue Fund itself has an important revenue base.

MR. CHAIRMAN: Supplementary?

MR. HERON: Thank you, Mr. Chairman. I compliment the Treasurer for his very detailed answer. It's excellent, because it imparts the knowledge he has of this very fund. After sitting here for several weeks and listening to members advocating the write-down and the doom and gloom, it's refreshing to see some of the optimist shining through that doom and gloom cloud.

It's also equally as important to note that statements have to be shown in the most conservative way possible; that is, the lower of cost or book. Our Treasurer has said to us that, yes, it's worth more, but these are snapshots. They're not as static as the lower of cost or book, but they're moving, and as markets move day by day and minute by minute, we can make our own assessment.

I'd like to focus just for a moment, though, on another part of the heritage fund: the value to Albertans. Our Treasurer has said that the deemed assets have contributed to the Alberta way of life very significantly. I would like to focus on a different contribution; that is, the contribution to the credit rating of this province. I recall something passing my desk in the popular literature in the last few days saying that the Alberta government borrows money at five basis points lower than the International Monetary Fund. If there's some truth to that statement, then that means that we have one of the best borrowing records in North America. After having heard the chairman of the board of the Alberta Heritage Foundation for Medical Research, for example, the other day, who said that the $300 million investment of the heritage fund into that foundation was last shown at $529 million -- we see a similar market-value appreciation in the scholarship fund, from $100 million to some $130 million -- I would like to ask the Provincial Treasurer if these kinds of capital appreciation in the very things that we can measure like that add to the overall credit rating of this province, and therefore it's important that while the deemed assets are treated at arm's length, they be still held highly visible as assets of the province of Alberta.

MR. JOHNSTON: Certainly, Mr. Chairman, the credit rating of the province, first of all, is very high, very good, comparable with any triple A, large sovereign borrower worldwide. We can enter the market now at spreads above long-term treasuries similar to any large, triple A sovereign. I think our experience is fairly clear. We may be two basis points above or below, at various times, what the market is doing, but generally speaking, our credit rating in the market is almost as good as any triple A larger sovereign.

We see ourself as being a provincial sovereign. We do come under the Canadian government sovereign shield to some extent, but there's no doubt that if we enter the marketplace, as we have done over the past year, our bonds are snapped up very quickly. They're oversubscribed, first of all, and they are priced very tightly to long-term treasuries, U.S. treasuries or Canadian treasuries. Therefore, our borrowing cost, as a result of our fiscal management, is seen to be sterling. It's very, very good.

Therefore, the benefits of the fiscal plan that we've outlined over the past 10 years, incorporating as a significant pillar in that fiscal plan the Heritage Savings Trust Fund, is now paying us benefits in terms of the cost of borrowing in the longer term markets. That cost of borrowing, of course, will add to the General Revenue Fund cost or expenditures, but nonetheless we're able to modify it to the greatest extent possible by the careful plan which we have now been presenting not just to Albertans but ultimately to the world, because it is the world that acquires our longer term bond position.

We are the only sovereign that I know of that has a net asset position. That is to say, if you take a consolidation of all the assets and liabilities of the province of Alberta, we have more assets than liabilities. I can't think of any other government, outside of perhaps one or two small Europeans, Allister, that may have that. Probably Saudi Arabia could be close, but even so, it's losing its position. Nonetheless, Alberta is the only province which has a net asset position where the assets are greater than its liabilities. Therefore, we have a very attractive profile in international markets.

When you talk to the world bankers, they look at a variety of things. They look at the investment which we've made in infrastructure -- the universities, colleges, the medical systems, the sewer and water systems, if you like -- and they recognize that we have devoted from our General Revenue Fund a significant amount of money in that area. Secondly, they look at the way in which the Heritage Savings Trust Fund has been allowed to diversify the economy, has been used uniquely to build special facilities which modify and expand the quality of life. They recognize all of these as being significant investments. One of the elements of any industrial strategy is just that: how does a government use its resources to develop its infrastructure, to develop these kinds of medical/intellectual centres that really advance the growth of an economy -- its intellectual growth, its economic growth and its cultural well-being? They see the heritage fund as being one of those significant tools, and they believe that to be the end.

