

[Chairman: Mr. Oldring]

[10 a.m.]

MR. CHAIRMAN: Good morning, everyone. We'll call the meeting to order. We'll begin with an opportunity to introduce any new recommendations that members might have this morning. The Chair would recognize the Member for Athabasca-Lac La Biche.

MR. PIQUETTE: Okay. I'd like to move that the government of Alberta create an Alberta heritage foundation. Actually, maybe Bob -- you're supposed to go one and two here, so do you want to . . .

MR. HAWKESWORTH: Go ahead.

MR. PIQUETTE: It doesn't make any difference? Okay. So this will be three and four, and Bob will be reading one and two.

MR. CHAIRMAN: Continue with number 14.

MR. PIQUETTE: Okay.

That the government of Alberta create an Alberta heritage foundation for research in the social sciences and humanities. A \$100 million endowment fund provided under the capital projects division of the Heritage Savings Trust Fund would fund basic applied and specified research, and would be modeled on the Alberta Heritage Foundation for Medical Research.

Next recommendation:

That the government of Alberta create an Alberta heritage foundation for research in the natural sciences and engineering. A \$100 million endowment fund provided under the capital projects division of the Heritage Savings Trust Fund would fund basic applied and specified research, and would be modeled on the Alberta Heritage Foundation for Medical Research.

MR. CHAIRMAN: Thank you.

Member for Calgary-Mountain View.

MR. HAWKESWORTH: Thank you, Mr. Chairman. I have three recommendations I'd like to present to the committee today. The first one:

That section 6(2)(b) of the Alberta Heritage Savings Trust Fund Act be amended to allow the capital projects division to constitute up to 22 percent of the fund's assets.

My second recommendation to submit this morning, Mr. Chairman:

That the detailed listing of investments under schedule 5, cash and marketable securities division, for each of the four most recent quarterly reports be made available to the members of the Standing Committee of the Heritage Savings Trust Fund and, further, that this information be made available prior to the appearance of the Auditor General or the Provincial Treasurer.

And the third,

That the standing committee recommend to the board of trustees of the Alberta Heritage Scholarship Fund the establishment of a new category of scholarships to reward the outstanding achievements of postsecondary students in the area of fine arts, and that the number of scholarships awarded each year be limited and awarded on a competition basis.

MR. CHAIRMAN: Thank you.

Member for Lacombe.

MR. R. MOORE: Thanks, Mr. Chairman. I have a resolution

which I failed to convince the committee last year to approve. So if you fail the first time, you should try again.

The resolution will read:

That funding be made available to convert senior citizens' lodge beds to nursing home beds wherever such change is indicated as a responsible utilization of facilities.

Now, Mr. Chairman, the situation that existed last year still exists. We have the same funding programs in for seniors -- the home care, the home repair program -- and they're enabling seniors to stay in their homes considerably longer than they would normally. By the time they cannot stay in their own homes, they have passed by the senior citizens' lodge situation and usually are going into nursing home situations.

The other point is that whether we like it or not, because our seniors are all living longer we have a greater demand for nursing home beds, and we find that a lot of our senior citizens' lodge beds are now filled with nursing home cases and no place to move them. So whether we like it or not, they're changing over just by demand for nursing home beds that aren't there.

MR. CHAIRMAN: Thank you.

Member for Calgary-McCall.

MR. NELSON: Thank you, Mr. Chairman. I have a couple of resolutions I'd like to present. The first one is:

That the committee recommend development of the Powderface Trail in Kananaskis Country at the earliest possible time. Additional campsites should also be developed as the need is recognized by Kananaskis Country officials, where lands have been identified as appropriate for these services.

The second resolution:

That the committee recommend to the investment committee of cabinet that they expand the commercial investment division of the fund to include international investments as recommended by the Provincial Treasurer. It is also recommended that the size of the commercial investment division be increased to allow for this additional investment and income opportunity to the fund.

MR. CHAIRMAN: Thank you. Any further recommendations at this time? If not, then we'll move on to the discussion of recommendations.

The next recommendation to be discussed is recommendation 9. There has been a request by the Member for Stony Plain to deal with recommendation 10 if the Member for Lethbridge-West would agree.

MR. GOGO: Agreed.

MR. CHAIRMAN: The Member for Stony Plain.

MR. HERON: Thank you, Mr. Chairman. I appreciate your accommodating me. I have to step out for a few moments, and I appreciate you being able to accommodate me.

