

[Chairman: Mr. Oldring]

[9:01 a.m.]

MR. CHAIRMAN: Good morning, everyone. Welcome to another meeting of the Alberta Heritage Savings Trust Fund. I want to begin by thanking Mr. Geddes and Dr. McLeod for being so kind to rejoin us. I understand, Mr. Geddes, there are a few things you'd like to set straight for the record from our last meeting together. After that, there are a few short questions some of the members want to raise. Hopefully, we can get you out of here pretty quickly.

MR. GEDDES: Thank you, Mr. Chairman. There is a change which I would like to have recorded. It relates to a response of mine commencing on page 155, the fifth line of that response. The words "I suppose" should be replaced by "as opposed." Then the meaning becomes clear, and the last two lines would read:

by which moneys might flow back into the hands of the foundation as opposed to the endowment fund.

That makes the meaning clear.

On page 158, in the response at the lower part of the first column, the paragraph which commences "These talented young men and women are in a", the words should be "world pool" rather than "whirlpool."

Finally, on page 160, again my response to Mr. Speaker's question apparently was inaudible in part. These words should be inserted: "We have no concerns," and then the rest of the response is "in that regard." Then in the last sentence of that reply, the word "are" should be replaced by "have," which then makes the sentence read, "I don't think our constituents have either."

Thank you very much for the opportunity to make those changes.

MR. CHAIRMAN: Thank you, Mr. Geddes. I should also note for the members of the committee that there are copies of the second triennial report, '83-86, both Part I and Part II, Part II being the report of the International Board of Review. So if you have yet to receive copies of either of these, perhaps you can indicate to the committee secretary, and she'll be happy to provide them to you.

Member for Edmonton-Kingsway.

MR. McEACHERN: Thank you. I have a particular question that I know you've touched on and explained partially, but I guess I'd like you to go back over it a little bit and perhaps elaborate. What is it that makes the size you're aiming for so critical in terms of the expansion to a certain size? If I remember right, I think you said you expanded the medical research area to approximately two-thirds of what you think should be the target, and it's based upon that assumption that you've asked us for \$150 million more to fund the medical research foundation. I guess I would just like to have a little further explanation of that. If it's 200 scientists -- if I remember the number -- or something to that effect, what is it that's magic about 200? Why not 150? Why not 240 or some other number? I'd like you to elaborate a little on that.

MR. GEDDES: Well, I think the figure of 200 is referred to in the report of the International Board of Review. They concur in our conclusion about that number. I'm going to ask Dr. McLeod to speak to this more fully. But in general we have two medical schools, we have a number of departments, a number of

specialty areas. There's a question of the appropriate numbers of investigators, scholars, and heritage medical scientists working in the various research areas. A lesser number than 200 would appear to us -- and in that opinion the International Board of Review has concurred -- to carry out the medical research programs that appear to us to be appropriate. Now, perhaps Dr. McLeod could amplify on that answer.

DR. McLEOD: I think that's correct. It's interesting to reflect back on how one comes to certain positions. But we had wanted to put in place a number of these multidisciplinary groups, a number that would attract the kind of interest and investment on the part of the national agencies, the private sector. In one way or another, linking the scientific areas together, we came up with the thought that if we had eight to 10 multidisciplinary groups between the two cities, that would have a very considerable international impact. Each group would take 10 to 14 people to mount the kind of attack on problems that would allow the increased probability of success. So we in one way or another had, you know, something in the neighbourhood of 100 scientists involved in that kind of development.

We also knew, however, that there were within the two universities areas that had start-ups that could be exploited and taken to considerable distances. Again, the estimate was made that if we could infuse 100 new people through those groups, we would have a particular advantage. It came out to something of that neighbourhood.

That, however, is not the only basis for concern. The concern also is that in order that those scientists might apply their teaching skills and training opportunity for new young people, we would also require funding for adequate numbers of students and fellows. If you took the 150 to 250 scientists or the 200 or thereabouts, that would require a complement of students and fellows that would take some of our cost estimates up to the point where the expenditure rate might reach \$45 million to \$50 million a year.

So in the two ways we came to the 200 figure.

MR. McEACHERN: Thank you. That's somewhat helpful. I guess a companion sort of question . . . I'm not sure about the strictness with which it's exactly in order and I'm not sure if you can answer it either, but it is a related question and I would beg leave to at least ask it. Some people I have spoken to express a certain amount of concern that the Faculty of Medicine has been perhaps less well funded at the universities, partly because of the assumption that they can draw on the medical research money. I'm sure you've considered that question. I guess it's pretty hard to get a number or to know to what degree that would be true or how much effect it would have on your program, but if that's true, it's likely to be more true if you get another 150 in some ways. Have you any comments in relation to your relationship with the universities and how the moneys are shared or how the responsibilities, I suppose, are shared?

DR. McLEOD: It's terribly tempting to think that that might be a factor and a risk in the introduction of a program as exemplified by the foundation, and for all I know, it may be that there have been alterations in budgeting that might be seen by some people in the Faculty of Medicine to be deleterious to their interests. On the other hand, I think it's more important to recognize that the advent of the foundation brought about increased costs to the university in this so-called infrastructure or indirect-cost manner and that the universities would need to take

steps to protect their other interests from the infusion of the direct funding that's generated by either the Medical Research Council of Canada or the Alberta Heritage Foundation for Medical Research. It's a difficult question, because it can be seen from both sides. But I personally believe that the universities have acted in the best interests of their overall responsibilities and that any penalty that might be seen to be weighed against the medical schools would be modest indeed.

The major problem they face is that we put scientists in place; those scientists then acquire outside funding for the operation of their research. In that act they generate an increased indirect cost which is not addressed in any direct way by the Medical Research Council of Canada or any of the other agencies at all. So for that reason the foundation and the trustees elected to provide some assistance to the universities. In so doing, I think the trustees acknowledged they were bringing about a difficult situation for the universities. I would be prepared to argue that the universities have acted, in the main, very responsibly.

MR. McEACHERN: Finally, just to follow up on that a little bit, I understand there's enough of the university people involved on your board to pretty well assure -- at least one would hope so -- that the overall effect would be a positive one for medicine in terms of the university itself, although it would seem to me there would certainly be a danger that, particularly if you start attracting outside funding, to some extent the university might lose control of its direction and program. To what extent do you think that is happening?

DR. McLEOD: Step one, the universities elect the individuals to bring forward to us for assessment. The foundation decides whether or not to fund that candidate. It's important, therefore, to recognize that the university in the first instance had the option to determine the direction, and therefore I think the universities have had continuing control of their destiny with respect to the initiatives of the foundation.

MR. CHAIRMAN: I recognize the Member for Stony Plain.
Sorry. Did you want to supplement that, Mr. Geddes?

MR. GEDDES: I just want to supplement that, because there's a point I wanted to make in our earlier appearance that was not made and I think this would be an appropriate time to make it. It deals with Mr. McEachern's questions about our relationships with the university. It's a remarkable fact that of the full-time equivalent faculty members in the two Alberta universities, in the University of Alberta 14 percent and in the University of Calgary a remarkable 27 percent of the faculty are heritage scientists, heritage scholars, or heritage clinical investigators. That has had a remarkable effect upon the faculties, because there are few mechanisms available -- in fact, I can't think of any -- to bring in a badly needed scientist, to establish him in a laboratory and fill a critical need in the two faculties. There is no more effective means to do that than through this foundation. I think that's a matter that should be acknowledged.

MR. CHAIRMAN: The Member for Stony Plain.

MR. HERON: Thank you, Mr. Chairman. Dr. Geddes -- and I say "doctor" in recognition of your very significant achievements and that title bestowed upon you by the university -- I want to go on record as thanking you for your personal commit-

ment and involvement in this foundation. I can think of no one better qualified in this community to talk about the relationship of the university. I recall to mind that Mr. Geddes was chairman of the board of the university for many years and has considerable experience, not only as a senior chartered accountant in this community with a designation of a fellowship but as chairman of the various investment committees -- pension funds, endowment funds, scholarship funds -- dating back many, many years.

I'd like to borrow a little on that experience if I could, Mr. Geddes, and ask you a question. I am going to ask you a question or two with the motive of finding out what you think about asset mixes and credit ratings and things like that to try and help us as a committee bring forth a recommendation, if necessary, either this year or perhaps next year after study. I'd like to ask you if the asset mix -- that is, the mix between bonds and stocks -- presents any problem with the income your fund operates on. Do you think it's an ideal mix?

MR. GEDDES: No, I don't think it's an appropriate mix. And I want to make plain right at the outset that that's not intended as a criticism of our investment managers but rather, I think, a reflection of the fact that this is a new endowment fund. It's the first one of its kind in this province which has been established by the Legislature. In the earlier years particularly, it was unclear as to what our spending patterns were going to be. Indeed, now it is not particularly clear what our future spending patterns will be, because that in turn drives us back to the investment policies which will be adopted. Furthermore, there has been a lot of anxiety in the last nearly eight years over which this foundation has been in existence about the trend of interest rates. In the first years, when the foundation was established, short-term interest rates on short-term securities which could be obtained by our investment managers were 20 percent and more. One could hardly fault investment managers for moving quickly to avail themselves of the rewards that were present. In fact, that factor accounted for the very rapid growth in the endowment amount. So I think it is fair to say that our investment managers have not been able to adopt the sorts of principles they might wish to for those two reasons: we've had the turbulence in financial markets that has impacted on the short-term rates of interest, and lack of certainty about our future spending patterns.

Now, my conviction is that we should move to a much larger proportion of equities in an endowment fund of this nature, perhaps to the level of 40 percent. Moreover, I think investment managers should be freed, if there is any restriction, as I think there might be, to seek those sorts of investment vehicles, equity vehicles, equity stocks that are available in stock exchanges around the world and in markets around the world without concern for anything other than the quality of the particular investment. The other components of the fund might to a limited extent be deployed in investments other than straight bonds, either bonds of the federal and provincial governments or corporate bonds. They might be deployed into other areas after mature consideration, which might extend to the making of venture capital investments.

So I believe it will be appropriate, when assurance is given as to the future direction of the fund and its amount, to allow investment managers to move to those sorts of asset mixes which are appropriate to endowment funds which operate on a very long time line, generational time frames.

MR. HERON: Thank you. For the record, I wonder if you

could state who the investment managers are -- they've been referred to several times -- and talk a bit about the income rate. Like, on what basis is the foundation endowed? Is it on a crediting rate of market value? I know, and would like to clarify for all committee members, that when you talk of a crediting rate, that's a highly complex number derived from such variables as inflation, dividend bearing stocks versus nondividend bearing stocks -- in other words, growth stocks -- and fluctuating market values. There are many, many things that come into that crediting rate, and I would like you, if you could, to clarify for us what is the present crediting rate, if there is one, and if you feel it's adequate in light of today's and projected inflation rates and today's stock market climate.

MR. GEDDES: The answer to the first part of your question is that there is not a crediting rate. The entire income of the endowment fund is available to the foundation for its purposes. Unexpended income does not form a part of the capital in the sense that it is not available. The Act essentially provides that provided the fund remains with a book value of \$300 million, any amounts in excess of that may be expended by the foundation. The income may be drawn down entirely as it relates to a particular year, or unexpended amounts from previous years may also be employed.

MR. HERON: And one other part of the question there, Mr. Chairman, was: who are the investment managers?

MR. GEDDES: The investment managers are officials of Alberta Treasury who are involved in similar activities on behalf of the government at large.

MR. HERON: My last supplemental, Mr. Chairman, would then be: should this committee be considering the effects of inflation upon that original \$300 million? That is, I know it's occurring when we look at the market value; it's occurring because of good management and common sense. But should the investment managers be looking at crediting the foundation with a given level of income and protecting that \$300 million to some part against inflation if we're looking at an endowment into perpetuity?

