

[Chairman: Mr. Oldring]

[10:02 a.m.]

MR. CHAIRMAN: Good morning, members. We'll call the meeting to order. The Chair would recognize the Member for Calgary-Buffalo on recommendation 7, but perhaps before we do that, a couple of housekeeping items. Might I suggest the Chair would appreciate it that if we come to a recommendation and other members have similar recommendations, perhaps you can draw it to the chairman's attention so we can debate those recommendations at the same time. We've done that in the past. It might work out that recommendation 7 might be similar to other recommendations, and if we can cover common ground at the same time, I think that will save us some time in the long run. If there are any recommendations some of you have gotten together on and you'd like to see a merger of, I would appreciate it if you'd draw that to the chairman's attention before we begin discussing recommendations.

The last thing I would note is that I know each year it always seems that at least one or two or three or four recommendations are withdrawn. If there are any recommendations you intend to withdraw, I'd appreciate it if you would bring that to the chairman's attention as well.

MR. PASHAK: I think I've got a recommendation in that's quite similar to recommendation 7. Do you have an extra copy of the recommendations there?

MR. CHUMIR: It would be 19.

MR. PASHAK: Nineteen. I think it's very similar, actually, to a recommendation by Mr. Gogo too; your recommendation 38, is it not?

MR. GOGO: Mr. Chairman, with regard to Mr. Pashak's comment, the major difference in the two is that recommendation 38, which this committee passed a year ago, does not talk about public hearings. The operative part of both Mr. Chumir's and Mr. Pashak's recommendations, 7 and 19, is the words "public hearings." They are not found in recommendation 38; that's the major difference. But 7 and 19 are quite similar.

MR. CHAIRMAN: Okay.  
Member for Innisfail.

MR. PENGELLY: Thank you, Mr. Chairman. I wish to withdraw recommendation 43. The Member for Vermilion-Viking has one that is similar. And I withdraw number 44 because it's hypothetical at this time.

MR. CHAIRMAN: Okay.  
Are there any others?

MR. PASHAK: There are a couple of others I've submitted that are similar to ones that have been submitted by Mr. Chumir. Do you want me to indicate those now or just when we come to them?

MR. CHAIRMAN: Sure; we might as well. On number 7, we have 19 and 38 as possibilities. And yours?

MR. PASHAK: Number 8 is very similar to my 21.

MR. HERON: Mr. Chairman, I'm not clear. Does that

withdraw 21, then, or number ...

MR. CHAIRMAN: No, that's just so we can debate recommendation 8 with recommendation 21, and perhaps at that time we can decide.

MR. PASHAK: Number 14, as submitted by Mr. Chumir, is very similar to my 20.

MR. CHAIRMAN: Thank you. Are there any others?  
Member for Vermilion-Viking.

DR. WEST: Yes, Mr. Chairman. I'd like to remove number 41. It's the same as 7, put forward by Mr. Chumir, but after looking at it in detail at home, I feel that there are implications and that I would like to withdraw number 41.

MR. PASHAK: My recommendation 22 is very similar to number 18.

MR. CHAIRMAN: Okay; thank you.  
Any others?

AN HON. MEMBER: Twenty-two and 18.

MR. CHAIRMAN: Yes, 22 and 18.  
Okay. We have a request for the withdrawal of 41, 43, and 44. Is the committee in agreeance?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Thank you.  
The Member for Stony Plain.

MR. HERON: I'm sorry; I was just indicating approval.

MR. CHAIRMAN: The Member for Athabasca-Lac La Biche.

MR. PIQUETTE: I just have a motion that 35 -- there's an addendum here that I haven't received yet.

MR. CHAIRMAN: I'm sorry. What was the concern with ...

MR. PIQUETTE: An addendum to the new recommendation.

MRS. QUINN: Thirty-five. There's a new list. It was draft number 3. It was circulated last Wednesday. I can make you a photocopy.

MR. CHAIRMAN: You're two behind. Okay.

Well, then maybe we can move back to recommendation 7, and perhaps if the committee is in agreeance, we could discuss recommendations 7 and 19. I know that the Member for Lethbridge-West's is considerably different, but perhaps we can discuss 38 at the same time.

I recognize the Member for Calgary-Buffalo.

7. 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.

19. That the standing committee conduct public hearings for

the purpose of determining the future of the Alberta Heritage Savings Trust Fund.

38. That as the Alberta Heritage Savings Trust Fund has now been in existence for 12 years, the government of Alberta consult with business, labour, and the general public as to the goals and objectives of the fund for the next 10 years.

MR. CHUMIR: Thank you, Mr. Chairman. Many of my recommendations have been made in the preceding year and the year prior, and I won't get into some of the same in-depth discussion that I have on perhaps some of them in the past. Some of the points that enlarge on these particular recommendations have been made in discussion with some of the ministers who have appeared before the committee.

My first recommendation is 7, and it speaks for itself. The committee itself last year approved and endorsed the need for a review. A major review is long overdue -- the mandate, the future and the scope of it -- but I believe we also have to bring into this review the general public, which would include the concerned and interested members of the public as well as those with specific expertise who may have something to recommend to the members of this Legislature. This would hopefully serve to provide us with good ideas and input at the same time as providing the very necessary role of educating members of the public with respect to the fund, because I believe there is a tremendous amount of misunderstanding with respect to the fund, and this could be a source of discussion and dissemination of information to the public.

Those are my comments with respect to recommendation 7.

MR. CHAIRMAN: Thank you.

The Member for Calgary-Forest Lawn.

MR. PASHAK: Well, I think the province would stand to gain if we conducted public hearings, because there's a lot of knowledge and expertise out there that may have some very useful views to express on the subject of the heritage trust fund. Without having a full public opportunity to express themselves at hearings, I think we're at considerable risk of losing a lot of ideas and information that could be helpful.