With respect to the income stream, obviously they can see how we've used the heritage fund to take ourselves through troughs and peaks, that when there's a peak in terms of the General Revenue Fund income, we move some of that aside and save it. They understand that, they believe in that philosophy themselves, and they also see that when the income starts to reduce in general revenue, we dip into the Heritage Savings Trust Fund and modify our position accordingly. So in terms of a balanced fiscal plan between the heritage fund and the General Revenue Fund, they will understand what we have done there.

Finally, I should say that they understand that in terms of our borrowing potential, we have taken the necessary fiscal steps in the General Revenue Fund to address the situation before us, that while we have had to increase our borrowings, we've used the credit rating that's been referred to by the Member for Stony Plain. They understand the fiscal plan which is before us. We've coupled that with the strength of the heritage fund and the borrowing power of the General Revenue Fund, and I think generally speaking we've been able to enter the marketplace significantly better than any other province certainly. Our spreads to treasuries, as I've indicated, are very, very strong, and they see that as being one of the uniquenesses of the province of Alberta. I hesitate to add, but they also like the fact that we have had a history of good government over the past 50-some years.

MR. CHAIRMAN: A final supplementary?

MR. HERON: With that very positive note, Mr. Chairman, I will pass on my third supplementary.

MR. CHAIRMAN: Member for Little Bow.

MR. R. SPEAKER: Thank you very much. Mr. Chairman, I must start by complimenting the Provincial Treasurer for some very astute observations.

My question has partly been answered and been commented on by yourself, Mr. Minister, but what I'd like to do is look at the projection into 1990-91. You have done that in terms of the provincial budget in terms of the General Revenue Fund, indicating to the people of Alberta that it will be a balanced budget by that time and that you've made that projection on the best judgment in terms of certain assumptions. As I listen to what we are discussing this morning, there are certain forces that are acting upon the revenue situation in terms of the Heritage Savings Trust Fund and external revenue outside of that; in other words, the resource revenue in the province. We have talked about this morning the fact that -- you have indicated that the $1.6 billion or $1.5 billion may be less next year, and potentially it could be less the year following that. We've talked about liquidity in some portion in terms of there will be a return in cash to the commercial investment division that reduces its value, which in turn reduces potential income for both the heritage fund and the General Revenue Fund. As I mentioned, it's questionable what the future is or whether we will have significant increases in terms of resource royalties into the province. We most likely would be happy if they'd stabilize and hold so that we'd have some predictability, but we don't know whether that's going to happen.

At the same time, as we sit here in committee -- and I'm sure the Provincial Treasurer is faced with this -- we are faced with increased demands in various ways on the Heritage Savings Trust Fund, and I'm sure there are other forces that the Provincial Treasurer could itemize for me that are there. The question I raise is that when we look at that 1990, 1991 objective of the government of balancing the general revenue budget, what are the projected circumstances that the Provincial Treasurer sees with regards to the Heritage Savings Trust Fund budget? Will we have to reduce certain expenditures at that point in time? I guess I'm asking the question based on the forces we see now that may be present three years from now.

MR. JOHNSTON: Yeah. To prophesy is difficult, particularly when it's about the future, so I can only give you our own general view as to what's going to happen in terms of our priorities between now and, say, 1991. To some extent I have sketched what I think to be our provincial government policies. In a general sense I framed the Heritage Savings Trust Fund as a bit of a surge tank in the sense that during periods of high resource revenues we take the money out of the General Revenue Fund and couch it in the Heritage Savings Trust Fund, and when the economy goes against us or income flows are down, we continue to tap or adjust that income flow so that more of the benefits go back to the General Revenue Fund. I think that's, if you like, a simple economic or even Keynesian approach to how some governments operate, except they were using borrowings and retirement of debt as opposed to savings and drawing down of those savings. This is a little more unique in that sense.

So I think that if we look out to, say, the 1991 period -- and that tends to be one of the major breaks in terms of the fiscal plan -- our assumption is that the price of oil and gas going out over that period will be roughly within the narrow band of, say, $18 to $20 oil prices. Because over that period as well, until the end of this current decade, I don't see a significant increase in the demand for these liquid hydrocarbons or any sort of significant contraction on the supply side. Therefore, the overhang of OPEC plus the adequate abundance of OECD oil and gas supplies probably will maintain the price roughly where it is over the next, say, two- to two-and-a-half- to three-year period, which for our intents and purposes is not only the near term but probably for many of us the long term as well in terms of planning.