MR. GEDDES: Well, the investment managers clearly would have to take that into account, as I think we have to as well. They have to take into account that there is an erosion that takes place in the purchasing power of the dollar over time, and appropriate strategies have to be employed to ensure that the purchasing power of the endowment fund remains appropriate for future needs. So the answer is definitely yes. Inflation is one of the major factors that relates to the erosion of capital over time and the ability to continue to carry out expenditures at a given level.

MR. HERON: Thank you, Mr. Chairman.

MR. HYLAND: Mr. Chairman, my question -- and I discussed it briefly with Mr. Geddes and Dr. McLeod -- relates to my recommendation 5. I wonder, Mr. Geddes, if you could just outline for the record the discussion you and I had relating to the section of the trust fund where you requested of the Chairman that a review would take place. Section 24(5) relates to the first triennial report and also makes reference to the International Board of Review in the same sentence. It's the second triennial

report and the International Board of Review -- there's a bit of a cross-up in the Act.

MR. GEDDES: Well, some months ago it occurred to me that there was perhaps room for a different interpretation to that which we had always had when one read section 24(5). The Act says: "In reviewing the first triennial report received after the first review by the International Board of Review," et cetera, et cetera. That's the end of the quote. In fact, the triennial report which was tabled with the report of the International Board of Review was the second triennial report, which might lead one to say that the first triennial report received after the first review might be that triennial report which was received three years hence. Now, that is a matter of interpretation for your committee.

The debates in the House that surrounded this Bill speak of the reassessment taking place at the end of six years. And indeed in speaking with Dr. Bradley, who assisted then Premier Lougheed in the preparation of this Bill, it was quite clear in those discussions that your committee would address this issue at the end of six years. I think logic would drive one to the conclusion that it should be done now, because this is when you have the report of the International Board of Review. Three years from now obviously it's outdated, and the next report of the International Board of Review will not be for six further years. So I think it was intended that the report of the International Board of Review would be the document which would provide you with the information required on the impact of the foundation's programs, the effectiveness of it. It is in that context that I believe it is appropriate to carry out that review at this time.

MR. HYLAND: Thank you.

MR. CHAIRMAN: Member for Pincher Creek-Crowsnest.

MR. BRADLEY: I'm sorry; I didn't have a question.

MR. CHAIRMAN: Member for Edmonton-Kingsway.

MR. McEACHERN: Yes. I want to just comment on the discussion earlier with the Member for Stony Plain. It would be nice, in a discussion of that sort, if we had some figures before us, and I would remind the committee that I put in a recommendation asking for rather detailed quarterly reports about just what is being done with the medical research endowment. You know, how is that portfolio being handled? Then perhaps we would have more questions and better and more detailed questions about the handling of that fund.

I guess it's as good a time as any to reiterate my bias that I pointed out in the commercial division of the fund when we were discussing that the other day, that right now doesn't seem to me to be the time to get into more securities, that most advisers on the stock market are telling small investors and investors of public funds to be more cautious over the next year or two. Perhaps with that caution, I would move on to the question I wanted to ask.

You mentioned that a certain size of operation would have more success in attracting private capital and capital from, say, research dollars from the federal government, for instance, and perhaps foundations of various kinds. I guess I'd like to ask you: to what extent are we having success in that area now? I know there are some numbers, but perhaps a capsule sort of

view of how that's working out at this stage and, I guess, a couple of related questions. To what extent does money coming in from outside determine the direction of research rather than, say, being guided by the universities, basically, that are handling most of the decision-making in that regard?

DR. McLEOD: I'll just address the second part of your question first. I think the universities are protected in the way in which I alluded to earlier as to the choice of individual. They also have the option of determining the nature of the multidisciplinary groups. The foundation reserves the right to agree or disagree but not to direct the university in any particular direction. So the university community as a whole has a very solid advantage in direction.

When the universities have scientists in place, then comes the problem of operating funds. The scientist, however, has a track record, has a known publication record. Therefore, his search for funding is narrowed into those areas which fund his or her kind of work. That maintains the tracking that was established by the university at the outset. When change in direction in the past has come about, it's almost always come about because of the science, that there is a new opportunity to exploit, that a rock wall in progress has been met, and the scientist and his or her colleagues must find their way around obstacles of that sort. It is at that time that one can witness changes in direction. That seems to me to be within the prerogatives of the university community, to determine whether that's to be the case or not. I believe the universities have full opportunity to control the directions of the research.

Now, we have a second level of opportunity, because these people are appointed on a five-year renewable basis. Their performance is reviewed at the end of the fifth year. If their performance has been exemplary and solid, they are renewed. So there is an outside pressure to ensure continuing progress, an outside pressure that also exists within the national granting agencies. In that way the citizen of Alberta is reassured that there is continuing quality in the research. I don't believe the scientific world has yet found a better way to ensure that that takes place.

To come to the first part of your question, namely the effect of the foundation in bringing about new funding, I think it falls into three categories. One, the scientists, in order to maintain continuing support of the foundation, must attract outside funding in order to conduct their research. That automatically causes them to seek outside funds. As I pointed out, the two universities on the national scale, the two medical schools on the national scale, have dramatically increased their ranking in terms of the numbers of outside dollars attracted. For instance, as I recall, Calgary has moved from something like 14th in the national ranking up to something in the order of sixth or seventh. That's a very remarkable jump.

The second point was that from the Medical Research Council of Canada, which has amongst the highest quality funds -- both institutions have increased their incomes from that source by 200 and 300 percent over the life of the foundation. So within the competitive granting agencies our scientific communities have done well, much better than they did in the past.

The second area that I think is worth noting is that there are increasing numbers of dollars flowing to the universities in support of Chairs from charitable acts of private individuals and groups within the province. That has signaled, I think, an understanding on their part that there is now in the province quality, excellence, and there is a wish to become a part of that

process.

The third area I mentioned had to do with the private sector. We are early in acquiring information; my information remains quite limited. But in the Faculty of Medicine at the University of Alberta five, six years ago there was, I think, something of the order of \$90,000 from the private sector in industrially related research. Last year I think the figure was something over \$2 million. There not being many sources in our province for those kinds of funds, that I think is a remarkable increase.

The faculties are now -- not only the medical schools but other faculties -- standing on the brink of a new opportunity which they will have to judge, namely, with the advent of increased interest on the part of the pharmaceutical industry and research as a part of the obligation under the change in the federal Patent Act, that does represent a potential considerable opportunity for those faculties.

I think I concluded my point at our presentation by noting that for every dollar we put into stipends, Alberta is probably now receiving two dollars for each of those dollars.

MR. McEACHERN: Thank you. That's a very excellent set of answers to my questions. To follow it up a little bit, you were saying that for a scientist to stay with the medical endowment for five years and to do a good enough job to want to, you know, reapply for the next five years or to have a chance of succeeding to get the next five years, he has to seek outside funding. That's okay to a point. But if he's taking too much time away from his research to seek funds, then that of course might not be so good. I guess I would ask a two-pronged question from that then. Is there some assistance for him in doing that by the foundation itself so that he doesn't have to take away from what should be research time to look for money? Because that must surely be very frustrating for a good scientist and could be a waste of time if he's not very good at it. And if he's a very good research scientist, that's what he should be doing.

Then I guess the sort of corollary or follow-up from that is . . . This \$150 million you want: is it not possible, with the kind of increase in attracting outside funds you're getting, that in fact maybe you don't need it all that badly right away? I guess that's a kind of hard question to ask or answer, but . . .

DR. McLEOD: On the second one, the point is that there are not funds outside for stipends. There are only limited funds outside for studentships and postdoctoral fellowships. The funding that I refer to is the operating grant costs, the costs of technicians, chemicals, supplies, radioisotopes, and so forth. That is the outside funding to which I refer. It's true that the Chairs that are created by charitable contributions do supplement the activities of the foundation, but that rate of supplementation of course is very modest compared to the requirements to get to that critical mass that we seek. So there is not a conflict, nor is there an opportunity for the foundation to reduce its requirement for that particular reason. As a matter of fact, by our actions we increase the pressure on the national agencies to provide more funds to the province.

With respect to the other question, it's an old and ancient problem: whether one should spend one's time writing grant applications in order to find funds or whether one should be in the laboratory at the bench or at the patient's bedside or whatever the laboratory of the scientist is. There are now mechanisms whereby the scientists are funded pretty generally on a two- or three-year basis. So the search for funds comes up every two to three years and not every year as is sometimes the

case and as was commonly the case a number of years ago.

There is, however, also a positive side to the requirement that one seek funds. The application one puts together seeking those funds is peer reviewed. It's looked at by scientists within the world community, and as a result the Alberta scientist receives constructive criticism from time to time on direction. They very often receive help, with constructive comment that helps them with the application of newer technology. My point is that there is also a side benefit. It causes the scientist to constantly ask himself or herself: "Where am I with respect to this stream of thought?" It's very easy to get caught up on a kind of -- what is it that you run on and exercise?

AN HON. MEMBER: Treadmill.

DR. McLEOD: On a treadmill. It's very easy to get caught on a treadmill and not stop and think that perhaps there is the merit of grantsmanship that's important. I think at the moment the time that's required for grantsmanship, seeking outside funds, is fairly appropriate. I don't believe it is a cause for concern; I really don't.

MR. McEACHERN: Thank you. There was a bit of discussion last year that the relationship between the University hospital and the medical research people there from the university was a little bit difficult for some of the participants, that some people weren't quite sure who their boss was -- that sort of thinking at times. We did have a brief discussion on that last year. I think the consensus was that at U of A there was a bit of a problem, that at U of C they'd somehow managed to handle it better. I guess my question would just be sort of an update on that. Do you have any comments to add to that this year and suggest that things have changed a little bit or are still the same?

DR. McLEOD: For the record I'd like to state that all of us who have worked in that system recognize that we work with two chiefs. It was a bit like riding two horses. It was a necessary part of life, and in fact we really couldn't come up with a better way in which to function. It was necessary to the job.

As far as the University of Alberta is concerned, I don't recall that we had problems of that sort. But I can tell you this, that the rate at which the University of Alberta is seeking funding from the foundation and the quality of the applications that have been received from the University of Alberta is very much stronger than it was five years ago. I think that reflects the fact that there are new people in place that are taking strong leadership in bringing about that interest.

MR. CHAIRMAN: Thank you. Any further questions?
Member for Edmonton-Kingsway.

MR. McEACHERN: Thank you. A number of sort of back to medical questions for a few minutes, if I may. What can you tell me about the Dossetor program at the U of A?

DR. McLEOD: In bioethics?

MR. McEACHERN: Pardon?

DR. McLEOD: Medical bioethics? Dr. Dossetor, who spearheaded the development of transplantation immunology and the transplantation program at the University of Alberta, elected some time ago to interest himself in medical bioethics. It

seemed a very appropriate direction, because he in his work obviously had encountered difficult problems over the years. Dr. Dossetor has undertaken to collect about him a group of individuals from different faculties who have interest in the medical bioethics issue. As a result of that collection of people, there is now a program which is of considerable advantage to not only the student body but also to those scientists who in their own work encounter difficulties from time to time.

I understand that the Medical Research Council of Canada has looked with favour upon Dr. Dossetor's program and is continuing his funding, which I think is a tremendous relief. He relates well with Dr. Douglas Kinsella at the University of Calgary, who has developed a similar program, collecting about him people of varying backgrounds and interests. As a result, it seems likely that Alberta -- the two centres may very well become centres of considerable excellence in this country. There is a need for leadership in the country as a whole, and it would be very nice if it were to emerge that these two centres become recognized as first-class. We have strongly supported the programs, strongly supported them personally, and hope they will continue to thrive.

MR. McEACHERN: It's for sure that the medical ethics field is one we'll be looking at in the future in this society. It would be nice to see Alberta a leader in that field.

A related question, I suppose. There has been some work done on Alzheimer's disease, and one of the techniques, I gather, is to transplant some cells from a fetus to the Alzheimer's patient. Has the U of A got involved in that sort of thing yet or . . .