Now, let me just give you some idea of the direction I'm coming from. I think there really is an important need in this province to stabilize the economy. It's my understanding that was one of the original purposes of the heritage trust fund, that it was to help assist in the diversification of the Alberta economy, and this has obviously proved to be a very, very difficult task. When we look at expenditures from the fund, we note that many of them go into oil or oil and gas energy related activities, and the consequence of that is that when the price of energy is high, our economy does quite well. We've had booms in this province that on occasion have been almost incredible; there's no other word to describe them. We not only have a lot of resource revenue pouring into the Treasury, but our tax base broadens. But when the price of energy falls, and deregulation seems to have had that effect, what it means is that those areas in the country that have a manufacturing base do quite well.

Now, the difficulty for Alberta is that we have a very small population, relatively speaking, and we're at some considerable distance from our nearest markets, at least from markets that have any size to them. Seattle, Vancouver are all well over 600 miles away from us, and they're the big centres nearest to where we are. So if we're going to develop an industrial strategy or diversify our economy, it seems to me we could do that only in

the context of some national economic industrial plan, and we've opted against that as a province. We seem to want to go our own way, so that isn't an opportunity that's currently available to us at the moment. Therefore, for what purpose should the heritage trust fund be used?

I could throw out one example, and perhaps it could be developed by others if it had any merit. But in essence, what we see happening again here within the Legislature itself is that last spring we were presented with a budget; it was based on \$18.50-a-barrel oil. At that time there was a rather extensive deficit associated with that of some \$700 million-plus, and the price of oil has fallen. At the time I suggested that maybe we would be more prudent to budget on \$15-a-barrel oil. Maybe that's the direction the heritage trust fund should be going in, and maybe it should act as some kind of stabilization fund for ensuring that our Treasurer isn't put into this position where he has to deal with incredible fluctuations in resource revenue. Maybe something could be worked out along those lines; I don't know. But if we had public hearings and had economists from the universities and the private sector presenting their views on that heritage trust fund, maybe some of these really serious problems the province is confronted with could be addressed.

MR. PIQUETTE: To continue on the line the Member for Calgary-Forest Lawn has indicated, there is very definitely a need to take a fresh look at the Alberta heritage trust fund. The original mandate, that we thought it was going to be an ongoing growing fund, has ceased to be. You know, last year in the committee when we called on the government to support a review of the heritage trust fund, it was in view of the fact that we were no longer contributing resource revenues into the fund at 30 percent per year. We have capped the fund; we are now seeing this year a decrease in the value of the fund by \$186 million in 1988. We're at a crossroad right now, and for us as a committee to say we are the only wise persons in the province of Alberta who should have any say about the future direction of this fund I think is a high mark of arrogance on our part. Especially for government committee members to continue to insist that navel gazing will continue within the party caucus structure is, I think, the highlight of that kind of attitude.

What we need to do here is to basically take a look at various options we may have with the remaining portion of that fund to make sure we diversify the economy. The idea that I know the Member for Calgary-Forest Lawn kicked around when we were just on tour I thought merited some consideration and should be explored. For example, we have a grain stabilization plan where producers have an insurance where they go 50-50 to ensure a stable price. Why can't we perhaps take a look at an insurance plan where the producers pay in at times of high prices so that they can reap the benefit of stabilizing their prices when it goes much lower, like the position we are in right now, which basically ...

DR. WEST: On a point of order.

MR. CHAIRMAN: Vermilion-Viking on a point of order.

DR. WEST: I beg your judgment on this, Mr. Chairman, but we seem to be all over the decks as if we were in estimates on these recommendations. The previous two members have taken off on tangents on diversification and everything else that are totally irrelevant to the discussion of what we're doing. It's fine; it would almost seem that none of them had been present in this

committee meeting when we had the ministers in here to look at the various areas of this Heritage Savings Trust Fund. I don't know how long . . .

MR. CHAIRMAN: On the purported point of order by the Member for Vermilion-Viking, perhaps you were trying to make a point, but it definitely wasn't a point of order.

I would recognize the Member for Athabasca-Lac La Biche to continue discussions.

MR. PIQUETTE: On the point of order the Member for Vermilion-Viking just made, for him to imply that both of us have not been part of the . . .

MR. GOGO: Mr. Chairman, I hate to interrupt the hon. member, but the Chair has already ruled that the Member for Vermilion-Viking didn't have a point of order. So with respect, Mr. Piquette, you can't be speaking to the point of order. The Chairman has indicated you can continue on.

MR. PASHAK: Tell him it's a new point of order.

MR. PIQUETTE: It's a new point of order, that I'd like him to correct his statement in which he implied we had not been participating in this committee hearing, which, if you check our attendance, is totally inaccurate.

MR. CHAIRMAN: It is improper to make a reference to anybody's absences even in committee. But perhaps we can come back in the debate to recommendations 7, 19, and 38. Go ahead. I recognize the Member for Athabasca-Lac La Biche.

MR. PIQUETTE: To conclude, I think we're at a crossroad in the whole need to take a look at the heritage trust fund. One of our members here traveled to Alaska just recently to take a look again at the annual report of the Alaska heritage fund that they have set up there. They very much have some ideas that perhaps could be looked at in terms of how they structured it, how we can. I think the whole important point here is that this fund was set up for Albertans for a rainy day, but really, the public have not had a chance to have their input. Now, we've had, for example, a task force on ADC. Why couldn't we have one on the Alberta heritage trust fund? We've had task forces on probably not as important an issue, in terms of our future financial well-being in this province, in other areas. So I would beg all members of this committee to make sure this year we somehow strike a committee or task force that would take a look at the whole future of this heritage trust fund.

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

MR. GOGO: Thank you, Mr. Chairman. Speaking to . . .

MR. CHAIRMAN: I'm sorry. The Member for Stony Plain, then the Member for Lethbridge-West.

MR. HERON: Thank you, Mr. Chairman. I wondered what happened to your list there.