My recommendation 10 is really an extension of the heritage fund investment in the capital projects division. Be very careful to note that my recommendation includes a project which I say should be considered as an appropriate expenditure of the capital projects division if, as, and when funding is available. The project is to enhance the Sturgeon River, and I say "enhance" because I compare the existing river to the Paddle River of a few years ago. Clearly, when I fly over the Paddle River before and after, I realize there is much that can be done to enhance our environment, and the Sturgeon River is a prime example.

Let me just say at the outset that I, like the minister said the

other day, am an environmentalist. My father spent 37 years in Fish and Wildlife. I grew up with Alberta's environment: Alberta's wildlife, Alberta's lakes, Alberta's fish. I am a hunter and fisherman, and for that reason I would like to see the quality of our forests and rivers enhanced if it is at all possible. I think that rather than just preserve existing nature, it is our responsibility to enhance it. So when I look at the Sturgeon River, which starts west of Lake Isle and flows down through Lac Ste. Anne and then on down through Villeneuve area to Big Lake, through St. Albert, out to Gibbons, and then just dumps into the Fort Saskatchewan -- when you do an aerial survey of this river you'll see that it's congested with weeds, beaver dams, log falls, fences. It's really a deplorable state, considering that it flows through several of our major recreational lakes in this area.

I have been told that Lake Isle and Lake Ste. Anne, for example, which have abundant species of fishes in abundant supply, are pure, clean lakes. I would like to see the quality of the water in these lakes improved. Many of us that fish and swim and water-ski on these lakes know that during certain periods of the year they become infested with weeds and are prone to a slimy algae on the surface which can create the bathers' itch and that. I think it's a waste of such large bodies of water when I am told that this particular weed, whose seeds float to the top before they ferment and become algae, can be virtually eliminated by a lowering of the water temperature as little as two degrees Celsius.

So you might ask, in proposing this recommendation: how would you lower the water temperature on average and extend the summer period for the lakes? And I'd say it would be very easy. You could create a small pipeline from the Pembina; ditch it some two to three miles, so then it would reach Lake Isle; clean out the river beds and control the water levels in the lakes, thereby enhancing the tourism potential and, I would say, the fishing and the quality of water all the way along. This would not be a mammoth nor expensive project when you consider many of the projects the province has undertaken in the past.

I would like to say that we have a superb supply of fish. Lac Ste. Anne, for example, is fished commercially and yields a good supply; it's harvested, and I don't think that in any way we would act to the detriment of the fish population in these several lakes. So what happens now is that in high-water years the fish move upstream, they get trapped in sloughs and low water areas, they can't return, and we're losing a large amount of our fish population. I think if we cleaned up the ditches and the flooded hay pastures, we would eliminate a lot of the pollution entering the lakes in the form of barnyard runoff and that.

I would like to see this project considered by the Minister of the Environment as one which would really increase the recreational potential of three large bodies of water. It just so happens that the three major recreational lakes to the west of Edmonton, which are, you know, used almost to capacity on certain weekends, are Wabamun, Lake Isle, Lac Ste. Anne, and many of the smaller lakes such as Chickakoo and Hasse Lake and lakes like that. They are a beautiful and useful resource, and I think we have a responsibility to continue with the existing policy of water control and preservation. I think we have a responsibility to the future generations to invest some of these funds in projects such as the Sturgeon River enhancement project.

Thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you.
Member for Little Bow.

MR. R. SPEAKER: I'd just like to speak in support of what the member has said. I think it's a step in terms of management of our resources, and when we have the capability of doing it, certainly this should be an objective of government. I think it's a good idea.

MR. CHAIRMAN: Thank you. Any further discussion, then, on recommendation 10? If not, we'll move on to recommendation 9, and I'll recognize the Member for Lethbridge-West.

MR. GOGO: Thank you, Mr. Chairman. With regard to motion 9:

That the equity position of the commercial investment division be increased by purchasing more common stocks in Canadian corporations,

Mr. Chairman, you and members of the committee may recall that last year, with the Provincial Treasurer, who had reported on the commercial investment division, recognized the value of equity versus debt with regard to the portfolio -- now, my understanding is that we're limited now to 5 percent of the assets within the commercial investment division. I would remind members that notwithstanding October 19, when the stock markets of North America went through what market analysts would call a major adjustment -- other people would call it a crash -- equities, the return in equities as opposed to debt instruments, or ownership versus loans, over the years have always maintained themselves substantially above the rate of inflation.