DR. McLEOD: Actually, the transplant that would seem to be of interest is into those people who have Parkinson's disease, with the motor tremors and the rigidity. The Alzheimer's seems less favourable. No one is very comfortable at the present time to become involved. They are hopeful that those centres where the undertaking has been initiated will produce at least enough evidence to demonstrate what potential it might have. I'm not aware of any Alberta scientists who are actively engaged, but they're certainly all watching it with interest.

MR. McEACHERN: I suppose a question then. Maybe Mr. Geddes might like to get in on this to some extent. One of the questions people that spend quite a lot of money on medical research must surely look at is -- and I'm not sure that these are opposites or just how they fit, but the cost benefits of high technology . . . High technology can be very, very expensive, and I'm wondering: to what degree are we getting trapped into more and more high technology to solve acute care problems when perhaps it might be better in the long run as a healthy community to move toward a more holistic approach to medicine and work on preventing health problems? I just would like a little comment on that from either or both of you.

DR. McLEOD: I believe both should take place. Probably the most difficult aspect of high-cost technology is our -- I don't mean the medical foundation but our society's -- ability to control its application to those places in which it has its greatest use and not have it employed in areas where the return to the patient is not significant. It's a very difficult task, but I believe both should take place, and as I indicated last time, I have reason to feel there are significant forward steps on both arms of the problem. I would hope that would continue.

I don't see and wouldn't wish to see, for instance, public education programs replacing basic biomedical research. I think public education programs, which are the main tools in prevention today, have their own right and their own merit and need to be funded in those ways that produce the greatest advantage. The difficulty at the moment relates to the decision: how does one decide where the advantage occurs at the least cost? But that is not a field of my expertise nor a field that is necessarily medical. It seems to me it's more a field of communication and public psychology than it is a medical question. That's a personal point of view.

MR. McEACHERN: Then there could be the question, I suppose, of whether you should do more expensive heart transplants for somebody that may only last three weeks or a couple of months after the transplant or whether you should have enough money to run an emergency hospital. It's just, you're saying, a societal question and maybe almost a political question more than a medical question.

DR. McLEOD: If you focus your interest on the holistic side to emergency care versus heart transplants, I think that's easier to handle within medicine, providing medicine is given the support it needs to make those kinds of decisions. When you talk about prevention in terms of preventing people from learning to smoke, you're then taking on a whole new area that I don't believe falls within medicine.

MR. McEACHERN: Thank you.

Perhaps another question I'd like to ask is: what research is being done in the area of AIDS from the medical research and university side of Alberta?

DR. McLEOD: Is that Alberta?

MR. McEACHERN: Yeah.

DR. McLEOD: There is one of our foundation-funded scientists in Calgary who participates very actively in the national clinical trials on the use of AZT as an agent in use against AIDS. He also is a very active person on the national scene, and so has early access to new medications and will be invited to participate as those new medications come about. There are a number of scientists who are working in the use of chronic viral infections that overlap with the problems of AIDS. Some of them are at the University of Alberta in the Department of Medical Microbiology under Dr. Lorne Tyrrell. They have some very interesting work going on that relates to ways by which you can block a virus from attaching to a cell, because if you could block a virus from attaching to a cell, you would prevent its penetration and hence prevent its ability to act. There is some interesting work in that area which we watch with considerable interest. Dr. Gill is the name of the Calgary scientist who is responsible for the clinical trials.

MR. McEACHERN: Just one last question then. We're moving into an era when a greater and greater portion of the population is going to be seniors, and so that makes, I think, geriatric medicine a very important field. I wonder to what extent any of the medical research involved through the foundation is geared towards how to care for a population that is becoming increasingly geriatric in nature?

DR. McLEOD: From the basic to the clinical. At the university of Calgary there is a multidisciplinary group which is starting now whose main focus is to address the biology of aging, because their expectation is that they shall go from bench to bedside. We look to them for future development in research and clinical care. In Edmonton I think we are nearing completion of negotiations between the Edmonton General hospital, the University of Alberta, and a quite distinguished scientist in Europe. I have every expectation that he will join the restructured department at the Edmonton General hospital and develop techniques to attempt to deal with the incontinence of the elderly. I look forward with some optimism to his arrival. I believe that that area is verging on new development because of the increased interest on the part of the scientific community and its problems, and therefore I think it will move rather quickly.

MR. McEACHERN: Those have really been excellent answers to my questions. I guess I'll just end with one and give you a chance to maybe brag a little bit. Any Nobel prizes coming up in the near future? Any particular areas you'd like to tell us that are particularly successful?

DR. McLEOD: There are a number of people who I'm confident will be nominated in due course. There is always, of course, in Alberta the hope that our senior colleague, Dr. Ray Lemieux, who is so well known for his work in carbohydrate antigens, will at some time be recognized even more than he has been to date, which is quite remarkable. We have a number of people both in Calgary and in Edmonton who I believe are not far from the kinds of nominations that precede Nobel; for instance, Dr. Larry Bryan in Calgary, who has received a very, very prestigious Hoechst award in microbiology, an award that is recognized across the world. I wouldn't be surprised at all if the work in medical microbiology that I referred to earlier, if it pans out a little further, might also fall into that category. There is a distinguished scientist in Calgary, who works with the way in which the cell wall attaches to drugs, who is very well recognized across the world. There are a number of them, and we just keep waiting.

MR. GEDDES: Mr. Chairman, in addition to the remarks I made earlier, could I make just some brief supplementary remarks that have to do with the questions addressed by Mr. Heron and Mr. McEachern? I think this will be helpful, gentlemen, in the reassessment of the adequacy of our endowment fund and in your consideration of the investment policies being carried on by our investment managers.

I'd like to refer to two studies. The first of the studies relates to Canadian data, and it is a study prepared by McLeod Young Weir to 1986. The data respecting the United States performance is prepared by Ibbotson Associates of Chicago, and it is relevant to 1985. I won't quote the entire studies, but there are several key factors that I would like to allude to.

In respect to the return on public equities, over the past 25 years in Canada the rate of return has been 10.25 percent and in the United States 12 percent. Now, that rate of return is in excess of the return obtained on any other investment vehicle. By contrast, the rate of return in Canada over the last 25 years on long-term bonds has been 7.77 percent and in the United States 5.1 percent. The return on treasury bills in Canada over the past 25 years has been 7.89 percent. In the United States over the past 60 years it has been a mere 3.5 percent. Similar studies have been examined which in the case of the United States date

back to the civil war. These studies consistently reveal that rates of return on public equities always outstrip rates of return on other forms of investment vehicles, notably bonds and short-term money market instruments. In the face of that evidence, of course, one would assume that the entire amount of endowment funds might be deployed in public equities, but fund managers have never taken that point of view but have nevertheless taken account of the fact that superior rates of return over long periods of time have consistently been achieved through investment in equities.

Turning from that, however, to the situation in the last five years, the last five years has been a very turbulent period in the history of financial markets not only in Canada and the United States but around the world. Now, something of the reverse has occurred in the last five years. Rates of return on public equities over the five years to 1986 in Canada were 13.72 percent, still in excess of the long-term averages. But on the other hand, rates of return on long-term bonds have averaged 22.39 percent and, on treasury bills, 11.15 percent. That refers back to the comments I made earlier as to the actions of our investment managers in the earlier years of our endowment fund, when significant portions of our endowment fund were invested in long-term investment vehicles. In looking back now, one sees that to 1986 the rate on long bonds was 22.39 percent. That clearly was the place to be. However, one has to have regard to history, and in the formulation of investment policies and in the determination of the appropriate asset mix within the various vehicles that are available, one must not ignore history; one must look at the longer term rates of return that have been achieved.

That is a very difficult question for our investment managers to deal with. I think greater comfort would be given to them -- greater assurance, a greater air of certainty about the way in which they carry on their investment activities in the future -- if there were some determination of the future amount of our endowment fund. That in turn gives some signal that we are indeed a foundation endowed virtually in perpetuity for the good of the people of this province, to carry out a balanced program in medical research.

I hope those comments, Mr. Chairman, were helpful to you and will form part of your record here and part of the frame of reference that will be relevant.

MR. HERON: Mr. Chairman, I for one would like to thank Mr. Geddes for those comments, because they do constitute a lot of food for thought. I am fully aware that the equity market over the very long haul provides a greater yield than bond markets. There is a false notion out there, though, that if you buy a bond, it's less volatile, and clearly in Mr. Geddes' example we spoke of bond yields approaching 22 percent in 1986. I think that just exemplifies some of the volatility in that very bond market. But the point is driven home that if you can show over the very long haul a 3 percent extra yield by the examples given on an equity market over 25 years versus a stock market, that's just about the break-even point where you double your money on a compound basis. Three percent compounded for 25 years works out to \$2.09 for every dollar you invest.

So it's very, very important that if you have, for lack of a better word, the intestinal fortitude to stick with the equities market -- and by that I mean that you have to live with the Dow going from 1,200 to 550 such as it did in the early '70s and through all these ups and downs -- you have the intestinal fortitude to recognize that markets have and always will go up and down. But what you're keeping an eye on is the long, long-term

growth rate of that equities market, that you have the potential to double your money in 25 years. Now, that said, I think it would be probably extremely foolhardy and taking excessive risks to go 100 percent into the equity market. But the point is well made that we as a committee should be looking at upping the equity percentage in the endowment funds if we are to look at maximizing the long-term return while protecting the capital from inflation.

MR. McEACHERN: One recognizes -- and the Premier, without having quite as many statistics as Mr. Geddes has put forward, made the same point about the long term for equities. But it doesn't seem to me that there's anything wrong with a sharp group of individuals that are involved in investing a big fund to take a look at the present situation and say, "Hey, just for a year or two here I think I might just sidestep some high risk." The year 1987, for instance, was a very poor year in the equity market, and I don't think anybody would deny that. So sidestepping that long-term program for a year or two might not be such a bad idea at this stage, and we are talking about this year's recommendations. That is why I made the point I did.

There is another aspect to who is investing the fund that we might think about. Right now, the Treasurer has a committee investing the fund, and the instructions to the committee from the cabinet through the Treasurer might vary from what the foundation people might like. For example, you pointed out that it would be nice for the foundation to get into the markets with a view to getting the biggest return, regardless of where they had to invest.

The Treasurer, of course, and the cabinet might have a different view. I don't know that they do, because we don't really discuss that fund in the kind of detail we probably should. We get the Treasurer here once, and we get so many questions, it's hard to get into. We don't have a statement giving us much detail, and we don't get a chance to ask as many questions about that fund as we would like. In fact, I didn't even get to raise it the other day. His goals might be different in this way: for example, he might say that investing money out of that fund in Japan is all very well to bring a return, but maybe we'd be better to invest it in Alberta and not only get some return, which might not be quite as good in some instances, but it would also provide jobs and create industries here in Alberta and support a company using Alberta's people. It gives them jobs and uses Alberta resources. So I don't think the legislation or the direction of the cabinet with that fund is exactly clear.

It doesn't necessarily satisfy the conditions you were thinking of, of just maximizing income, nor do I know whether the Treasurer has a different view. Neither does this committee know because we don't get to discuss that in the kind of detail we should. That's one of the reasons I put in a recommendation along that effect: that we should have a look at that in detail. I just put that out.

MR. GEDDES: I wouldn't want it to remain on the record that I'm advocating maximizing income as some type of short-term stratagem. Obviously, maximizing income has to do with maximizing the income to the endowment fund over long periods of time. Clearly, that's what we would all wish to do. If we were gifted with the powers to look into the future, we would wish to do that.

But certainly, as I have said earlier, it's a problem that needs the attention of this committee initially. It requires consultation with our investment managers and needs to take into account

our longer term needs, because the problem has two sides: investment policy shouldn't dictate the spending, but spending needs in turn should not dictate investment policy. So it becomes a complex matter of harmonizing those two factors and bearing in mind the need over long periods of time to maximize the return into the fund and to provide the foundation with the ability to ride through the ups and downs in the markets and have an assured cash flow to fund its programs.