Mr. Chairman, I cannot support these recommendations. I say that recognizing that last year we put forth a recommendation that we increase public awareness. So when I look at recommendation 7 specifically, educating the public with re-

spect to the fund I can support, but what I cannot support is the recommendation that a review take the form of a public hearing. At the outset I'd like to say that public hearings are expensive, cumbersome, and a duplicate of the job we are supposed to be doing. I think the recommendation is redundant, because the Alberta Heritage Savings Trust Fund is already regularly reviewed by the investment committee, the standing committee, and the Provincial Treasury staff.

You know, in my own constituency I mailed out in excess of 100 of the annual reports. I've invited comments through my regular weekly newspaper. I've held policy meetings with regard to what the heritage fund is doing and isn't doing. I think that's the job of the MLA, and I think it's the job of those MLAs serving on this committee to bring that input back to the committee. I don't think we can abdicate our responsibility to someone who will conduct a public hearing and come back on investments that were made several years ago with specific objectives in mind.

I think the hon. Member for Calgary-Forest Lawn digressed into diversification in talking about this motion, as did the hon. Member for Athabasca-Lac La Biche. But in providing a balance, I would invite them to look at the Alberta investment division and the diversity of investments in the various industry sectors; for example, Ridley Grain. You see the grain industry, the pipeline industry, pulp and paper, steel, energy, and on and on.

I would invite the hon. members to turn from page 43 to the commercial investment division and look at some 20 different categories of investments, investments which range from the metals and minerals to gold and silver, financial services, consumer products, and many, many more. That to me is diversification.

If that isn't enough convincing that the heritage fund has diversification in mind as one of its strongest features, I would suggest they turn to page 47 and look again at the large number of industries that are covered from a capital projects point of view, from Advanced Education to Agriculture to public works to Recreation and Parks, technology, transportation, and the list goes on, Mr. Chairman.

So I really don't think that in looking at recommendation 7 we should spend a lot of time talking about diversification. I think that has been the objective and mandate of this committee over the past several weeks. At this point I think we should talk about the recommendations in their tightest possible context and look very carefully at recommendations that suggest public hearings, which I think are to duplicate what the MLA is supposed to be doing out there, and that is receiving input to bring back to this assembly for policy direction. For that reason, Mr. Chairman, I cannot support this motion.

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

MR. GOGO: Thank you, Mr. Chairman. I substantially agree with what the Member for Stony Plain has said. I'd like to make some additional comments.

I'd have no trouble with Mr. Chumir's motion if it were to end after the word "fund" in the second line. Last year this committee adopted motion 38. There was a lot of evidence to substantiate that, and I think that's why the committee adopted it. My recollection tells me that when Mr. Speaker's former party did a study, essentially recommendations in reviewing that fund were similar. Dr. Warrack at the university carried out and

published a paper or two. My recollection is that members of this committee considered that evidence very seriously when they adopted motion 38 last year.

We all recognize, I think, and the Member for Athabasca-Lac La Biche pointed out, we're trustees of the fund as members of the Legislature. We're not the government. The government, as you know, is those people who are chosen and take a special oath to the Queen. And the statute, the Heritage Savings Trust Fund, specifically says they're the investment committee and they can make the decisions. The larger question is: should the fund be reviewed?

Recognizing that some 25 percent of this year's budget comes from oil and gas, as has already been indicated, that appears to be in a bit of a shambles because of the low price of oil. The Treasurer -- and we've heard -- has said there are offsetting revenues because of natural gas. I don't want to get into that detail. I simply want to say my view would be that holding public hearings is really not the way to go. What is the way to go, however, is to consult with various people, including the public, as indicated in motion 38, to find out what Albertans believe we should be doing in the next decade.

Every member of this committee, Mr. Chairman, and every member of the House has an opportunity to amend the Heritage Savings Trust Fund statute if they don't like the way it functions now. All members have that prerogative. I don't think this committee has. I do think this committee, though, has a responsibility to say to government and the investment committee: "We heard your testimony when you appeared as witnesses. We're not saying we found it wanting. What we are saying is that we think times have changed and, because those times have changed, we should review the role of the Heritage Savings Trust Fund for Albertans in the next 10 years."

So, Mr. Chairman, in summary, I oppose motion 7 because of the words "public hearing." I don't think they're meaningful, for reasons given by Mr. Heron. I strongly recommend, though, that this committee adopt a resolution urging the government to carry out the terms of reference of motion 38, which is to consult with business, labour, and the general public of Alberta as to where they want us to go in the next 10 years.

MR. CHAIRMAN: Thank you.

Member for Calgary-Forest Lawn.

MR. PASHAK: Well, I have some problems with motion 38. As a compromise I could accept that the province of Alberta -- not "the government of Alberta" but the province of Alberta -- "consult with business, labour, and the general public as to the goals and objectives of the fund for the next 10 years." I think "government of Alberta" is too limited. It's just the party in power conducting these hearings. If we had an all-party committee such as the heritage trust fund committee itself conducting those hearings and inviting people in, then I could live with motion 38. I think it would be appropriate for this province to begin moving in that direction. That's certainly the way the federal government operates; they have all-party committees that hold public hearings. I think it's about time this province began to think seriously about having all-party committees. It ensures that you get a broader cross section of input from that general public, which I think is extremely important when we're dealing with a matter that's as crucial to the economic well-being of Alberta as the Heritage Savings Trust Fund is.

MR. CHAIRMAN: Member for Athabasca-Lac La Biche.

MR. PIQUETTE: Yes. Continuing on motion 38, I would be prepared to accept that one if the Member for Lethbridge-West would accept an amendment to it to include an all-party committee. A very interesting sidelight on that issue of an all-party committee: on the way down to Prince Rupert on the flight to Vancouver I was fortunate to be sitting by Mr. Don Mazankowski, the Deputy Prime Minister of Canada. We talked quite a bit about all-party committees, and they said that in Ottawa there's just no way they could do without all-party committees to deal with controversial legislation or a task force or whatever. I think it's time we move in that direction. I would hope that in today's deliberations we can move toward that kind of all-party committee which would not only start looking at the review of the Alberta heritage trust fund funds but, as well, take a look at how else we can implement that idea throughout our legislative committees.