But if we followed Hewlett Packard's argument and asked ourselves what if -- what if the price of oil does suddenly expand dramatically, and what if there was some sudden increase in the cash flow available to the province? -- then it would be my personal view that the following things would happen, and I would recommend this in terms of a policy for discussion purposes. We would continue, as I've indicated, to perhaps save some money in the Heritage Savings Trust Fund to allow it to expand, allow it to increase the cap, and allow us to have that savings as part of our pillar of the fiscal plan itself for the obvious reasons I've talked about in terms of the balancing over the longer period. Secondly, if we were able to achieve a balanced budget on the general revenue side by 1991, we would use wherever possible any additional revenue there to deal with the deficit question, to buy down the deficit if it was there at all, or use part of the additional revenue to buy down or pay off any outstanding or accumulated debt that was there and therefore save, in terms of the impact on the General Revenue Fund, debt servicing costs. Then, as I've indicated, go to the savings side. All of this, of course, would be couched in those fundamental principles which are overriding in terms of our fiscal plan, that of maintaining a high level of people services, services on the side I talked about -- education, health, the social side as well -- and maintaining a low tax regime.

So we are in this somewhat frail position where we're hoping to not expose ourselves to additional risk on the price of oil going out of the three-year period, but if the price of oil did increase substantially, those would be some of the thoughts I would have in terms of a modified fiscal plan. But certainly within that fiscal plan, in my view, would be a sound argument for expanding the Heritage Savings Trust Fund.

The other item you did mention was with respect to asset switching, and you're absolutely right: in some cases we're into a forced asset switching, where assets which are now earning a high rate of return are being converted to cash at a lower rate. You've made that observation. My personal view right now would be that even if the income stream from the heritage fund going out the next two to three years is down because the yields in the marketplace are down, I would much rather take that yield on the financial assets than switch from financial assets into the capital projects division. Even though the capital projects division does have some political attraction, I think over this uncertain period of the three years ahead it's important that we maintain wherever possible the income stream to stabilize our expenditure side on the General Revenue Fund.

That roughly would be the sort of notional approach to the fiscal plan over the next three-year period, Mr. Chairman.

MR. R. SPEAKER: A supplementary, Mr. Chairman. I appreciate the answer. Making the assumption that there wouldn't be any significant jolts in terms of income change from the sources we have at the present time and then considering the matter of inflation on some of the current programs that are in the Heritage Savings Trust Fund, I've noted in the last few sessions that we've had . . . An example doesn't quickly come to my mind. Urban parks: I think that was a good example. The projection was for so many millions of dollars, and by the time you completed it, there was a significant increase in the absolute dollars so that there was an increased draw on the fund in terms of supporting those programs.

In light of that -- and I'm sure that could happen in other program areas and right across the board -- does the minister see such an adverse effect because of just the factor of inflation that would cause us to have to reduce programming in terms of the Heritage Savings Trust Fund or some of our current commitments that we've made in this projected three-year term?

MR. JOHNSTON: The inflationary impact on the fund is a hard one to quantify in terms of any real numbers or dollar impact, but I think we can all appreciate the order of magnitude or the impact inflation does have on the fund itself. I suppose that if you make some assumptions about the inflation rate and about the real rate of return, even on short-term borrowings, we can probably protect the financial assets of the heritage fund against the erosion of inflation simply by ensuring that our yields are at least real above the inflationary rate. I think if the record to date holds -- and I should compliment Allister and his department for a very fine record in terms of the rate of return on these funds -- we should be able to at least deal with inflation. I say that we can deal with inflation plus a real rate of return on that investment.

We'll guard against those changes, and we'll make sure our position on the financial management side is such that we have all flexibility to move with any unusual change in the inflation rate. But of course inflation, you would argue, on a fund such as $15 billion is a big impact. We tend to say that on $15 billion a 4 percent change, say, is a real reduction in the overall fund of $600 million, as I say. But in fact the income stream has replaced that inflation impact. Even though we've drawn the income stream off, obviously inflation remains, but in the case of the valuation of most of the financial assets I think the impact, the increase in value, has more than compensated for inflation.