MR. McEACHERN: I guess I'm just saying it's a little hard to advise from this committee when we don't quite know the parameters.

MR. CHAIRMAN: Mr. Geddes and Dr. McLeod -- I know Mr. Geddes has a meeting to catch up to and Dr. McLeod has a flight to catch. Again, on behalf of the committee I want to say thank you for your patience and indulgence and thank you for returning this morning with some very helpful answers. I think your invitation to reappear before this committee is indicative of the importance and significance that we place on the Alberta Heritage Foundation for Medical Research. So thank you, gentlemen, for being with us again this morning.

There has been a request for a two-minute adjournment. I've never seen this committee take a two-minute adjournment. Perhaps if we break now, we can agree then that we'll reconvene promptly at 10:15, if that's in agreement?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Thank you.

[The committee recessed from 10:08 a.m. to 10:16 a.m.]

MR. CHAIRMAN: I'll call the meeting back to order and move right into our recommendations. We'll begin with recommendation 18, and the Chair will recognize the Member for Lacombe.

MR. R. MOORE: Now, which one was it? Now I've found it. Good. Thanks, Mr. Chairman. There are too many pages of recommendations to go through.

This is one recommendation I made last year, Mr. Chairman, and it's still very applicable this year. We have the senior citizens' lodge program that came into being in the '60s and was an excellent program and met a need that was very apparent. It has served Alberta seniors well over the years. However, in the intervening years we have brought in many other programs for seniors, and we have realized that the best place for seniors to live is in their own homes. We have made our programs such that they allow them to stay in their own homes as long as possible before they go into a lodge or institution. Those programs I refer to are the home care service, which is an excellent service that brings home care right into the homes; the home repair program, which helps them fix up and insulate their homes so they're comfortable in their homes. We have handi-van services to get them from their homes to wherever they want to go.

So by the time they cannot stay in their own homes and cope with the problems associated with owning your own home, like cutting grass and so on, they have gone by the senior citizens' lodge. They are ready to go into a nursing home, where they require some nursing assistance, either with their medication or their physical disabilities. Therefore, we find there's less demand for senior citizens' lodges and more demand for nursing home beds.

Now, it would be nice if we were a society that could afford, had all the money we needed, to provide every nursing home that was required. But we are not a society that's blessed with all that type of funding, so we must make do with what we have. The demand for nursing home beds usually exceeds the number of nursing home beds. This results in a lot of the lodge beds being occupied by nursing home patients who have no place to go. So whether we like it or not, a lot of these lodge beds are becoming nursing home beds, without the adequate staffing and equipment to provide the nursing home care there should be.

Basically, what I'm saying is that if we have senior citizen lodge beds that can be converted to nursing home beds in a portion of any lodge, then we would see that those people get the proper attention that they should have and alleviate the pressure and demand on the existing nursing home system.

MR. CHAIRMAN: Thank you. Any further discussion on recommendation 18? The Member for Athabasca-Lac La Biche.

MR. PIQUETTE: Yes. I'd like to concur with the Member for Lacombe about the need for responsible utilization of such facilities and possibly conversion into nursing homes, because we face the same problem in northern Alberta, with very often some of these seniors' lodges being 50 percent full and with the local nursing home, where there's a step missing in the elderly senior care. It's also being made more complicated this year by a cutback in terms of home care. In the Athabasca health unit, for example, there's been about a 43 percent cutback in the home care service, forcing even more senior people to have to move to senior citizens' lodges or nursing homes or auxiliary hospitals to have their medical care taken care of.

Now, we were promised by the minister of hospitals that such a study was being made by his department to see about the viability of converting senior citizen lodge beds to nursing home beds, and I'm wondering if there's any information from any other MLAs whether that study has been completed. There's no doubt that not all senior citizen lodge beds can be converted, because a lot of it has to do with structural type of design which might not permit that type of conversion. But if it could be identified in the province where some of those possibilities could exist, where you would have an integrated type of service provided, then by all means I support this recommendation.

MR. CHAIRMAN: Thank you. Any further discussion? The Member for Calgary-Buffalo.

MR. CHUMIR: I would just add that this makes a lot of sense. However, one wonders where we've been all these many years in respect of our policy if this hasn't been implemented to date. So I think we should move forward to integrate our facilities for seniors and ensure that we get the maximum appropriate utilization of these facilities.

One point I would like to make, however, is that rather than utilizing the heritage trust fund for this, it seems to me that this is an appropriate function and expenditure for the proper government departments and should come out of general revenue rather than be considered to be something special or extraordinary. It should be a part of everyday, commonsense operation of the system.

MR. CHAIRMAN: Thank you. Any further discussion on recommendation 18?

If not, we'll move on, then, to recommendation 19 and rec-

ognize the Member for Calgary-McCall.

MR. NELSON: Thank you, Mr. Chairman. The issue of the Powderface Trail in Kananaskis Country has been one that I've raised for some time. I think it's still time and maybe past time that we should consider asking the ministers and the investment committee of cabinet to prioritize this activity.

You know, it's all well and good for some members to criticize and be appalled that the members in southern Alberta do their job in trying to enhance the overall opportunities of Albertans. This is not a north/south argument relevant to the development of recreational opportunities for people in Alberta. As you know, and it has been demonstrated by Kananaskis people, there is the equivalent of the population of Alberta visiting Kananaskis Country on an annual basis. It's also recognized that in the past it was deemed that Kananaskis Country would not be necessarily pointed out for commercialism in the world market or the national market, that it was built and developed for Albertans. Fortunately, Kananaskis Country has certainly withstood the time of Albertans visiting it, and now many people from around the country and the international scene are recognizing the beauty and the opportunities available in Kananaskis Country and are now coming in greater numbers. Certainly with the development of the Olympic Games in southern Alberta this year, more people are going to have the opportunity to see Kananaskis Country and, in due course, will probably revisit that part of the province.

The infrastructure of Kananaskis Country has been developed and is now in place. To develop the Powderface Trail, because that basic infrastructure is in place, not only would allow for the development of additional campsites for other Albertans and visitors from other provinces and south of the border with their campers and so on to enjoy the recreational opportunities. Again it's a matter of developing a couple of additional sites to enhance the opportunity for Albertans, and I think we should emphasize "Albertans." As more visitors come from other parts, less Albertans would then be able to be accommodated within Kananaskis Country itself.

We need, additionally, development of world-class accommodation in Kananaskis Country. As you know, again, the development of the facilities that are there now in Kananaskis Country is going to continue to enlarge the visitors from around the world. We talk about diversification of the economy and diversification in Alberta into the tourism area. We've all been given numbers and the scenario that by the year 2000 tourism could be the number one industry in the world. It's interesting to note that in Alberta this is the focus of partaking in that development of tourism as a number one industry.

I don't think any of us would make disparaging remarks about the development of a park similar to this in northern Alberta to enhance opportunities not only for northern Albertans but for all Albertans. I'm sure people in the south would like to visit any similar type of development in the north country, as the northerners invest their time and money in the development of a major recreational opportunity in southern Alberta. So I don't wish to develop that argument, because to me it's a useless argument in that we are supposedly working on behalf of all Albertans. That's what the whole intent of this motion is to do: to continue to enhance the opportunities for Albertans to visit their recreational opportunities in Kananaskis Country, at the same time recognizing that there is going to be more stress and strain put on the facilities by national and international visitors.

So, Mr. Chairman, it would be my hope that the committee

would support the motion to continue the enhancement of Kananaskis Country, considering the large investment that is already there and the infrastructure that is available now, which is available to additional users within the organization that's been put in place out there. Thank you.

MR. CHAIRMAN: Thank you.

The Member for Edmonton-Kingsway.

MR. McEACHERN: Thank you, Mr. Chairman. As well as being Treasury critic I've been assigned Tourism critic, so of course one is not against tourism development anywhere in the province. But one has to express a couple of caveats to just blanket support. It's fairly clear that the emphasis on tourism has led to much more development in the south of Alberta than in the north, so one would hope that the committee would not get into a situation of sort of playing one of these against the other from our proposal to have an Alberta North sort of development.

The other thing that one has to consider, I guess: I thought that more care should be taken before this is done. I'm not saying before we make the recommendation, but before this Powderface Trail be done. Perhaps Mr. Nelson has some answers to this already. But when you talk about loading a park, you also have to talk about the possibility of overloading a park. You know, we have the Alberta parks in Jasper and Banff, and before one allows more new developments in them, you have to stop and think: "Are we overdoing this? Are we overloading the park more than it can handle?"

I know we have a very heavy investment in Kananaskis Country. It was a very expensive project, a sort of Cadillac project at a time when it should have been more stringent, probably, but nonetheless it's done and is there, and we do have to try to recoup that to some extent. So one has to use it to maximum advantage but without damaging the environment too much too.

So with those two sort of caveats, I think that this member, anyway, recognizes the importance of developing tourist facilities in Alberta.

MR. CHAIRMAN: Thank you.

The Member for Athabasca-Lac La Biche.

MR. PIQUETTE: Yes. I'm also very much in favour of development of our tourism industry in Alberta. That is one of our, I think, possible tools of economic diversification, especially if we start planning our province in terms of how we can maximize the potential benefits that can accrue right across the province.

One of the troubles I have with this recommendation is that it might be very worth while if we had not already spent a lot of money in terms of focusing on southern Alberta. I think, perhaps because of its proximity to the Trans-Canada Highway, that it does, you know, pull in a lot of outside tourists.

But one of the things that exists here in northern Alberta and for the Edmonton region is that we have here in Edmonton a population of about 700,000 people who are fairly distant from any tourism-potential development, especially in northern Alberta. Northern Alberta contains about 80 percent of all the provincial lakes and potential sites for development, and we've done very little with it. Rather than perhaps your looking at completing the total development of Kananaskis Country at this time, which we could possibly look at further down the line, I think what this committee should be looking at is trying to reach

a balance between the development of tourism. The northern part of the province has a tremendous potential, but it's a very untapped potential at this time.

Here we have no price tag about this recommendation. I'm not sure if it's wide open. There have been no studies done, whereas in the Alberta North concept, there's been a lot of studies made by various tourism associations, the regional economic development council, and it's a much needed type of injection, especially with the cutback in our provincial revenues and our cutbacks in the Department of Recreation and Parks, where we're actually seeing a retrenchment in terms of that potential development of tourism.

So I'm not here saying that this is not a valid proposal to support. It simply, I think, does not look at the fact that when we start looking at the recommendation, we should have proper balance in the way that the heritage trust fund is spent right across the province. I think we have a very serious imbalance right now. I think you could go to any communities in northern Alberta from Red Deer north, and they'd point that out very much. Except for the urban parks development, which has helped communities like perhaps Lloydminster, Grande Prairie, and Red Deer, we really don't have anything outside of the urban centres in terms of the heritage development of tourism, developing an untapped type of development. So I would urge the member to reconsider this recommendation in view of the fact that it really doesn't look at making a proper, balanced use of heritage trust fund money in view of developing tourism in Alberta.

MR. CHAIRMAN: Thank you.

The Member for Pincher Creek-Crowsnest.

MR. BRADLEY: Thank you, Mr. Chairman. I'd like to say at the outset that I support the development of recreational opportunities in northern Alberta with Heritage Savings Trust Fund moneys. I think one has to look back to why Kananaskis Country was started. If you look at the province, the northern part of the province with the lakes has a number of natural recreation areas for the benefit of the people. The majority of the lakes are in northern Alberta. Just look at how many lakes there are around here in the Edmonton area, where people have cabins or there are beaches that people can go to. In southern Alberta, if it weren't for some of the irrigation districts and the developments that are there, we'd just have basically a dearth or desert in terms of recreational opportunities. So the investment in Kananaskis Country was certainly appropriate. I know it was in the sense of a mountain park, with the fact that the Banff and Jasper parks were becoming overcrowded in opportunity there.