MR. CHAIRMAN: Thank you.

Any other further debate on recommendations 7, 19, or 38? Member for Wainwright.

MR. FISCHER: Thank you. I would just like to say on both of these recommendations that our heritage fund was established with our three objectives in mind, which were: "to save for the future, to strengthen and diversify our economy, and to improve the quality of life." That's what it's doing. I see it working exceptionally well, if you go through the report, as Mr. Heron had already mentioned. I think that over the past few years we've had quite a few wise people put input into how we should handle this, and I think it's running well.

Thank you.

MR. CHAIRMAN: Okay. We'll move on, then, to recommendations 8 and 21. The Chair would recognize the Member for Calgary-Buffalo.

8. 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.
21. That the balance sheet of the Alberta Heritage Savings Trust Fund not include deemed assets and the deemed equity represented by deemed assets.

MR. CHUMIR: That recommendation speaks for itself, Mr. Chairman.

MR. CHAIRMAN: Any further discussion on recommendation 8? Member for Ponoka-Rimbey.

MR. JONSON: Well, Mr. Chairman, this item has been dealt with in great detail. Looking at the format of this year's report of the Alberta Heritage Savings Trust Fund, I think the nature of these investments by the fund are very well identified. I think we're really underestimating the understanding the public of the province has of the fund at this point in time, and to keep grinding away at this . . . I don't really know how the hon. member would anticipate these very important investments being properly represented. Because certainly they are a major accomplishment of the fund, and I think their status is well described in the annual reports now and by the other communications provided from the government, and I do not see a need for this.

MR. PASHAK: Well, in strictly accounting terms, the recommendation speaks for itself. I think we should bend every effort just to make sure that our reporting procedures comply with standard accounting practices, but that's only one of the reasons for presenting this motion. I think, as we've discussed on a number of occasions, the heritage trust fund in some respects is a lot of -- you know, to use a cliché -- smoke and mirrors, and that's nowhere more evident than in the section dealing with deemed assets. Just to give you one small example, we've talked about the rail hopper cars; they're listed in here as having a value of \$53.779 million. I asked the very simple question the other day: why are we in the rail hopper business? I suggested, as part of that, that we might consider selling these cars to the railroads, and the Member for Lethbridge-West said, "Well, we'd only get a dollar for the cars if we sold them." So what's the true value of those deemed assets? It's certainly not the \$2.7 billion that appears in this statement. So the people of Alberta are being hoodwinked.

MR. PIQUETTE: Well, I think a most interesting discussion in support of this motion was with the Auditor General in terms of comparing the deemed assets with our general revenue budget. We don't in our general revenue budget carry forth from one year to the other our expenditure on the road building program of 1978, for example, back into the 1989 budget. I mean, we talk about deemed assets; we could be saying the same thing in the general revenue, that we should be carrying forward all of the infrastructure that we've built out of our general revenue.

But when we come to the heritage trust fund, we seem to think it's all right to carry forth the hospitals we built or the senior citizen homes we built out of the heritage trust fund money or money we spent on irrigation which cannot be sold. I mean, we don't do that with general revenue. So the Auditor General is basically saying, "Why don't we account the performance of the heritage trust fund the same way we do it with the general revenue, which is basically money spent on infrastructure and capital costs which is basically not recoverable?" It's an asset, I guess, in terms of if you want to look back at the infrastructure, it's there, but it's not an asset which is money available for anyone to use.

So we need, in the heritage trust fund, to finally rectify the fact that we can no longer afford to have the smoke-and-mirror type of accounting procedure, because it really presents a false picture to the public and to the federal government. I think we've tended to lose out on federal cost-sharing schemes because of the fact that we have tended to overinflate the real value of that trust fund. The deemed assets should be one way of making sure that it's cut out totally, that we publish it on something which is completely separate out of the heritage trust fund. Just like if we want to indicate to the public how much we spent on transportation out of general revenue or on hospitals, we can always do that as a separate thing. But we don't do that in our budget; we don't do that in terms of an annual accounting, bringing that forward every year.

So I think it's very simple logic. Let's follow the Auditor General's recommendation.

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

MR. R. MOORE: Well, thanks, Mr. Chairman. It's always evident that some people's assessment of the intelligence of the public -- I just don't understand it. I believe and this govern-

ment believes that the public are intelligent citizens. They can read; they understand what's put before them. I hear a person say that this statement is smoke and mirrors. It only reflects on the intelligence of the person who says that, not the intelligence of the public, and I want that understood. It clearly states in that statement, as clearly as anyone can put it, that it's a deemed asset, and it's laid out in one section. Then in schedule 7 it gives the '87 value and '88 value. So if they want to go on in their little world and say that it's smoke and mirrors and that the public don't understand, I'll let them go on, because the people out there understand who's saying it. They look at that statement and say, "It's very clear to us what that deemed asset is."

Let's look at those deemed assets. They should be there because of the return that's made to Albertans. It is a tremendous investment on behalf of every Alberta citizen, and every one of those deemed assets pays dividends many, many fold more than any other type of business investment you could go into. So they should be on a balance sheet. They should be part of this statement so people know that this government placed those investments there on behalf of every Alberta citizen and that it's paying dividends back and it's there as part of that statement. For anyone to say that it shouldn't be there, they're afraid the public out there will realize that it was a tremendous investment. They want to hide that fact. We don't; we put it right out front in the statement. We don't hide the fact that we made a tremendous investment. We put it out there so they can understand. I can understand why some of these smaller minded people would come out and say, "I don't want the people to know something good." They're so bloody negative; anything positive is bad to put on paper. Well, we aren't afraid to put out anything positive. It's there for everybody to see, Mr. Chairman.

MR. CHAIRMAN: The Member for Stony Plain.