If we look at the annual report before the committee, on page 42 we see that the cost at present of the \$232 million versus the value of the commercial investment division March 31 of this past year being over double that, even with the current value of the fund as expressed either by the Auditor General or the Provincial Treasurer -- I think clearly points out, Mr. Chairman, that if you take a couple of things into consideration, it becomes more important than ever, and I'd like to address what I say those two issues would be.

One, government has made a conscious decision to cap the fund. That means by putting no more into the fund, recognizing inflation at the rate of 3, 4, 5, or 6 percent per year, I believe the fund in effect is going to reduce itself in very real terms; that is, the \$15 billion or \$12 billion, depending on your point of view of the value of the fund, will continue over the years to lose at least the rate of inflation.

You may recall, Mr. Chairman, that a year ago I made a recommendation that we contribute at least the equivalent of the rate of inflation to the fund each year. In other words, I opposed the capping and maintained that we should retain the corpus of the fund. To do that you have to do one of two things. You either must feed into that fund from nonrenewable resource revenue the equivalent of inflation or ensure that somehow the investment in the fund is sufficient to maintain that. I think that's only possible through investment in equities. I would guesstimate the 5 percent of the fund allowable is \$600 million or \$700 million, of which we now have, depending on your point of view, a cost of \$232 million or a value in excess of \$400 million. So I think we have tremendous scope in which to add or transfer funds into the commercial investment division.

Now, Mr. Nelson has moved a motion today that we will be debating on Monday or Tuesday next with regard to the commercial investment division. However, that addresses international as opposed to Canadian investments. My motion addresses Canadian corporations; in other words, ownership in equities or common stocks of Canadian corporations. I don't

see a conflict at all, Mr. Chairman, with regard to both motions. I feel very strongly that as the revenue has come from Canadian resources -- i.e., nonrenewable resource revenue in Alberta -- the money should be in turn reinvested in that area. That, as I say, would achieve two things. One, it would increase Canadian ownership in Canadian corporations, which seems to be a major issue with some people nowadays. More important, however, is to maintain the value of the fund in terms of keeping up with inflation.

With those comments, Mr. Chairman, I move that resolution and would be prepared to defend it, in arguing for it, based on what comments my colleagues wish to make. Thank you.

MR. CHAIRMAN: Member for Calgary-Mountain View, followed by the Member for Edmonton-Kingsway.

MR. HAWKESWORTH: Thank you, Mr. Chairman. I have a copy of detailed schedule 5 for the fiscal year ended March 31, 1986, which goes on for some six pages, outlining the details of in which companies the trust fund has shares. Convertible bonds are listed as well. Now, I haven't seen a similar handout for the fiscal year ended March 3, 1987, and I'm wondering if that will be made available to us by the Provincial Treasurer. I gather that is something that has traditionally been provided to members of the committee so we can review those kinds of investments. Could you advise us whether that is available or has been forwarded to the committee yet?

MR. CHAIRMAN: I can have the committee secretary check into that and see if it can't be distributed to members.

MR. HAWKESWORTH: I think that information would be helpful, particularly given the discussion that took place in our committee hearings and given the recommendation before us today put forward by Mr. Gogo. It's hard to evaluate or discuss such a motion if the background information isn't provided to the committee.

MR. GOGO: Mr. Chairman, could I ask Mr. Hawkesworth for a copy of the document he's talking about? Is that available?

MR. McEACHERN: It's last year's.

MR. GOGO: I'm surprised I don't have it in my file. Would you mind if I made a copy of that, Bob, please?

MR. CHAIRMAN: Member for Edmonton-Kingsway.

MR. McEACHERN: Yes, to take up a little bit on what my colleague was saying, but also, of course, I'd like to get into the recommendation by the Member for Lethbridge-West. The annual statement we have for the commercial division of the heritage trust -- the so-called schedule 5 -- is the investments as of March 31, 1986, and as you rightly said, we're missing one for March 31, 1987. I did put a motion for a return to the Assembly asking that we also get the information for those investments we made between those annual dates, just in case -- if you got into an investment and then got back out again before March 31, it wouldn't show, and I felt we should have them all. I believe my colleague has brought in a recommendation that would help to correct that by saying we should have that kind of schedule 5 statement for every quarter, and then we'd pretty well be able to tell anything we'd got into or out of. So that's just on the gath-

ering of information side.