I believe I have some familiarity with this Powderface Trail. If I recollect, it runs from Sibbald Flats down to Elbow Falls. Am I correct in that? It's basically a four-wheel drive trail today. It would make a natural loop in terms of a circle tour. Going out from Calgary, you could go through the Sibbald Flats trail, then down this Powderface Trail, out to Elbow Falls, back through into the Turner Valley area, and back out to Calgary. So it would be an excellent connector. If funds are available, it would make a lot of sense to upgrade that road so that you could have that circle tour in Kananaskis Country. Other than the circle tours you can now make, you have to go out and down Highway 40 and back out through Longview. So this would make a shorter loop in the Calgary area, which would make some sense in the long term, and it may be something that perhaps highways funding could be looked at for it rather than heritage fund

money, if we are limited in funds.

MR. CHAIRMAN: Thank you.

The Member for Calgary-Buffalo.

MR. CHUMIR: Thank you, Mr. Chairman. I, too, am very supportive of promoting tourism in the province, but I have a problem with this recommendation and, indeed, with many other recommendations of a similar tenor. I don't say this critically with respect to the member presenting them, because I think it's a reflection of what is wrong with the whole process here in this committee. That is, we have a very, very narrow focus, and many of the recommendations that are presented are presented as isolated hobbyhorse recommendations which don't provide adequate analysis and balance in respect of the basic question: are we getting good value for the money we put into this particular project?

I'm making recommendations to re-establish some sense of order and priority in terms of the Heritage Savings Trust Fund, and I'm just unable to support this recommendation. Although it may in fact have merit, we don't have context in respect of it. It may be desirable; it is undoubtedly desirable, but is it the best use of dollars for promoting tourism at this time? It may be at the top of the list, but we have absolutely no way of knowing, and I don't think we should even be spending our time on hobbyhorse projects utilizing this big pot of money which could be more sensibly spent. That's it.

MR. CHAIRMAN: Thank you.

The Member for Athabasca-Lac La Biche.

MR. PIQUETTE: Yes, I'd like to echo the view from Mr. Chumir, his indication, you know, especially in terms of such a nature as tourism development. There's no doubt that our committee should be looking at, before any recommendations are made -- that it be based on the total study made by the Tourism and Recreation and Parks departments, which look at potential sites for development and the overall kinds of priorities and objectives set by that committee as opposed to, perhaps, an individual. I guess "hobbyhorse" was indicated there. This is why I think, in my arguments in terms of the fact that the northern part of the province has been left out in terms of its development of potential tourism projects through the Alberta heritage trust fund, that it definitely points to an imbalance which has been developed over the last 10 years. We have not developed a master plan for the whole province for tourism development and then applied the necessary resources to accomplish that goal.

So I would say that this is what is wrong with that recommendation. It's not a bad idea; it's a good idea. But the fact is: is it part of an overall master plan for the development of tourism in Alberta and all of its various facets from one end of the province to the other? When you look here in northern Alberta at the potential market of 700,000 people in the Edmonton area, there's a tremendous ability here to get people to spend their holidays in Alberta if they have close to their residences great tourist facilities that encourage people to spend their holidays within Alberta, not just simply in terms of lake development, but thematic, cultural, historical sites, and projects working with private development, et cetera, which would maximize money spent in the province by the heritage trust fund committee.

MR. CHAIRMAN: Thank you.

The Member for Calgary-McCall.

MR. NELSON: Mr. Chairman, I didn't want to enter into a north/south argument, as I indicated at the outset, and become a negative doomsayer. I'm sure that we could all argue for the development of facilities in northern Alberta, central Alberta, southern Alberta, and wherever in Alberta. As others have said, certainly I would support the development of recreational opportunities in other parts of the province but not just for northern Albertans. Now, let's be honest with ourselves. We are developing opportunities for all Albertans, and that's the purpose of the development in Kananaskis Country or in other places. So I think that some of these people who feel that northern Alberta is important to them, without reflecting that southern Alberta has some importance also, are very narrow-minded, which is not unusual for some.

In any event, Mr. Chairman, to keep this in a positive vein, as it was introduced as such. Again, we're spending a lot of moneys in this province renovating hotels, giving money away to hotel owners and what have you under the Canada/Alberta tourism plan. I have difficulty with that sort of thing when I see that there are other opportunities to generate activities for those hotels. The Powderface Trail, in development of these campsites for additional opportunities for people in Alberta, certainly would not cost anywhere near the dollar figure that I'm sure the Member for Athabasca-Lac La Biche would have in mind for developing a separate proposal in northern Alberta. Then again, I think that ultimately both could be done. But again, we have the infrastructure in place, basically, to continue and finish off this development to the enhancement of the overall travel in Alberta.

The Powderface Trail certainly allows for another exit and entrance into Kananaskis Country. It's not an expenditure of money; it's an investment. It's an investment for a healthy environment for people. Allowing people to participate in the open environment certainly, in my view, saves costs in other things such as health care. The suggestion that there's an imbalance in the province in my view is a lot of baloney. It's no such thing. The development is there for all Albertans. It has the ability to take most Albertans in any given year, as has been shown by the numbers visiting the place. The project creates jobs, not only developing it but it creates permanent jobs within the park itself.

So the value of the overall project, both in the point of view of jobs, creating a healthy environment for people to give people a little opportunity to see nature at its best, animals, et cetera, and also in the creation of jobs, has to override any self-interest in other specific areas of the province. I think those arguments can be made as a separate issue based on their own merits. The argument on this is based on the merits of the project, which I think are excellent, and the arguments based on any other project should be done in the same vein, in a positive fashion rather than trying to cheat a little by playing one area of the province against another. We're dealing with all Albertans here, not north and not south, and let's remember that. That is what we're here to represent: all Albertans.

Thank you.

MR. CHAIRMAN: Thank you.

Moving on then to recommendation 20, the Chair will again recognize the Member for Calgary-McCall.

MR. NELSON: Well, Mr. Chairman, when the Provincial Treasurer was here -- and of course we are here to listen to and

try to make recommendations based on some of the information that's provided by the witnesses that come before the committee. You know, it's very troubling to even recommend expenditures of moneys, whether it be the Powderface Trail or anything else, when we do have a shortage of resources. But at the same time, when we are investing moneys for different reasons, we have to look at the return either in dollars or in some benefit to Albertans, hence the development of this resolution to expand the commercial investment division of the Heritage Savings Trust Fund to include international investments.

We have coming up shortly a depreciation of income from the investment income due to repayment of high-interest bearing loans to various provinces. We are of necessity going to have to reinvest much of this capital to income-producing securities, stocks, and bonds, and we will be having to examine the marketplace as to where we can receive the highest yield on that investment. Of course, we're not in a position where we should be recommending the expenditure of the capital of the fund by the province, for to do so would be foolhardy and narrow-minded in the long term. We should not be investing any of these repaid moneys in capital projects unless there is a definitive dollar return on an ongoing basis. There isn't usually, so there shouldn't be any investment.

It is my view, Mr. Chairman, that the Provincial Treasurer, in presenting his case to the committee, has not only presented a good case but one which I think can in fact enhance the opportunities of the fund in developing income to assist Albertans in the times that we are going through right now, by additional moneys into the General Revenue Fund to assist with things like health care, education, and so on. We all know that in the last year something in the order of \$1.4 billion was retrieved by those investments. We have a very good investment portfolio, and it appears to be looked after by some capable people.

In any event, I think the expansion of the investment opportunities into the world market will certainly enhance it. I should mention that in Australia, for example, certainly by using the Sydney exchange, I'm sure there would be extremely good opportunities there, considering the high yields that are available in that country still. It would be foolhardy for us not to be able to take those opportunities as they present themselves. Thank you.

MR. CHAIRMAN: Thank you.

The Member for Edmonton-Kingsway.

MR. McEACHERN: Yes. Perhaps in speaking, I'll just start with the last point first. The member just said that it would be foolhardy not to grab an opportunity to invest, say, in Australia, but Canada and Alberta is an importer of capital on a fairly large scale. For us to use tax dollars or revenue dollars or certainly taxpayers' dollars -- Albertans own the heritage trust fund -- to invest in a foreign country when we could use it to invest in Alberta or at least in Canada seems to me to be a little bit shortsighted. When you invest in your own country, you not only get the benefit of the profits made by that corporation -- they might be a little lower than what you would get by investing in Australia at this particular time -- but you also get the benefit of the dollars spent in terms of developing our resources and creating jobs in this country. So I find the move by the Treasurer to ask us to endorse the idea of investing abroad inappropriate at this time.

The overall position of the province in terms of a consolidated type of statement between the heritage trust fund and the General Revenue Fund would indicate, I think -- and I

couldn't get to ask the Treasurer that because I didn't get a second set of questions when he was here, and he hasn't come back yet, and there doesn't seem to be any indication that he will. Also, he didn't present us with schedule 5 yet. We've asked for it several times; it's normal to have it. When we do get schedule 5, it doesn't tell you when the various portfolios were bought, or those that were sold are deleted and not listed. So we don't know the sum of the money that's been put through that division of the fund. So the commercial investment division is a section that we don't know as much about as we would like, yet he's asking us for more money in it to expand its parameters so it can invest abroad. They're also suggesting that it should be bigger, yet we haven't had as full an accounting of it as we obviously should have at this stage.

I put forward a recommendation that would hopefully correct that for another year, but it remains to be seen whether it will be recommended. If it is recommended by this committee, it's hard to say whether it will be followed through by the Treasurer. So I just think it's wrong of the Treasurer to come before the committee and sort of say: "Well, I don't know if we lost \$124 billion in this division in the October stock market crash or not. I can't verify that. We think it's earned 21 percent, but I guess that must have been for March 31. It didn't take into account what's happened this year." Yet he wants us to give him greater leeway to invest abroad and to expand the division, and I'm against that for the reasons I just cited.

We do have a fair amount of money available in the cash and marketable securities section, and it could be that the use of that would be an income generator. But I think the priority of the fund at this stage, before it is all frittered away, should be aimed toward diversification, and we will not diversify the Alberta economy by investing in Australia. So, Mr. Chairman, I would just like to go on record as saying that I'm very much against this recommendation.

MR. CHAIRMAN: Thank you.

The Member for Calgary-*Buffalo*.

MR. CHUMIR: Yes. Decisions of this nature, I believe, should be part and parcel of an overall review of where we're going with respect to the fund. I have a number of recommendations that we're about to get into in that regard, and I think we should be proceeding with them.

Insofar as the merits of the decision itself are concerned, I must say that I don't understand all of the pros and cons. The Provincial Treasurer seems to think this is the direction to go. I think I can think of a few things I've disagreed with the Provincial Treasurer on before, and with all due respect I don't think his recommendation is adequate, at least from my point of view, for advancing on this. We have no report; we have no context. As I noted in my comments with respect to the last recommendation, it's very much in character with the unplanned and isolated way in which this committee operates and in which heritage fund decisions have been made for many years now. I don't think it's good enough; I think we need more.

MR. CHAIRMAN: Thank you.

The Member for Athabasca-*Lac La Biche*.

MR. PIQUETTE: Yes. I object to this resolution based on basically two or three different reasons. One is that we haven't been given the pros and cons by the Provincial Treasurer about why we need to invest the investment division funds into overseas

markets. We just heard a capsule on a news release that indicated there would be some advantages, but no advantages were really pointed out.

Secondly, what we are also doing here is getting involved in a very speculative type of investment by the investment division if we go in terms of overseas investments. The reason I base that caution is that the money market, internationally, is a very volatile situation. It might be at this time a good idea to be looking at foreign investment, but with the very volatile situation which is playing one currency against the other, it could very quickly turn into a real nightmare because you could have a country where you feel an investment is good now, an investment is made, and then all of a sudden you've got a 15, 20 percent shift in the value of that currency in the international market wiping out whatever advantages or actually creating quite a loss situation.