MR. HERON: Thank you, Mr. Chairman. I can add very little to the comments of the hon. members for Ponoka and Lacombe, except to say that I support the showing of the deemed assets in this statement. I don't think they should just simply disappear from the total accounting process. I disagree with our Auditor General. I note that on page 33 of the balance sheet it couldn't be plainer in terms of two distinct totals under assets, two distinct totals under equity, represented by the deemed assets.

I point out that not only is the Auditor General a chartered accountant who operates in accordance with generally accepted accounting standards, but so is the Provincial Treasurer. Without trying to speak for the Provincial Treasurer, I'd like to recall to our minds his statement of two years ago when he said that the generally accepted accounting standards do not cover precisely the procedure for a government body such as the Heritage Savings Trust Fund as it pertains to the deemed assets.

So with that said, Mr. Chairman, I'd like to point out, in not supporting this recommendation, that there's an honest disagreement in the accounting profession. It's not cut and dried, and given that shadow of doubt, I would like to put before Albertans those deemed assets as are shown on page 47 in a clear and succinct way that says, "There is an investment in the future; there is diversification." Just imagine if you just wiped out, for example, the Alberta Heritage Scholarship Fund, a fund with market assets of \$168 million, which is shown there at a conservative \$100 million. Think for a moment if you wiped out the Alberta Heritage Foundation for Medical Research Endowment Fund, a fund that's shown at \$300 million. We saw from the statements and heard from the chairman of the board before us

that those assets are now worth \$483 million. Added to that was the revenue fund, of course, which says that you have an asset, at market value, of \$491 million. Is it the wish of this recommendation to just wipe out these statements, or is the wish of this recommendation to create another bureaucracy with another complete set of financial statements?

Mr. Chairman, I can't support the recommendation, and I think enough has been said in support of my position.

MR. CHAIRMAN: Thank you.

Any further discussion? If not, then we'll move on to recommendation 9. I recognize the Member for Calgary-Buffalo.

9. That ministers and others appearing before the standing 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 standing committee and that such report include complete and up-to-date financial documentation with respect to heritage fund activities.

MR. CHUMIR: Thank you. I have made it clear to this committee on a number of previous occasions, Mr. Chairman, that I'm concerned about the lack of meaningful information that is provided to this committee in advance with respect to our deliberations. We're expected to be bloodhounds and to play Sherlock Holmes rather than to assess information that's been provided to us on a policy basis, which should be our role. I, in particular, complained when the Provincial Treasurer was here with respect to his failure to provide us with, by way of example, a list of investments in the Canada investment portion of the Heritage Savings Trust Fund. I must say that I feel the procedure -- the absence of information and the very slack way in which information is mobilized by this committee -- is verging on being contemptuous of our role here. So I think we need to flex a bit of muscle in this committee and get the message across to the ministers who are appearing before this committee that we need meaningful information in advance. It would be far better than going and kicking concrete and rubber on a number of these tours. So I move that recommendation.

MR. CHAIRMAN: Thank you.  
Member for Stony Plain.

MR. HERON: Thank you, Mr. Chairman. I just cannot let this recommendation go through without speaking against it. As far as I'm concerned, the heritage fund committee has a mandate; it's covered in the legislation. And we, all members of this committee, receive access to the departments, we receive a copy of the annual statement, and we receive the research budget. Now, it is not the role of the committee to be speculating on the day-to-day activities of the heritage fund. We're to look at the published, audited statements; we are to make policy recommendations and perform our watchdog role in that capacity. To say that we have to have up-to-date figures that fluctuate from day to day in the markets I think would be poking our noses into an area which is outside the scope of this committee. I also think we would be entering into an area which would introduce a lot of qualitative statements and judgments on a day-to-day basis.

In other words, I'm making a strong point that we stick with the audited financial statements, that we stick with the policy recommendations this committee is to put forth, and that we really exercise our mandate to be an investigative watchdog of this

fund.

MR. GOGO: Mr. Chairman, my understanding of this committee is to call as witnesses before the committee those ministers who have expended funds from the Heritage Savings Trust Fund to March 31 of the year in which we meet. I gather from the motion that Mr. Chumir wants much more than that which is contained as of the year-end, the fiscal year. Could I ask Mr. Chumir and yourself, Mr. Chairman, if he could document instances where he has requested information in writing from various ministers and has been refused or where he has asked you to write various ministers for information and has been refused. I think that would be very important to this motion. If he has not written various ministers asking for information, then I'm confused as to the reason for his motion. If he's not been refused, then why the motion? If he has been refused, then I think that should reflect in a motion at the Chair, where the request has been made and been refused. I'm a little bit confused with this, because either this committee is to evaluate the activities of the fund in accordance with the Act, based on the annual report, or it's not. So if Mr. Chumir could answer those questions, I'd be interested in which ministers had refused him information and on what dates.

MR. CHUMIR: I must say that I rarely hear arguments made that meet the level of nonsense of these two arguments I have just heard. The issue is not one of whether or not we get what we request, because we should not be put in a position of having to request basic information. We should get a full and complete report with respect to the affairs of the heritage fund, which we are not getting. By way of example of that, I gave the example of the list of investments in the Canada investment fund, and it was suggested by Mr. Heron that I wanted to insinuate ourselves into the day-to-day judgment of the investment committee, which is absolute baloney. I don't want to do that; I'm not suggesting that. I'm saying that we should know after the fact what the global range of investments is, what is happening with respect to our money.

Now, this was not considered unreasonable to have last year. We got it. We had to request it. I'm saying: why is it that if we make a request for information one year, we've got to repeat and repeat and repeat the request to get every piece of information, instead of a minister saying, "Well, this is relevant information; it was requested; the committee wants to know it; it's helpful," particularly in an era when we're talking about -- in fact, we discussed extensively -- whether or not we should be making foreign investments? We talked about it. All the members of this committee from the government side had all kinds of recommendations with respect to yes, we should do that. So that's really what the issue is: are we going to get meaningful information?