In terms of the specific recommendation of the Member for Lethbridge-West, I have some reservations about it. As I pointed out to the Treasurer the other day, almost all analysts in the business right now are advising that small investors who don't have much money to gamble and all administrators of large funds who are playing with public money, like pension funds or government money, should be at this time rather cautious. I know the Premier made a point of saying that over the long term equities make more than debt instruments, but we happen to be moving into a period of two years of uncertainty and volatility in the markets, and it would seem to me that the prudent administrator of public funds would just back off a little bit for a while rather than expand in that area. I mean, most of the analysts can't really be wrong. If you're a big investor, like one of the big investment houses and brokerage firms, that's their business, that's what they do; if they want to take some risks, that's great. But it would seem to me that the Treasurer of the province of Alberta should really be looking to take a cautious approach over the next year or two until this potential bear market -- certainly a very volatile and uncertain market -- sort of passes.

So I don't really agree with this recommendation. There is an advantage to investing in Canadian stocks, say, as opposed to foreign ones, but perhaps that's another question that we could deal with when the other recommendation comes before the committee. But at this time my inclination would be to say to play cautiously on the market rather than expand the equity portion of the trust fund.

MR. R. SPEAKER: Mr. Chairman, my comments are in a question to the Member for Lethbridge-West. In his presentation to us in support of this motion the object or pursuit was to increase the earnings for the Heritage Savings Trust Fund, and it could compensate in terms of protection against inflation, and also other factors. The question I raise with the member that I'd like him to comment on in his closing remarks is the fact that when we're taking this equity position in Canadian corporations, one of the things we do is move away from one of our objectives in the Heritage Savings Trust Fund, and that is diversification here in Alberta. When we buy the equity outside of Alberta, do we lose some opportunity for diversification or building and enhancing our own economy here in the province? Maybe the member could comment on that.

MR. CHAIRMAN: Are there any other members wishing to speak on recommendation 9? If not, the Member for Lethbridge-West.

MR. GOGO: Thank you, Mr. Chairman. I appreciate the comments of the Member for Edmonton-Kingsway.

With regard to the Member for Little Bow, if you'll recall, last year a motion was adopted that stock transactions for the commercial investment division would, as far as possible, be done through the Alberta Stock Exchange as opposed to direct lines to Toronto. One could say, in terms of diversification of the economy, that the service industry is an important part of that. I supported Mr. Payne's motion last year, as did other members, to see that that was done through the Alberta Stock Exchange for Albertans to benefit.

In terms of the securities listing, however, the majority are on the Toronto Stock Exchange now. Looking at the portfolio of securities, one notices, for example, that many of those

qualify under the Canadian Insurance Companies Act with regard to 15-, 20- and 25-year consistent dividends. That may be a criteria by the investment committee; I'm not certain. But I notice, of the securities there, many would fall in that category.

My major concern, however, is in recognition of the fact that (a) we've capped the fund -- there's no more contribution -- (b) we heard from Mr. Russell yesterday, with the scholarship fund at \$100 million -- and by statute you can't reduce the corpus of \$100 million. At the same time, they're paying out \$10 million. That means they must be -- assuming they earned 10 percent on the fund; I begin to question where you can get 10 percent today, no questions asked.

So my major objective is: I know of no other way, Mr. Chairman, whereby if we want to maintain the revenue of \$1.5 billion -- if that's our objective -- how we're going to get it other than through some type of capital appreciation.

Reference has already been made by comments by the Premier, who has some knowledge in the area, that you must look at common stock or equity investment over the long term; that is, in decades or even generations. I have every confidence in the Canadian economy over the long term. My concern is that if we don't increase the earnings to the fund and continue to spend, it's going to be depleted. Add that to the fact that inflation is going to take \$500 million to \$600 million to \$700 million a year if it's at, for example, 5 percent.

So I know of no other way, other than increasing the amount that's in that portfolio up to its maximum of 5 percent, which is about, I suppose, \$500 million to \$750 million, and if one could realize 12 to 15 percent over the long term, that would more than adequately provide for the losses of inflation. There is no provision in the heritage fund or restriction that says you only purchase common stocks. You can purchase and, obviously, sell common stocks. So you could use that capital gain as revenue into the fund to offset the loss of that fund through inflation.

MR. CHAIRMAN: Thank you.

The Member for Edmonton-Kingsway.