At least in terms of an Alberta investment, a Canadian investment, we are at least controlling a lot closer to our chests the kind of speculation we're investing in. We do know the companies very well. We know the kind of risk we're taking, and even with that knowledge we've suffered quite a dramatic loss in the last three months in terms of the drop in the marketplace. But when you're starting to play around with Japan or Germany or any other countries, you really are perhaps dealing with something better left alone to a free market system of speculation. I don't think we're trying to be speculating with our investment here the same way as some of the professionals are doing, taking very high risks in terms of playing one currency against the other, et cetera.

So I think this recommendation here is not well thought out to begin with. At least, we as a committee have not been given the opportunities to question the minister about why he's advocating this. If he's got a very reasoned argument, he should present it to the committee, but we should not be going ahead and voting on a recommendation which gives free rein to the Provincial Treasurer to change the whole concept of the Alberta heritage trust fund investment division without having this very carefully considered by the committee.

MR. BRADLEY: Well, Mr. Chairman, I have to support the recommendation that's before us. I have some similar recommendations, perhaps with some parameters on it that we could discuss later, but I think the suggestion that has been put forward is an excellent one. When we're looking at the commercial investment division, its mandate is to yield a commercial return or profit. By not allowing ourselves to invest in foreign securities, we're perhaps tying one arm behind our back.

We look to the performance this morning that Mr. Geddes was indicating in terms of equities. The Canadian rate of return over that period of time, he was suggesting, was 10 percent. When he looked at the United States rate of return on equities, it was 12 percent. So there's an opportunity we're missing there of perhaps some 2 percent higher rate of return over a longer period of time.

Also, when one looks at foreign investment, wouldn't it be nice if we had some money in either German or Japanese bonds with long-term yield, given the fluctuation or the devaluation of U.S. and Canadian dollars versus those currencies? It would give some incredible strength to our portfolios. So I think this is . . . You know, if we're looking at maximizing the rate of return on some of these funds, to broaden our ability to invest these funds and take advantage of some of these opportunities would give us a higher rate of return over the longer term. We

should be looking at that. So I strongly support the recommendation.

MR. CHAIRMAN: Member for Calgary-Buffalo.

MR. CHUMIR: Perhaps I might clarify, Mr. Chairman, that my concerns about this resolution are that we don't have enough information. I must state that I disassociate myself from any thought that we should not be investing the heritage trust fund in foreign investments without more. I think that is a political and ideological concept which is not based on sound business and investment sense. We do have a portion of the trust fund which is dedicated to getting the best return on savings for future generations. My recommendations are going to be to beef up that concept.

To that end, I believe we need an independent group of experts, an investment board that will give us advice as to where we're going in the future in order to make the best return. My concern is that we don't have that input and that information. I don't have confidence in the process. I think it's important for us, if we are going to accept an investment and savings role for the trust fund, to realize that we have to go for the best return. The most knowledgeable people in the community invest internationally in proper cases. We have to recognize that it's important to separate the concept of savings and investment in the long term from other goals which some portions of the heritage fund may have, such as diversification and accomplishing certain social benefits.

If those are the concerns, then perhaps -- in fact, beyond perhaps -- certainly we're looking at investing in Canada. But if we have our eye on the ball, if we're thinking clearly and looking at getting the best return, we've got to look internationally. We have a duty to future generations. I know some people don't like that, but I think that's just a reflection of a lack of understanding of business and investment direction.

Thank you.

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

MR. McEACHERN: Well, Mr. Chairman, I can't let that last piece quite go by, the member suggesting that somebody who is against this motion doesn't know anything about what's going on in the investment markets of the world. It's very clear right now that the markets are very volatile, that the bull market has had its run, and that we're into a bear market and everybody in the markets is very jittery. At this stage to jump into the world markets, even from the point of view of earning a return, is a very dicey matter. There are not only the currency exchange rates my colleague spoke of, but there is great danger that the stock markets will tumble even further in the future. For the next year or two at least, one should be really careful about getting into more equities, particularly on international markets.

I would reiterate another very important point that I made a minute ago. That is, when you invest in Canadian and Alberta companies, you not only get the benefit to Canadians of sharing in the profits made but you also generate activity in this province or in this country. That has to count for quite a lot. It's just that to go running off into the international markets at this stage of the game does not make sense from the point of view of a prudent husbander of the tax dollars and resource dollars of this province.

MR. CHUMIR: I must say that if it comes down to a matter of personal investment judgment, I too have great trepidation with respect to the investment of the fund in the stock market in any way at the present time. However, I can't remember ever having any instinct to make a suggestion to the public that the heritage trust fund investments be put under my personal management.

What we really need is a group of independent, thoughtful people who really know what's going on and are going to make these decisions for us, keeping in mind the risks and vagaries of the market. I don't think we individually can make these decisions, although I do share some of the concerns of Mr. McEachern with respect to the shakiness of the international economic scenario. But presumably we're going to get the best people who can take that concern into account with a tremendous base of other experience and give us the best judgment.

I want to have input into that process of selecting those people, setting those structures to make sure we get the very best decisions made for the future. And that's why I'm opposed to this resolution. It's just another one of those decisions where we pull a thought out of the air without any basis for supporting it. It's not sound management and it shouldn't be supported.

MR. NELSON: Mr. Chairman, some of the comments are not well thought out and out of the air and what have you. I've had a few days to consider this before putting the motion in and discussed it with the Treasurer. Considering where they come from, I guess, those comments don't deserve further comment. We've got a lot of people in this place that have a lack of courage and maybe no courage at all.

The province today is very fortunate to have a man of the stature, ability, and intelligence of the present Provincial Treasurer, and God help us if the so-called Treasurer-in-waiting ever got hold of this provincial budget. It would be the end of this province, and there's no question about that. If there's one person within the government of Alberta that I personally have a tremendous amount of faith in, that is the Provincial Treasurer. Without a doubt he and his officials and the many private-sector people who are advising and giving expert advice, and from the community people like Mr. Geddes there, who's probably got more brains in his left temple than some members have in their whole head, especially when it comes to financial matters -- I would suggest that these people, in making investments, are doing so in the best interests of the province.

You know, I often think about things like this -- even the Olympic Games, for example -- where politicians want to get their sticky fingers into the glue and start stirring it around and showing their expertise. Usually what happens is that the whole thing gets fouled up anyway. So it's best to leave some of these areas to those people who are knowledgeable in how to deal with stocks, bonds, and other types of securities. Certainly when I've mentioned Australia, and that seems to have become a focus of attention, I've mentioned Australia as an example. I could have used Hong Kong; I could have used Tokyo, London, New York, Chicago, New Delhi, Manila, anywhere. It doesn't really matter; the world is a big place. Australia is certainly a part of that place.

It's interesting to listen to Treasury critics. We usually hear them wanting to spend, spend, spend. Yet when someone, certainly usually a little smarter than they are, sometimes brings up different ideas, and I'm sure the Treasurer is somewhat smarter than some of these . . .

MR. McEACHERN: Mr. Chairman, would you ask the member to quit making personal references to people on this committee? I have never in any of my comments on that Bill made any references that could be taken personally by the promoter of that recommendation. I talked to what I thought was the issue, and I was very careful to do that. I see no reason why he has to keep coming back with insult after insult. That is totally unnecessary, totally uncalled for, in a personal sense, yet he continually does this. When is the Chairman going to start asking the members to get in line and stick to the issues and quit making personal comments? I'm personally getting very tired of that in this committee. There's been far too much of it.

MR. CHAIRMAN: Perhaps if the Member for Calgary-McCall would focus in on the recommendation, it would be helpful.

MR. NELSON: Well, I tend to agree with the member in both senses, Mr. Chairman, from his point of view as well as mine.

Mr. Chairman, the situation is that we have to enhance income from the investments that are going to become available to the fund capital. We have, as I've indicated, much of this investment . . . I will be talking a little bit more about this as we get to my other motion on the Alberta Mortgage and Housing Corporation -- which I'm sure they support, yet the cost to the taxpayer of that is absolutely ridiculous.

In just summing up, the Provincial Treasurer certainly can speak for himself in enhancing this. All we want to do is recommend that he be given permission to invest outside the Canadian marketplace. I'm sure that in his wisdom and in the wisdom of those experts he has in the department and also in the private sector who will advise him -- and let's be clear; the Provincial Treasurer has advice from experts. The NDP doesn't have that expertise, and neither do the Progressive Conservative members in this House other than maybe one or two people like Mr. Heron. I'm sure that if we put together the pros and cons in adding to the enhancement of this heritage fund that benefits all Albertans, investing a small amount of these moneys in the international market not only will give us higher yields but will continue to enhance those very important social programs that some people wish to expend more moneys on which may not be available unless we take these courageous steps to enhance those opportunities.

MR. CHAIRMAN: Thank you.

MR. PIQUETTE: I'd just like to make a quick point. I think the whole issue boils down to -- what we're being asked to do here is that we've had a comment made by the Provincial Treasurer that he'd like to have the right to invest in the overseas market through the management of the investment division. We have not been given any reasoned argument by the minister. Almost immediately here we have a resolution that we are supposed to be voting for, without any proper debate of such a dramatic change in the way we have proceeded in the past in terms of our investment division.

There was a very good reason why the committee and the structure of the heritage trust fund had restricted investment to Alberta and Canadian companies. Now, why is it that all of a sudden in 1988, through a fairly frivolous kind of comment by the minister, we have a resolution here which can change the future working of this investment division without due consideration and due arguments being presented to the committee? Again, I'd like to indicate what I said last year. If this is all we

are supposed to do, just simply take the word from above and trust the wisdom of the minister without listening to his argument, then we are not functioning as a proper watchdog committee. We are becoming, as we have said before as Official Opposition, really just a lapdog committee that simply responds to the cabinet any time they want to have any kind of change to the working of the Alberta heritage trust fund. This committee is supposed to set the direction of the workings and the investment and how this heritage trust fund is supposed to function. We're not to respond to any kind of cabinet statements and simply accept them without any proper or due consideration.

MR. CHAIRMAN: Thank you.

Any further discussion on recommendation 20? If not, we'll move on, then, to recommendation 21. I recognize the Member for Calgary-Buffalo.

MR. CHUMIR: Thank you, Mr. Chairman. I have quite a number of recommendations here, and members of the committee may recognize most of them as having been made last year. I commented quite extensively at that time in respect of each of the recommendations, and I propose to be somewhat more brief in my comments at this stage. I would perhaps respond to any debate or questions that arise.

The first is recommendation 21, which recommends, and I quote:

that a major review be made of the future direction of the Alberta Heritage Savings Trust Fund and that, as part of this review, public hearings be held to provide the dual function of obtaining broad input and educating the public with respect to the fund.

I believe there is broad support for the concept of a review. The operative feature here is that we go to public hearings, and in my view this has a dual goal: firstly, to obtain broad input from knowledgeable members of the community and, indeed, any concerned Albertans with respect to the future direction; secondly, to provide what I believe is a badly needed educational function for members of the public through ensuing publicity that would undoubtedly arise from press coverage.

Thank you.

MR. CHAIRMAN: Thank you very much. I appreciate the member's brevity, and if I understood the comments he made, I think he's encouraging all members to make sure they review last year's *Hansards* from these meetings, and perhaps you'll have an opportunity to broaden your comments through that.

Any other debate or discussion on recommendation 21?

MR. McEACHERN: Recommendation 21 is very similar to the recommendation we put forward last year. I think the added thing we'd suggested was that a consultant group of professionals be brought in to analyze the fund in some detail first before we embark upon the general review and public hearings throughout the province. It's certain that the province of Alberta would benefit from such a review. The reason we didn't turn around and resubmit it this year was that we felt it was very clear the Treasurer and the Premier had no intention of doing anything in that line. We chose instead to focus our attention on saying, "Okay, then, you'd better give us your plan and be accountable in much more detail for what's happening now." So that was the sort of approach we took. Certainly, though, I'll be supporting this recommendation. There's no reason why this shouldn't be done.