Other information we wanted. We wanted the hopper car information; I would be very interested. I hope the chairman has requested that, as suggested by the committee, and I'd appreciate receiving a copy of the request. There is the list of investments of the Canada investment fund that I requested here through my questioning of the Provincial Treasurer. I would appreciate, perhaps, if the chairman might pursue whether or not that is going to come.

I have another question here in recommendation 10 with respect to a loan agreement for Millar Western pulp. I must note that I asked the Provincial Treasurer, or Mr. Piquette asked him, for a copy of the debenture agreement. He said that was con-

fidential; it couldn't be provided. Well, the reality is that the debenture agreement per se, which follows from the loan agreement, is on file at the corporations branch. I have received a copy of that. That only gives very partial information.

Those are some of the examples and the concerns I have specifically, but I object to the thought and the suggestion that it's our job to be asking for every scrap of information in advance instead of the job of those who appear as witnesses before this committee to ask themselves, "How much information should we be providing in order to give these members a meaningful understanding of what's going on?" and then to provide the maximum amount of information necessary for that purpose. Far from getting that, we get nothing. There is not a single written report I'm aware of that comes out in advance that gives a consolidation and a summary of what's going on in the relative areas the fund invests in. So, as I say, I feel that this committee is treated very, very shabbily, that the process is a shabby and an unacceptable process. And I don't say it to score political points. It's been my experience here for three years.

MR. R. SPEAKER: Mr. Chairman, I'd look at the resolution in the positive sense: providing a written report. If you look at the presentations of the Minister of Recreation and Parks, on his own he has given us excellent presentations, and I think that's a kind of precedent I'd like to see encouraged in the presentations of the other ministers. The "written report" as set out in here doesn't talk about the depth or the breadth of the report. It could be a one-line report: "I agree with what's in the annual report." That could be the report of the minister. So it doesn't put parameters on it, as I see it.

The other point I'd make is in terms of the Provincial Treasurer and the investments in the investment division. If we look back in the minutes, I think some time ago, possibly the previous Provincial Treasurer made a commitment that they would give a partial list or a representative sampling of those investments to the committee annually. I was quite surprised when I heard the Provincial Treasurer say, "Well, you didn't request it." I find one of the difficulties in that process is that if you request it the day the minister is here with us -- and I give the example of the Minister of Agriculture, where I raised a question and he was unaware of the information or of the agreement that was signed in Saskatchewan. I asked him to reply to me by memo, which he did, which didn't answer the question; I really have further questions. Now, in our process we usually don't call them the second time. So I could see a better questioning process with some kind of written report or a more definite presentation made by the ministers prior to their commencement of questioning in this Assembly.

MR. CHAIRMAN: The Member for Stony Plain.

MR. HERON: Thank you, Mr. Chairman. I think it's easy for the Member for Calgary-Buffalo to disregard the comments as nonsense. But let me refer back to recommendation 9. When you look at the recommendation, it doesn't say what the hon. member is advocating. It says that ministers provide the committee with "a written report with respect to their areas of Alberta Heritage Savings Trust Fund responsibility," and it focuses on activities. Certainly all the ministers that have appeared before this committee brought in supplemental information and a willingness to provide data as it pertained to the audited statements. But this recommendation put forth lacks clarity and it's ambiguous, because it focuses on the activities. My remarks

specifically referred to activities, not information pertaining to the audited financial statements. I think all the ministers appearing before this committee have indicated a willingness to provide that information to us. All we have to do is write and ask for it. And again I bring into focus that it may be the attempt of some members to bypass the work involved in doing the research. We have research budgets, we have research staff, and we have our own resources. I think we can use those to ferret out the information which pertains directly to the audited financial statements so that we can make informed and useful recommendations.

MR. CHAIRMAN: Thank you.

Any further discussion? If not, then we'll move on to recommendation 10. Again I would recognize the Member for Calgary-Buffalo.

10. That the loan agreement and other documentation relating to the loan authorization of \$120 million to Millar Western Industries Ltd. be made available to the standing committee and that all similar basic documentation relating to other Alberta Heritage Savings Trust Fund investment be made available to the standing committee.

MR. CHUMIR: As I just mentioned, Mr. Piquette had asked the Provincial Treasurer for the debenture documentation, and the Provincial Treasurer indicated that that type of documentation is not available to this committee. Well, it happens to be available through the Corporate Registry, but I think the philosophy of the government as expressed through the minister, that that type of documentation is to not to be available to this committee, is absolutely scandalous.

I am suggesting that that type of information should be made available. We should know the terms upon which that \$120 million of public money is being loaned to Millar Western Industries Ltd. and the terms upon which other similar uses of funds are being laid out. I would also like as part of this recommendation to have the committee request of the minister that that loan agreement be provided to this committee forthwith. I have written to the minister independently asking for that agreement, but my experience with life in the Legislature has been that the chances of getting that agreement are a fat chance, as they say.

So I would hope that the committee will recognize the wisdom and necessity of our being able as a committee to look at that documentation, to understand what's going on. Otherwise, we are not only a toothless but a gumless committee. So I would hope the members of this committee will support me in asking that the chairman request that loan agreement in particular from the minister. I await the wave of support.

MR. CHAIRMAN: Member for Athabasca-Lac La Biche.

MR. PIQUETTE: Yes, I would like to thank the Member for Calgary-Buffalo for introducing this motion. I had a similar motion in mind until I saw yours on there. I would like to add that not only the Millar Western agreement be submitted to the standing committee but other agreements as well. I mean, I think it should be a normal practice that every committee member -- when investments or decisions are made by the caucus priority committee that commits heritage trust funds, we should be receiving, within at least a 30-day period, copies of any such agreements which might infringe in terms of taking money from the Alberta heritage trust fund, whether it be Nova Corporation,



Millar Western, OSLO, or the Husky upgrader.