MR. McEACHERN: Yes, thank you, Mr. Chairman. A thought that I forgot last time, and another point that I would like to add. The Member for Lethbridge-West did say that the \$478 million represents, you know, more than double. He said that even with the losses we'd still be more than double, and I would say, not if the Auditor General is right. If we did lose \$124 million by the end of October, that would reduce the \$478 million down to \$354 million, which is not double the original \$233 million put into the fund, and that is over six years. So it has not been as great an investment, perhaps, as it looked like it was last March, certainly. So just that little caveat on numbers that I forgot to mention last time.

The other point I'd like to get to is about trying to maintain the integrity of the fund -- the expression that came into vogue in the committee last year and has been used a lot this year. I tried to point out at the time and all through last year -- you may remember some of the arguments I made -- that we should keep all our options open about using the fund. For instance, it doesn't make sense to borrow abroad, let's say, at a high rate if the fund happens to be earning a lower rate in some particular part of its portfolio. The Treasurer, in fact, even while we were talking about maintaining the integrity of the fund, had borrowed about \$600 million from the fund to put into the farm credit stability program and the small business term assistance plan. That has since then gone up. It was \$1.45 billion at December and

down a bit in March and back up again. The latest number is about \$1.6 billion for September 30, that we have information on. The December 31 position will be known probably in about a month's time.

When I got into a discussion with him on this the other day -- about, you know, that that is in fact touching the integrity of the fund because that money has been taken and put into other programs -- he said, "Well, would you have me borrow abroad at higher prices, when in fact we can use our own money and keep the interest here in Alberta?" I said, "No. That was . . ." I didn't get a chance to, really, but no, that was never my intention. I always thought we should keep all possible options open to whatever makes the best dollar sense for Albertans. So when you're looking at a time of deficits, three or four deficits in a row at least, even by the government's own plan to get to a balanced budget . . . You know, we were looking at \$3.5 billion approximately; nearly \$2 billion; the next projection is \$1.1 billion, I believe; and the next one about \$500 million. So we are looking at about a \$7 billion deficit on the general revenue side at the same time that we're saying we're going to maintain the integrity of the fund. I don't see that that makes a lot of sense.

You really should be thinking in terms of the consolidated total picture of Alberta's finances, not somehow maintaining the heritage trust fund at all costs. I mean you've really got to look at both the budget and the heritage trust fund together and say, "What is best for Albertans' total picture?" It's just like having a current account and a savings account. I don't see that making your savings account look good makes sense if you are in fact hurting your overall picture. So I say that the Treasurer, by using the money, is doing the right thing. I just wish that we would be a little more straightforward in owning up to the fact that we are using it. We should be using it and not get some kind of notion that we've got to maintain this heritage trust fund sitting out there looking like something wonderful that says we are great money managers, while on the general revenue side we're having a hell of a time and maybe doing some things that are a bit stupid to make it look good. I guess that would be my concern.

So I don't really share your concern about the overall integrity of the fund in the same way. I think we should stay as flexible as possible in doing what is right for the whole picture in Alberta and for the taxpayers of Alberta.

MR. GOGO: May I respond to that?

MR. CHAIRMAN: The Member for Lethbridge-West.

MR. GOGO: Well, I appreciate the Member for Edmonton-Kingsway's comments. It seems to me, Mr. Chairman, that the role of this committee is not only to evaluate the investments made by the investment committee but to make recommendations to improve the fund. I know that's the motivation of the Member for Edmonton-Kingsway. It just seems to me that having capped the fund, well, there's no more contribution to the fund. Secondly, whereby we continue to hear that the revenue into that fund offsets the 7 percent tax: that could be an argument, I suppose, but I keep hearing that argument.

It seems to me that the one element we don't seem to talk about at all is inflation, which this year, I understand, was either 5 percent or approaching 5 percent. On \$15 billion that represents \$600 million, \$700 million. I know of no other way of getting that revenue returned to the fund. If we want to maintain the corpus of the fund at about \$15 billion, we've got to have an

increased return. Government has a distinct advantage in that government's not taxable. So I suppose if you get a 6 percent dividend, it's a very real 6 percent, as opposed to we as individuals who would have to pay taxes. And the same with interest.