MR. CHAIRMAN: Thank you.

Any further discussion? If not, then we'll move on to recommendation 22. Again, I recognize the Member for Calgary-Buffalo.

MR. CHUMIR: Thank you. Recommendation 22 reads, and I quote:

that in accordance with the recommendation of the Auditor General, such steps as are necessary be taken to remove the deemed assets and deemed equity represented by deemed assets from the balance sheet of the Alberta Heritage Savings Trust Fund.

This is like a boomerang which keeps coming back to this committee. The Auditor General is not satisfied. He stated that he wasn't satisfied for the umpteenth time in the latest financial statements. I see no reason for the Provincial Treasurer to persist, other than stubbornness, in this regard. There is every reason, in terms of accuracy of public perception as to what is in the fund, from the point of view of financial assets which can be used in future. I very strongly recommend that we support the Auditor General in this regard. I would note that this committee has supported the Auditor General in the past.

It's easy to get worn down and wearied. I think perhaps that's what's happening in respect of the failure of other members to raise this matter again. I suggest that we soldier on and keep this matter before the public eye.

MR. CHAIRMAN: Thank you.

Any further discussion on recommendation 22? If not, then we'll move on to recommendation 23. Member for Calgary-Buffalo.

MR. CHUMIR: This states, and I quote:

that ministers and others appearing before the committee provide a written report with respect to their areas of Alberta Heritage Savings Trust Fund responsibility at least seven days prior to their appearance before the committee.

I've spoken before, Mr. Chairman, with respect to my concern about the absence of adequate information being provided to members of this committee. As it is, we get approximately two hours with each of the ministers. Some ministers are asked to come back; some do. The nature of the statements which we get could easily be set out in a written report. Indeed, what is stated by them verbally should be expanded on very extensively with statistics and additional information. I think we deserve that. We need it in order to do our job. I'm not satisfied that we're able to do our job adequately and that our time is well spent. This would certainly be an assist, although much more remains to be done.

Thank you.

MR. CHAIRMAN: Member for Lloydminster.

MR. CHERRY: Yes, Mr. Chairman. I'd just like to comment on this briefly. I think that if you consider this recommendation, to me it doesn't bear a lot of fruit in that you have research you can do prior to the minister coming. I'm sure it's all in the reports. When the minister is questioned here, he certainly gives the information that is asked of him. So I basically don't see too much to this recommendation the way it stands now.

MR. CHAIRMAN: Thank you.

Member for Edmonton-Kingsway.

MR. McEACHERN: Thank you, Mr. Chairman. I don't quite understand the comments of the previous speaker. This recommendation of course makes a lot of sense. The committee should have the best and latest up-to-date information possible before it. Since the fiscal year runs out on March 31 and we don't get around to debating the heritage trust fund until November and in this case, this year, January, that means we're six months out of date at the very least and going on eight or nine months. So it would seem to me appropriate that the ministers appearing before the committee should bring as up-to-date statements as possible.

They could have a written statement of the type they make verbally, and it's fine to say verbally what some of the highlights are of their written statement. But it would seem to me that one of the recommendations they put forward later would also go some way to correcting this problem. We're suggesting quarterly statements for almost all sections of the fund. If the Treasurer and the keepers of the funds, the various divisions of the fund, got in the habit of having updated quarterly statements available within a month or so of the end of the quarter, it would become a natural habit.

As to the member's comments that we should be able to do our research, you're usually working with figures that are anywhere from six months to sometimes a year and a half out of date. If you wanted, for instance, to do a Public Accounts kind of analysis right now about anything to do with the government's funding, Public Accounts is not out yet, and here we are, nine months since the end of the last fiscal year. So we're really talking 20 months out of date with any figures in that area. The same with the Auditor General's statement; the same with a number of . . . We didn't have the Energy department's statement, and that is related to some of the heritage trust fund expenditures.

So we do need much more rigorous accounting. The more we have to run around and do the research and the more awkward it is, the more difficult it is for MLAs to do their basic function, which is to set policy directions. The more and better information we all have, the more pertinent would be our debates on policy, because we would all be working with up-to-date and the latest and best information possible. But there seems to be some kind of feeling on the part of the government that they should be slow or late in getting us information to make it difficult for us. Then, of course, when we ask, "Where is it?" the answer is to go do our research. But it is the government that has the accessibility to almost all the information we need, and we just don't see an awful lot of it. So this motion is only a start in the right direction for this committee to become an effective committee.

MR. CHAIRMAN: Thank you.

Member for Athabasca-Lac La Biche. Maybe before I recognize the Member for Athabasca-Lac La Biche, we could recall some of the members back into the meeting before us.

MR. PIQUETTE: Well, I'd just like to say that I second the motion. I think it's a good motion in the sense that, as pointed out by the Member for Edmonton-Kingsway, we really don't have at our disposal before committee meetings the updated information that is required. As again pointed out, really the role of this committee is to set policies, not just start digging up figures which are very much out of date and should be at our disposal when we come to these meetings and we have already formulated a lot of the recommendations which flow from this

information that should be provided by each minister responsible for various portfolios of the Alberta heritage trust fund. So I think this motion should be passed without any further discussion.

MR. CHAIRMAN: Thank you.

No further discussion on this recommendation? We'll then move on to recommendation 24. I would recognize the Member for Calgary-Buffalo.

MR. CHUMIR: Recommendation 24 reads:

that any future investments made by the Alberta investment division in oil sands development or any other projects, such as heavy oil upgraders, be made on an equity basis similar to the Syncrude investment so that the fund benefits to a degree commensurate with the risk.

The context in which this recommendation is made, Mr. Chairman, is that the government has been having discussions with respect to heavy oil upgraders and expansion in our oil sands developments.

I'm very pleased, and I'm sure all Albertans are very pleased, with the return the Syncrude investment has given us. On the other hand, we have some examples such as the government's participation in the Ribbon Creek development and, particularly, the sweetheart deal it made with respect to the hotels and lodges in that area. That deal, as we are all aware, benefited private interests in a very significant way and left the province of Alberta with all the obligations and none of the benefits. Syncrude is the right way to go. Ribbon Creek is the wrong way to go. I want to have this committee approve that philosophy which would have the government and the people of Alberta benefit by being participants in the profits of any investments and not merely carrying all the risk.

Thank you.

MR. PIQUETTE: I also support this recommendation, and the reason I support it is simply that equity investment in a company is a much more secure investment for the investment division. I take exception, for example, to a loan which was announced just in December here to NOVA Corporation: \$150 million, 6.75 percent interest. The trouble with loans as opposed to equity is that if a company goes bankrupt, it doesn't necessarily mean you're in a position of the first line of defence to get the money back. You might be sitting third in the line or fourth in the line in terms of any money which is due to the province. We've seen this, for example, in the Commercial Bank, that fiasco where we're losing millions of dollars because we were not first in line in terms of a loan advance to the Commercial Bank.

So I think what the province and the Alberta heritage trust fund should be guaranteeing itself when it does become a player in economic diversification, in economic development, is that it takes as much as possible in equity investment so that the risk and the investment are equal, that it's not simply turning money over to a company without having at least an involvement, an involvement even in decision-making, which is important to safeguard that injection of funds.

MR. CHAIRMAN: Thank you.

Member for Pincher Creek-Crowsnest.

MR. BRADLEY: Well, Mr. Chairman, I didn't intend to get involved in this discussion, but some of the debate on the recommendation has caused me to become involved. First, with regards to the comments about the Ribbon Creek development

and the nature of it, let's be fair. The hon. member suggested there was some sweetheart deal. As I recollect with regards to Ribbon Creek, the rules of what was proposed there were out there in the public well in advance. It was well understood that the government would be investing in infrastructure, providing infrastructure up to the property lines. As I recollect, there was a request for proposals from the private sector to develop the properties, and that was out there for two and three years. In fact, it was a very difficult process to find someone from the private sector to come forward and develop on those properties. The alternative was for the government to construct those facilities itself, and at one point the government was prepared to proceed in that direction, to construct facilities. So I have a different point of view and knowledge base than that which was suggested with regards to Ribbon Creek.

Relating to the motion itself, I think the government should only become involved on an equity basis in these types of projects as a last resort, not as a first resort. I think Syncrude -- it was necessary for the government to become involved. It was the only way that Syncrude was going to proceed: if there was direct equity involvement by the government.

With regards to the comments relating to, I believe, the Commercial Bank, there's a difference between deposits and a loan. In terms of a deposit, you may not be secured. In terms of any loans which the government makes, as far as I'm aware, we always make sure that we have a security position which would cover that loan if there was a default. So we always make sure those loans are secured. I think in retrospect, if one looked, a loan is perhaps a more secure form of investment if you have the proper security provisions in it than an equity position, because in an equity position you have the potential to lose your entire investment.

MR. CHAIRMAN: Thank you.

Member for Edmonton-Kingsway.

MR. McEACHERN: Yes. Just a small point, Mr. Chairman. I'm basically in favour of the recommendation. But I would just remind the committee that in terms of the Syncrude investment, I hope there is one aspect of it that this doesn't imply, and I don't think the author of it intended it to. So I will just put that little reservation on. When the the Syncrude project was done, the investment made by the companies involved -- and there were three companies. Two of them had 30 percent of the equity and one of them had 10 percent of the equity. The rest was put in by government in terms of equity investment. Those companies got a five-year tax write-off to raise that equity, so I would hope this doesn't necessarily imply that for future investments the Alberta government decides to become an equity partner in, the private-enterprise partner is allowed to get its share from taxes it should pay and doesn't, as was the case with Syncrude. But I'm sure he didn't intend that, so I will basically support the resolution.

MR. CHAIRMAN: Thank you.

Any further discussion? Member for Calgary-Buffalo.

MR. CHUMIR: I just say in respect of Mr. Bradley's comments with respect to the Ribbon Creek development specifically and the Kananaskis area generally, he could very profitably read an objective point of view in the *Globe and Mail Report on Business Magazine* of about three months ago, which I'd be pleased to provide to him. He probably missed it, or he wouldn't be

saying the things he just has with respect to the Ribbon Creek area.

In terms of his reluctance to take equity in these projects, it sounds to me that he's prepared to see private enterprise get the mine and the province of Alberta get the shaft, notwithstanding that tremendous sums of provincial money go into many of these projects. I think we've got to try and get the best deal for the people of this province, commensurate with stimulating appropriate economic activity.

MR. CHAIRMAN: Thank you.

We'll move on, then, to recommendation 25. Member for Calgary-*Buffalo*.

MR. CHUMIR: Recommendation 25 reads:

That all loans to Crown corporations be reviewed in order to ensure that the income of the Heritage Savings Trust Fund is not overstated, and the Crown corporations be allowed to redeem high-interest debentures purchased from the fund.

In fact, the income of the Heritage Savings Trust Fund from the Crown corporations is spectacularly overstated. The total income from Crown corporations is approximately \$1 billion. This is anywhere from \$300 million to \$400 million more than cash flow actually generated from those corporations. The balance is made up from the General Revenue Fund.

It's a totally misleading economic result. It serves no useful purpose other than to allow the government to make public relations statements that the heritage fund earns additional sums of money. The structural mechanism for flowing these high sums of money from Crown corporations into the heritage fund is the high-interest-rate long-term debentures that the fund has invested in these corporations. These debentures are at rates sometimes as high as 15 to 17 percent. The corporations can't sustain payments of that magnitude on their own. Private enterprise corporations would have to go to the fund to renegotiate because they're technically bankrupt.