I find as a committee member that we have -- and I'm sure the government members are the same as we are, because I would imagine that if anything is mailed to the party members, the government members, we in the Official Opposition or other political parties would be getting copies of these documentations. But I find it unbelievable that we have to wait and demand at our annual get-together to get this update of information. I really think that if we're going to be any kind of watchdog committee on the heritage trust fund, we should be party to these agreements and they should not be considered whatsoever confidential documentation between companies and government. This is public money, money that we are safeguarding for the public, and that should be made very, very clear to any companies that wish to become partners with the Alberta heritage trust fund. They have to understand that they're not going to have little sweetheart deals they can hide behind.

I really believe this motion here should be perhaps expanded and amended to include all others. I would hope the Member for Calgary-Buffalo would agree with me to expand that motion to include all other agreements between private companies and the Alberta government committee on the Alberta heritage trust fund investments.

MR. CHUMIR: I'd be happy to associate myself with that enlargement.

MR. GOGO: Mr. Chairman, I have difficulty in not agreeing with Mr. Chumir that all loans from the heritage fund should be public information. I have difficulty contradicting that as a matter of principle -- not Millar Western, just all.

However, the flip side of that: we're not talking about expenditures. As I understand what he's after, he's after documents, and documents of loans. I guess the difficulty I have: it's long been established that when government becomes involved in assisting, positively or otherwise, industry or business in Alberta, we're now into an area of confidentiality. For example, the part I'm not clear on is what would happen -- and I'm relating now to what could be called industrial sabotage or industrial espionage or industrial information -- when you publicly disclose the relationship between government and a particular company. What would it do to its competitiveness in the business? The difficulty I have is that if you start disclosing an investment you've made through a loan or a debenture to a company, what does that do to that particular company in an industry? I have no trouble in principle saying that all expenditures of public funds should be available to the public through this committee; I have no trouble with that. On the other hand -- and I guess I would seek some advice from Mr. Speaker, who's the longest serving member around -- it's been a long established policy of any government, the previous one as well as this one, that when there are confidential documents between government and industry, those are to remain confidential.

So the difficulty I have: on the one hand, my heart is with Mr. Chumir saying, "Hey, if it's an expenditure, we should know about it in order to assess it after the fact," yet my head tells me that if we start disclosing that kind of information, what does it do to the competitive situation of these various companies? And I guess that's the principle that I'm torn between in determining whether to support this or not.

MR. CHAIRMAN: Thank you.

Member for Little Bow.

MR. R. SPEAKER: Mr. Chairman, my comments would be as follows. Every time we give, either through loan or grant, an amount of public funds to an individual or corporate entity or any other kind of organization, the public should be able to scrutinize it and it should be able to wash in the public eye. I think we all would agree here that that should be the basic principle.

In dealing with a situation like Millar Western Industries, I think what should happen in those situations where a contract is drawn up for a loan is that that loan agreement with Millar Western should be made available to the public. Now, the other financial circumstances of Millar Western, their own confidential records and items such as that, should be the property of Millar Western and not the property of this Legislature or the public as a whole through that medium. I would think that in drafting up an agreement, those two items could be separated very, very easily. On that basis I would support this recommendation, number 10, that's before us.

I believe that can be done. I think back to years ago when I worked on the agreement with the Hinton pulp mill and we provided funds through the public purse for them. At that time the loan agreement and grant agreement were separate. So it can be done.

I would have to say from my observations since 1971 that Mr. Lougheed, when he came into the Legislature, looked at this from a corporate point of view rather than a public, administrative position point of view, and there was a change in the emphasis. The emphasis went more to maintaining nondisclosure of agreements and documents between the government and private individuals and corporations, which I think should be reassessed by not only this committee but certainly the Conservative caucus and government itself.

MR. CHUMIR: I appreciate Mr. Gogo's obviously genuine concerns about this issue. When I make recommendations, I try as much as possible not to make recommendations that are silly or unworkable. I don't always succeed, but I try and think about them and use my experience. In this regard I've had experience in business and in law, quite extensive experience, and I guess my judgment in this regard is that provision of the basic agreements would not have any impact upon the competitive position of the companies involved nor lead to industrial sabotage or cause them problems in that regard. Nobody likes to have information out; there's a general drift towards secrecy. People prefer not to have their affairs made public. One of the problems with being a politician is that you become a public figure. But the public interest requires it, and similarly, here I believe the public interest requires the basic terms of the agreement to be made public.

Now, on the other hand it's a different matter if during the course of the agreement there's an obligation under that agreement for a company to be reporting to its investor and saying, "Here's how we're doing; here's the detailed stuff; here's our profit margin." I don't expect that stuff to be made public. The public has no interest in it. That is private information, and I've never made a suggestion in that regard in raising this issue in two years in the Legislature. That's always raised as the red herring in there, but there's no intention to have that. It wouldn't make sense. It's just that we need the basic information: what type of a deal has the province made?

You look at the footnote in our heritage fund financial state-



ments with respect to that Millar debenture and you compare the debenture, which I have, and you see that the footnote is totally inadequate. The job is not being done for us in terms of disclosing what the nature of the deal is. I just don't think that is right. I think we're doing ourselves a disservice, but in particular we're doing the democratic process a disservice. We are trustees of the democratic process, to make sure that that works well and has the respect of the people. If we're eroding respect for it, then we weaken the whole foundations of our system, and that's why I keep peppering away for information.

MR. CHAIRMAN: Thank you.

MR. HERON: I'd like to ask, Mr. Chairman, if the hon. Member for Calgary-Buffalo would like to reword his recommendation so that it isn't all inclusive. When I read this, it says: "the loan agreement and other documentation relating to the loan." It goes on: "all similar basic documentation." I don't know what he means, so I fall under the same category as the hon. Member for Lethbridge-West: that he wants all of the documentation pertaining to a client-confidential deal. I can support his recommendation if it means that investments of this magnitude show the general terms of the commitment and the interest rate and some of the basic fundamentals, but I can't support a recommendation that asks for all other documentation.