I know of no guaranteed instrument. The inference seems to be made that we've got to stay with debt securities. I would remind members that mortgages are not equity investments but they're debt securities. The teacher federation is well aware of that experience. So for those who think that by avoiding common stocks you're playing it extra safe . . . There is a very deep risk involved. One is the security in which you have invested; second is any possibility of capital appreciation. So it would seem to me -- you know, I'll accept the Member for Edmonton-Kingsway's comments that the fund perhaps hasn't doubled, recognizing what their value is. I don't know just what it is. To me that's not -- the commercial investment division, I mean -- overly important, because I think in terms of decades. Anybody who is going to invest for the short term . . . I am reminded of someone who said, "If you want to buy something in March at \$8 and sell it in August at \$80, you'd better buy a thermometer." I happen to lean that way. We should not be in that business of constantly trading those securities, I don't think, and I'm sure the member agrees. So I'm thinking of the very long term, Mr. Chairman. I would submit that if you look at even the present value of the fund, the commercial investment division must have returned at least -- at least -- 12 percent a year in spite of what the value is today.

So based on that, Mr. Chairman, I think it's important to maintain the integrity of the fund in terms of its value, and I think one of the few ways we have of doing that is to increase the commercial investment division to the ownership of more Canadian common stocks, particularly at this point in time.

MR. CHAIRMAN: Thank you.

Moving on then to recommendation 11, I would recognize the Member for Calgary-Mountain View.

MR. HAWKESWORTH: Mr. Chairman, I think I've made my comments and . . . Oh, we're moving on to the next item. This has to do with a matter of providing information again to the committee. I know I'm probably the only member of the committee who brought today the documents provided on public accounts. This is the supplement volume. If members when they go back to their offices would look at the back of this volume, there is supplementary information relating to the Alberta Heritage Savings Trust Fund. It's the detail of the capital projects division. There are probably about a dozen pages of expenditures itemized there, for a total of somewhere around \$255 million.

Now, just previous to that section in the same volume can be found the same kind of expenditure listed to payees for either Purchase of Fixed Assets and Other or, in another section, grant payments. But for each of those expenditures the department is identified underneath. However, when you come back to the section relating to the Alberta Heritage Savings Trust Fund, the department for which that expenditure was responsible is not listed. So it's very difficult in going through this document to determine which department was responsible for these expenditures. In some cases you can make a guess that that had to do with, probably, irrigation or the building of one of the recreation areas in northern Alberta or something, but it just makes it difficult to see where these funds being expended under the trust

fund are going and for what purposes.

So all I'm asking in this recommendation is that the format of providing information be identical to that found in the previous sections of this document.

MR. CHAIRMAN: Thank you. Any further discussion on recommendation 11? Member for Little Bow.

MR. R. SPEAKER: I'd like to ask the member if there is any reason why it can't be done, as they have, in checking with some of the officials . . . Is it an oversight, or is there some reason why it's impossible to identify these items that way? If not, I think it's a good idea. I don't see why it can't be done.

MR. HAWKESWORTH: I couldn't see why it could not be done either. There were a number of expenditures that were made that I was wanting to check with the Department of Recreation and Parks, for example; I have a particular interest in that department. But it was really hard to know whether an individual expenditure that you find here was under that department's responsibility or not. Just in terms of the individual ministers when they do appear, whether it be Environment, Recreation and Parks, or some other department, it would be a way of us looking through this prior to them appearing, to see if there was anything in particular that -- much like the members of the Public Accounts Committee go through these documents prior to that individual member appearing at Public Accounts.

MR. CHAIRMAN: Any further discussion, then, on recommendation 11? Member for Edmonton-Kingsway.

MR. McEACHERN: Just a comment to add, Mr. Chairman. This recommendation is a little bit along the lines of one made by the former Auditor General Mr. Rogers when Mr. Salmon was the assistant Auditor General, I think recommendation 2 of 1980-81, which is a correction from what I said in this committee once before. I made a mistake and looked at the wrong number. I'd said number 4; it was, in fact, number 2 of that year's recommendations.

It would seem the Auditor General at that time felt there was no reason why the slightly more detailed information shouldn't be available to the committee so that they could perform a more accurate and detailed analysis and questioning of the managers of the heritage trust fund. So I highly recommend this motion by my colleague.

MR. CHAIRMAN: Thank you. We'll move on, then, to recommendation 12, and I recognize the Member for Little Bow.

MR. R. SPEAKER: Mr. Chairman, the object of resolution 12 is, I guess, to set some guidelines or direction for government in their pursuit of balancing the General Revenue Fund of the budget. At the same time, as a committee we'd like to see the government recognize the integrity of the Heritage Savings Trust Fund. If we look at page 5 of the report that's before us and also note the steps that have already been taken and are possibly in progress -- for example, first of all, we moved all of the nonrenewable resource revenues from the fund to the General Revenue Fund; secondly, we've moved the earnings of the Heritage Savings Trust Fund to general revenue to assist in this pursuit to balance the general revenue budget, which I agree with. I certainly agree with that pursuit. We have done those two things.