I've said it before and I'll continue to say it: we've got to get back to reality. Those high-interest-rate debentures should be renegotiated to a level these corporations can pay so that the people of this province know with some accuracy what type of actual return they're getting from the investment in the Alberta Mortgage and Housing Corporation, the Alberta Opportunity Company, and the Alberta Farm Credit Corporation.

Thank you.

MR. CHAIRMAN: Any further discussion? Member for Edmonton-*Kingsway*.

MR. McEACHERN: Just a point to sort of back up what the member is saying here. You may recall we asked the Auditor in November what portion of the \$1.4 billion in income from the fund came from the general revenue account in the first place, and he chose to name the \$318 million represented mainly by \$193 million to the Alberta Mortgage and Housing Corporation and the rest to a couple of the other Crown corporations. So it's pretty clear that the income is overstated by supporting it from the General Revenue Fund. The only justification I can see for it is that it makes it look good for the government to say, "Boy, look how much the heritage trust fund made for us this year." It's an obvious charade that should be ended.

MR. CHAIRMAN: Any further discussion? If not, then we'll move on to recommendation 26. I recognize the Member for

Calgary-*Buffalo*.

MR. CHUMIR: Recommendation 26 reads, and I quote:

That Alberta Mortgage and Housing Corporation annual reports and annual reports of other Crown corporations should more clearly reflect the net realizable value of loans and assets and that independent auditors be retained without delay to provide a report to the committee on this matter.

I've been dissatisfied, and have expressed that dissatisfaction for some time, with respect to the way in which the value of realizable loans and assets is reported by these corporations. I realize that the Auditor General has indicated they are reported in accordance with accepted accounting practices. However, anybody who has been involved in business knows that there is a great variety of accounting practices which are acceptable but which do not necessarily reflect true value. We have in fact seen a very good example of that in the recent failure and collapse of the Principal Group of Companies and, indeed, in previous years with the Canadian Commercial Bank and the Northland Bank.

What I would suggest is very badly needed in order to provide accurate information to this committee and to the people of this province is that independent auditors be retained without delay to provide a report on the best method of accounting for the net realizable value of loans and assets in general and to provide us with a specific figure in their estimation at this time.

Thank you.

MR. CHAIRMAN: Thank you.

Member for Calgary-*McCall*.

MR. NELSON: Mr. Chairman, first of all, I must say at the outset that I subscribe in general terms to the particular motion, especially as it relates to Alberta Mortgage and Housing Corporation. The only thing related to that, of course, is that I think we should go a little further than the member has even suggested here.

Secondly, I think we should take most of these Crown corporations and sell them anyway at the best possible opportunity and the best possible price we can obtain for them. What Mrs. Thatcher has done in Britain and seems to have been getting more and more support for in Britain, as recent media coverage on her has indicated, and the position of the British Columbia government in endeavouring to sell off some of their assets in Crown corporations certainly reflect, if done properly, the views of most people, I would think. But I would say that the member is certainly on the right track insofar as examining some of these assets.

But at the same time, as it relates to Alberta Mortgage and Housing, I think we need to go a further step. I will identify some of those reasons and what have you at a later date as we get through these resolutions.

MR. CHAIRMAN: Thank you.

Member for Pincher Creek-*Crowsnest*.

MR. BRADLEY: Mr. Chairman, referencing both recommendations 25 and 26, I wouldn't want it to pass in this committee without stating that in both cases relating to our Crown corporations and the assets of the fund and the income of the fund, they have been reviewed by the Auditor General by approved accounting practices which are known in the accounting field. The Auditor General advises that the income and those statements are accurate in terms of those accounting procedures. We

have that advice. We have continued, I guess one could say, attack on the integrity of those audited statements by members of the Assembly. Both of these recommendations reflect that attack on the credibility of these statements. We've had it again stated by the Provincial Treasurer, stated by the Auditor General, that these reports, the annual reports and accounts of these funds of the corporations which have been presented to us, are done according to the accounting methods approved by the accounting professions. We have to accept those reports on their value. I just wanted to make that point clear on the record of the committee.

MR. CHAIRMAN: Thank you.

MR. NELSON: Very quickly, Mr. Chairman, I wouldn't like to pass on the suggestion that I would be in some form of objection to the financial reports of the Auditor General and the corporations. I think my suggestion is more of a policy nature than as to the financial reporting. The financial reporting, according to the Auditor General, is certainly tuned in to normal financial reporting that is done, so I don't have any problem there. My problem is with the basic policy of the [inaudible] circumstance.

MR. CHAIRMAN: Member for Edmonton-Kingsway.

MR. McEACHERN: Yes. A couple of comments, Mr. Chairman. In terms of the reporting, what we see is the provincial government in its budget actually budgeting to support Alberta Mortgage and Housing; for example, some \$208 million in the fiscal year under discussion now, and of that, they had to come through with \$193 million, as it turned out. What is really hard -- and the minister and myself got into a fair amount of exchange on it -- is to try to sort out how much of that is planned subsidies and how much of it is due to losses and how much the property has been revalued and written down. So there may very well be a certain amount of serious reporting difficulty there.

And then the other aspect of the reporting difficulty is to claim that that corporation is making money for the heritage trust fund, which is then subsidizing general revenues. So that's getting at sort of the policy side of it that the Member for Calgary-McCall mentioned, I think. So there is need for this kind of study.

In terms of the Crown corporations -- and it does mention several here and not just that one specifically. It says "other Crown corporations" as well. The comment from the Member for Calgary-McCall about selling them all off: there are a number of people that would agree with that, I guess, but I think I have a couple of reservations. Alberta Government Telephones, for example, is doing a pretty good job for the province of Alberta of running a utility, a telephone system. So to sell a profitable corporation that's bringing in money and in fact is carrying its 14 or 15 percent debentures without any particular problems that I'm aware of anyway seems to me to be a bit shortsighted. We'd have to borrow the money elsewhere or... Anyway, it makes sense to keep it, from my point of view.

To sell Alberta Mortgage and Housing, of course, would be impossible because it's something of a social service agency. Now, that's not to say that at this stage one can't rethink the degree to which Alberta Mortgage and Housing Corporation has got into the market above and beyond what would normally be expected of a housing corporation. Certainly there's nothing wrong with having a look at that whole ball of wax and seeing

what part of it's really important and what part we need to keep, and also getting down to the accounting facts as to just what is it costing us in terms of the parts we really need and really want to keep, and whether or not we're into some parts that are costing us money and really subsidizing some commercial developers that we don't need to be subsidizing and that sort of thing.

So there is a very serious need for a really thorough look at Alberta Mortgage and Housing Corporation. There is no doubt about that.

MR. CHAIRMAN: Thank you.

Any further discussion then on recommendation 26? If not, we'll move on to recommendation 27, and again the Chair would recognize the Member for Calgary-Buffalo.

MR. CHUMIR: Recommendation 27 reads, and I quote:

That the fair market value of the assets of the Alberta Heritage Savings Trust Fund be reported in its annual report.

As I've noted last year and in other comments, there is a great deal of misunderstanding with respect to the value of the assets in the Heritage Savings Trust Fund. I understand that standard accounting practices are not to value assets on the basis of fair market value, but we're not dealing here with a report to shareholders in a commercial corporation. We're dealing with a fund which reflects very important long-term social goals of this province.

[Mr. Hyland in the Chair]

There is a need for a much clearer statement of what we have in this fund in order to dispel misconceptions both amongst Albertans and amongst eastern Canadians which are impacting upon national policy towards Alberta, which is perceived as being the Daddy Warbucks of Canadian provinces. As I have indicated many times, my belief from being on this committee for several years is that the fair market value of the realizable assets in the Alberta Heritage Savings Trust Fund is in the range of \$10 billion to \$11 billion rather than the \$12.7 billion stated as being the value of those other than the deemed assets. I think it's important that we on this committee be aware of what the exact number is; I believe it's important that the members of this province be aware. That will only happen in the event that this committee sets in motion an initiative to have that fair market value set out to the best of the ability of the evaluators.

Thank you.

MR. DEPUTY CHAIRMAN: Any more comments on recommendation 27? Edmonton-Kingsway.

MR. McEACHERN: Just briefly, Mr. Chairman. The fair market value of assets could certainly be shown for many of the sections of the fund and should be. It would perhaps have saved us the half hour dissertation by the Treasurer the other day that meant that most of us didn't get back in and get some more questions that we should have asked. Again, I'm sort of saying, "Where is the Treasurer for the second time around?" -- before we finish all our recommendations to the committee.

It's true that some parts of the fund are overvalued; it's also true that some parts are undervalued. It would be very helpful for this committee in determining future policy and directions for the fund if we knew those numbers in some detail. I would certainly welcome this kind of attempt to get a more accurate picture of the value of the fund.

MR. DEPUTY CHAIRMAN: Any more comments on recommendation 27?

Recommendation 28, Member for Calgary-Buffalo.

MR. CHUMIR: Thank you. That recommendation reads:
That all investment and expenditure decisions made by the Heritage Savings Trust Fund Investment Committee be reviewed by the Legislative Assembly.

I spoke on this at length last year. It's common knowledge that the Legislative Assembly reviews only the capital fund expenditures. The great advocate of the greater review by the Legislative Assembly was, of course, Mr. Ghitter. He perhaps had a slightly different conception than what I have of the role of the Legislative Assembly.

I believe the Assembly can certainly review in advance investment decisions which are made with respect to the funds made available to provincial Crown corporations, if we decide to proceed with that. That was a recommendation made by the Auditor General some years ago -- 1982, I believe. And I believe we should also be reviewing the specific investment policies of a broader nature with respect to the Heritage Savings Trust Fund assets. However, in this regard I would hasten to add, as I did last year, that I don't in any way conceive of the Legislature vetting specific investments in advance. That's not practical or realistic. The investment decisions have to be made on an ongoing basis. You have to strike when the fire is hot in terms of your investments. However, there should be a subsequent review by the Legislature so that every elected member of the Legislature has an opportunity to review and comment specifically on the direction that is being taken by such a major commitment of the funds of the people of this province.

Thank you.

MR. DEPUTY CHAIRMAN: Edmonton-Kingsway.

MR. McEACHERN: Yes, Mr. Chairman. Something we did last year that we didn't do this year was we took a few minutes and went through the recommendations and sort of paired off the ones that were quite similar. So I'd like to point out the similarity between number 28 and number 45 by myself on page 7. I'm not sure that mine isn't maybe just a little bit more comprehensive, but having heard the explanation, I think the inten-

tion was the same.

[Mr. Oldring in the Chair]

The intention of this kind of a statement is to bring all the plans of the heritage trust fund back under the Legislature -- at least it's my intention, and I think from what I heard Mr. Chumir saying, his is the same -- in front of the Assembly.

If you think about it, last year we spent some seven days debating \$140 million in expenditures out of the capital projects division, but we had no detailed facts or figures given to us on the general direction and thrust of the fund in terms of what would be done with the cash and marketable securities section, for example, or enough details to support why we should have passed a resolution giving \$188 million in new debentures to Alberta Mortgage and Housing and that kind of thing. So in the absence of the government doing a review of the fund and a public discussion on the policy direction the fund should take, it would seem to me that it's at least incumbent upon them to come before the Assembly of Alberta and say "Here are our plans for the fund for the year" in much the way they do with the budget and give us a chance to debate that and ask questions about it in some detail -- more than just \$140 million expenditures that were in the capital projects division; in all aspects of the fund.

So I certainly strongly support recommendation 28 and see it as being very similar to number 45, which I put forward as one of my main points for this year's hearings.

MR. CHAIRMAN: Thank you.

Member for Lloydminster.

MR. CHERRY: In view of the hour, Mr. Chairman, I move we adjourn for lunch.

MR. CHAIRMAN: Any further discussion, maybe, before we do adjourn? Is there any further discussion on recommendation 28? [interjection] Okay. I think there's still room for discussion on recommendation 28, so we'll come back to that again after lunch when we reconvene at 2 p.m. Thank you.

[The committee adjourned at 11:58 a.m.]