But there's no doubt that inflation is one of the concerns we have, because it's always with us. If inflation goes to the 1981 levels again, I don't know if we can properly reorganize our portfolio assets to properly accommodate a rapid or quick change in inflation. We guard against it, but most portfolio managers take the position: let's try and take a position for a three- to four-year period and take the risk on the longer term as opposed to the short term. Because we now have more cash and marketable securities on hand and less opportunity to lock them into higher rates of return, as I've indicated, we may have to bear some of the risks of inflation. Most economists are predicting that inflation will start to increase in 1988, primarily in the United States because of the devaluation of the United States dollar relative to other hard currencies, and the international monetary experts, for example, suggest that that is a real problem facing most portfolio managers in 1988.

MR. CHAIRMAN: The Member for Ponoka-Rimbey.

MR. JONSON: Yes, Mr. Chairman. In light of the pending Canada and U.S. trade agreement, I wonder how the Treasurer would expect such an agreement to impact on Alberta's oil and gas industry and its revenue and consequently on revenue flowing into the Alberta Heritage Savings Trust Fund.

MR. JOHNSTON: I think it's safe to say, Mr. Chairman, that with respect to our forecast, which we've talked about, on oil and gas, because oil and gas do to a great extent drive the availability of funds to the Heritage Savings Trust Fund, we would expect that in terms of the overall liquid hydrocarbon side we can expect a greater opportunity to export into the United States. Whether or not that's a result of the trade arrangement, of course, is another question. We do foresee on the gas side, the natural gas side in particular, that significant increases in demand will accrue in 1988, occasioning a greater offering of Alberta and Canadian gas in the U.S. markets and a greater price or rate of return on an mcf going into that United States market. We expect that. Fundamental early information supports that, and most energy forecasters suggest that over 1988 any abundance or surplus of natural gas in the United States will be removed as a result of internal demand and scarcity or lack of addition to supply on the U.S. natural gas side.

I should just by way of record note that if we can expand our natural gas sales into the United States by 1 percent year over year, that's about equivalent to a 19 to 21 percent expansion in the Canadian market. So it's a very important market for us, and access to it in terms of security of supply, which we can offer from Alberta's side, and an understanding as to policy certainly advance and support the expansion of our marketable sales into that area.

That has major economic impact for Alberta; that has major economic impact for our own fiscal plan. As I've indicated, should that strengthen and generate surpluses, then I can see it being used to expand the growth of the Heritage Savings Trust Fund and, as well, our own general revenue base. The trade arrangements provide that certainty in terms of the understanding between the two national governments, in that the export of natural gas will be detailed fairly specifically and will be a matter of accord and specific agreement so that that can take place. I see this as a very strong potential, both in terms of the Canadian export merchandise trade position and in terms of the export of our own commodity into that market, which engenders a new round of investment and revenue flows to the companies themselves and to the province and is a significant steppingstone in terms of securing the fiscal plan of the province.

MR. CHAIRMAN: A supplementary?
Member for Cypress-Redcliff.

MR. HYLAND: Mr. Chairman, thank you. I should say, firstly, that a couple of the questions that I had have been asked. It was much the same as the one I asked the Premier, relating to the value of the fund and what would happen if that fund were put on the market. I think that was asked by another member.

I wonder, in view of the time -- we're almost running out of time, and it looks like quite a number left on your speakers' list -- if the minister would be prepared to come before us at a future time and answer some of the questions that other members may have ready to put to him.

MR. JOHNSTON: As a famous Conservative Prime Minister once said: ready, aye, ready.

MR. CHAIRMAN: Okay. The Chair will take that under advisement and see if I can't make some arrangements to have the Provincial Treasurer join us once again.

Perhaps if some of you that haven't had a chance to respond in reference to the 20th or the 21st or the 22nd could stay a moment and let me know whether you'd be available for meetings on those dates or not, I would appreciate it.

On behalf of the committee, Mr. Treasurer, I want to thank you for being with us this morning.

MR. JOHNSTON: That's fine. Thanks, Mr. Chairman. Certainly it helps me to have the context of this committee's views, to have a good exchange about the problems, the questions. Certainly it's helpful in framing and providing recommendations for future policy changes. I consider the work of this committee to be absolutely critical to the future of this fund, and I consider this fund to be absolutely critical to the future of this province.

MR. CHAIRMAN: Thank you very much.

[The committee adjourned at 11:55 a.m.]