The third step that is sitting waiting, that has not been taken at this point in time, is the possibility of some of the assets of the fund being liquidated and those proceeds being transferred into the General Revenue Fund. Now, that third step would certainly violate the integrity of the fund. If we go back to the second step, there is a certain amount of violation there, and the Member for Lethbridge-West stated it very clearly: inflation itself is eroding the fund when you do not have any type of revenue, the earnings, returning back into the fund itself.

So what this resolution does is just put on paper the fact that we as a committee want, when we reach that year 1990, when the general revenue budget is to be balanced, that at the same time we have a complement called the Heritage Savings Trust Fund with integrity, that the two are in place at the same time so that we don't completely sacrifice one for the other, that the government has been able to manage on both fronts. So that's basically what the resolution says.

In the (b) part I indicate:

that government shall seek to retain fund earnings in the fund while maintaining efforts to balance the general . . . revenue budget.

What I'm saying to government there is: look at ways by which we may be able to share the earnings of the Heritage Savings Trust Fund. The Member for Lethbridge-West has indicated that possibly by purchasing more common stocks in Canadian corporations, we can have greater earnings or a potential increased asset capability in the fund. Well, maybe that's one of the ways, but that inflation factor must be considered to maintain the fund's integrity.

I guess to make this whole scenario a little more picturesque, if we take step three that I just mentioned -- that is, liquidating some of the fund's assets to put into general revenue -- what we'll do at that time . . . Or if we do not consider inflation -- I should add that into the matter -- what we really do, if I can make my presentation a little more vivid, is take away the reproductive organs of the Heritage Savings Trust Fund. I don't think that's what we want to do here in this committee, nor do I believe that's the objective of the government of Alberta.

MR. CHAIRMAN: Thank you. Member for Edmonton-Kingsway.

MR. McEACHERN: Yes, Mr. Chairman. I don't really share the views of my colleague from Little Bow on the fund. A comment made by the Member for Lethbridge-West also indicated, I think, an attitude that I just don't agree with. It was to the effect that our job as a committee was to sort of protect the heritage trust fund. We are a committee of the Assembly, so we are taking part in a discussion about the overall budget of the province of Alberta, not just the heritage trust fund. I mean, we're talking about the heritage trust fund part of that overall picture. Therefore, you must be cognizant of the whole picture. What I hear both of these members saying is that somehow we've got to become protective of the heritage trust fund. I don't see that the heritage trust fund, looked at in that way and becoming protective of it at the expense of the general revenue account, accomplishes anything more than kidding the people of Alberta that we've got a heritage trust fund with \$15 billion in it, which we all know we haven't.

So what we have to do is encourage the Treasurer -- and I think he's been trying to do it -- to use those parts of the fund in the way that makes the most logical sense economically. In other words, borrow money out of the fund or use money out of

the fund, anyway, as he did -- up to \$1.6 billion as of September 30 -- if that's a better deal than borrowing it on the New York money markets. We've already borrowed \$3.5 billion on international money markets for this province. We've borrowed just over \$1.5 billion -- as I said, \$1.6 billion -- out of the heritage trust fund to cover deficits in the general revenue account.

To say that somehow we should make that a little bigger -- I mean we've already made it a little bigger to maintain the integrity of the fund. Just last year when we took in \$1.4 billion from the heritage trust fund in income earned, at least \$0.318 billion of that came from money straight out of the general revenues into the Crown corporations that made it possible to pay that much. So we are already doing this to maintain, quote, "the integrity of the fund" in a way that is rather silly, quite frankly, and misleading, because you can't find that in the annual statement. So I don't see why this big hang-up to say we've got to maintain the integrity of the fund; it was put together to be a rainy-day fund and a diversification fund.

It still has quite a lot of money in it. What you need to do is look at it now in two ways. One, how much money is there in it? Two, how can it still be used for diversification in the economy of Alberta, which still needs to be done? Then, with those two things in mind, how can you administer the whole portfolio of the revenues and expenditures of Alberta in the most logical way to get the best bang for your buck, regardless of whether it's out of the heritage trust fund or out of the general revenue account? To do anything less is to build a false statement of what we've got and to make it difficult -- for instance, we spent a lot of time talking about how you convince Ottawa and people in Ontario that we need help with our oil industry when it was totally, totally devastated because they sat there and said, "Ha, use your heritage trust fund." They thought we had \$15.1 billion sitting in it.

So really I think this is the wrong-headed direction, and I strongly advocate that the Treasurer be as flexible as possible. I'm not saying that you don't with some of the fund try to earn as great a return as you can, but I think you must be cognizant of whether that return is -- for instance, if you invest money in a foreign stock, then you may get a good rate of return on it. But if you invested that same money in Alberta, you would not only get a return on it -- provided it made money, of course, and it was a reasonable investment -- but you would get the benefit of those dollars being spent on jobs and on industry in the province, a point, actually, that the Member for Little Bow was making a few minutes ago and shall be made again, of course, when one of the future discussions comes up on what to do with the commercial investment division.

So, Mr. Chairman, those are my comments on resolution 12.

MR. CHAIRMAN: Thank you.
Member for Lethbridge-West.

MR. GOGO: Well, I don't like to differ with the Member for Edmonton-Kingsway. I'm well aware of my responsibility as a legislator; the budget of Alberta I'm responsible for, as is my colleague. But that's a different time and a different place. We're dealing here with the Heritage Savings Trust Fund. I think one of our responsibilities is to evaluate decisions made by the investment committee, which is the cabinet, and, secondly, to make recommendations to see that the goals and objectives of the fund, which I think, by the way, should be reviewed; we dealt with that motion yesterday . . . So I keep that distinctly separate, Mr. Chairman.

I'd like to ask Mr. Speaker, though, the Member for Little Bow. I have a little difficulty with (a) in his motion. Maybe it's the terminology:

The government shall not decrease the value of the fund in its efforts to balance the general budget by transferring . . .

Now, I'm looking at page 31, and I want to ask the question: is that the item due from the General Revenue Fund? I'm confused. It's not the hour because I am wide awake. Perhaps Mr. Speaker would address that issue. Maybe it's just the terminology of (a), but perhaps he could go over that one more time for clarification for this hon. member.

MR. CHAIRMAN: Thank you.

MR. R. SPEAKER: As a matter of information, what I was talking about there was the section under Assets -- Assets and Deemed Assets. That is the current value of the fund. What I'm saying is that any of these assets there should not be either liquidated or canceled out, which it's not here. I should have made the point that within the fund itself, if we wish to transfer assets to other purposes or functions, that's an acceptable thing, but the value is still maintained.

MR. GOGO: Not to balance the budget.

MR. R. SPEAKER: Not to balance the budget, right. Yeah, within the fund itself you can have movement of funds in various directions, but don't take that asset value as currently stated and transfer it into the General Revenue Fund.

MR. CHAIRMAN: Thank you. Any further discussion, then, on recommendation 12? If not, if there's no further business, a motion to . . . [interjection] I'm sorry. Member for Little Bow.

MR. R. SPEAKER: I just want to make the point to the Member for Edmonton-Kingsway that we are talking in terms of two different philosophic approaches to budget proposals. One is the proposal that if we want to spend, spend, spend, we do that.

If we want to look at management of funds and responsible budgeting where we try and not just spend whatever we've got, then we have to look in terms of the integrity of a savings fund. On a personal basis we have to do that as people. The second point is that my philosophy is certainly not to build a larger government and have more expenditures out of the government General Revenue Fund. I think we've got enough there as it is. In Alberta we spend a major percentage, more per capita than other governments in Canada. I know we're proud of it in one sense, but in another sense we certainly are very involved in the economy of the province of Alberta. And just to take the Heritage Savings Trust Fund and add to that trend isn't acceptable to me. So that's why I feel even stronger that there is a more underlying, stronger reason why I think the integrity of the fund must be maintained.

MR. CHAIRMAN: Thank you. Any further discussion then? If not, a motion to adjourn would be in order.

MR. HAWKESWORTH: Mr. Chairman, just before we adjourn, I'd like to make two small corrections on the second resolution I introduced this morning. First -- it appeared in the handout I provided to you -- cash and marketable securities division: it was intended to be the commercial investment division. To make it more clear that what I'm referring to is a document similar to that provided which outlined the investments in individual corporations and the different categories of investments of common shares, I'd like to add the word "individual" before the word "investments" in the first line of the recommendation. That will just clarify the intent of the resolution.

MR. CHAIRMAN: Thank you. No further discussion? Then a motion to adjourn by the Member for Lloydminster. We stand adjourned now until Tuesday.

[The committee adjourned at 10:55 a.m.]