MR. CHUMIR: I'd be happy to try and massage the language, although I must say that I don't see the difficulty in here, because it relates to the loan authorization, which is what I see as the basic agreement. But I will try and massage it to exclude confidential financial information with respect to the companies and resubmit the recommendation to the committee when I've had a chance to fine-tune the thing rather than take the time of the committee to try to do drafting at the present time.

MR. CHAIRMAN: Thank you.  
Member for Vermilion-Viking.

DR. WEST: Yes, Mr. Chairman. One other comment to the Member for Calgary-Buffalo. As you must be aware, the Millar Western plant was in construction up to not very long ago. As far as completion dates, when we traveled it on our tour -- and I'm not familiar whether the member was on the tour or not -- four lines of production, I believe, were not finished. The agreement with the government, as understood by cross-examining some of the ministers, was that it was on a drawdown basis, that there wasn't an absolute of the total number of dollars the heritage fund would be exposed to. I believe this recommendation is a little redundant in the fact that it would have been impossible for the minister or this government at the time to have brought forth absolutes on this drawdown and this agreement until it was completed, or it would have maybe jeopardized the position of Millar Western. Perhaps a following year the member may want to bring this forth and examine the ministers on this more closely after the completion of such a construction site.

MR. CHUMIR: With all due respect, it doesn't matter whether we've had \$100 or \$100 million; the issue is whether or not public moneys are being used and do we have the right to know the terms in which the outlay is being made. That's the intent of this resolution. I think it makes consummate sense, and I'm glad to see that most of the comment so far has been in recogni-

tion of that.

MR. CHAIRMAN: Thank you.

Any further discussion on recommendation 10? If not, we'll move on, then, to recommendation 11, and I would recognize the Member for Calgary-Buffalo.

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

MR. CHUMIR: That is also self-explanatory, Mr. Chairman, in the context of that issue which has been discussed so regularly in this committee. The issue, of course, is that the heritage fund is receiving large interest payments from Alberta Mortgage and Housing, the Agricultural Development Corporation, the Alberta Opportunity Company, when in fact those entities are unable to pay the interest to the heritage fund without substantial funding from the General Revenue Fund. We have money simply going in a circle. The income is not reflective of true income of the heritage fund. It's, again, misleading to people of this province.

We have had a statement this year that our revenue in fact is \$1.353 billion. By my calculation it's in fact some \$350 million less as a result of government input through the General Revenue Fund into those three Crown corporations. The interest rates on those debentures are unrealistically high; the companies can't pay. I think we should recognize that and get some semblance of reality into the accounting practices of the fund.

MR. CHAIRMAN: Member for Vermilion-Viking.

DR. WEST: Yes, Mr. Chairman. This motion totally amazes me, that anybody could bring forth a motion like this and has still spent time studying the Heritage Savings Trust Fund report.

There are two basic principles here that are being confused: one, one of lending and accounting or of sound business practice; and another, the development of policies by this government, such as those through Alberta Mortgage and Housing, ADC, AOC, and what have you.

Now, you may find fault -- and that's something that I won't argue with the member -- with the decisions made on some of those programs: Alberta Mortgage and Housing, ADC, or AOC. They were done for economic balance in some cases, such as ADC, when banks were not lending to our young farmers. Alberta Mortgage and Housing was seen as a development of our housing programs in times when certain individuals in the province on a high economic swing could not build houses. But the concept of funding them was sound. We could have gone to the world market -- Japan, Kuwait, Germany, New York -- and borrowed these moneys at interest rates considerably higher at the time, but we didn't. We paid the interest back to our own fund, to our economy, as it grew and balanced over the last 10 years. And right now, as we all understand, as it has been through the last three to four years, we have taken those payments to the Alberta Heritage Savings Trust Fund -- they amounted to over \$1.4 billion last year -- and put them into our day-to-day budget. That is the equivalent to the Department of Education's budget or the equivalent of a 6 percent sales tax across the board in the province of Alberta.

Now, it is true that some of these corporations have lost some moneys. But we would have still had to pick up the shortfalls, whether the money had come from Saudi Arabia or

whether it had come from the heritage fund. If you look back now to that heritage fund of \$12.5 billion, we're getting back about 10.2 percent interest across the board, and it's helping our general revenue budget today. But to say that we should have the review of those loans, ensuring the income of the Alberta Heritage Savings Trust Fund, is totally irrelevant, totally irrelevant whatsoever. Because the losses of those programs, whether they were social or whether they were to help our agricultural base, would have been there anyway, whether we had taken the money out of the heritage fund or gotten it out of Saudi Arabia.

This motion totally indicates that the member unfortunately, with a professional background, doesn't understand economics at all.

MR. JONSON: Well, Mr. Chairman, just two or three additional points in opposition to this motion.

According to the remarks of the Member for Calgary-*Buffalo* it would seem he feels that the rates of interest being paid by these agencies are too high. As the Member for *Vermilion-Viking* has pointed out, they were rates established -- really a rather favourable rate as it is compared to where money might have been obtained. But I would estimate that if we were to follow the mover of the motion's intent, in order to come up with "realistic" income, we would be providing money to ADC, let's say, at 4 or 5 percent, and then a year from now we'd be back here with another motion from somewhere in the opposition saying that we were unrealistically subsidizing these corporations by providing rates of interest which were below market value. So I just see a circular area of debate being created here.

Secondly, the motion refers to revenue as if somehow or other the revenue wasn't being provided, and as far as I know, every loan is current as far as the Heritage Savings Trust Fund is concerned. It is in essence guaranteed by the government and is a very secure source of revenue to the Heritage Savings Trust Fund and generated here within the province.

The last point I wanted to make is that really I feel the intent of the motion is to get into a debate which is a debate for the time that we debate the budget, the time that we debate estimates, and to have a go at the programs of ADC or AOC or Alberta Housing and open up a new venue for a wide-ranging debate on those programs. Certainly debates of that nature should be held, Mr. Chairman, but those debates should be in the Legislature. Such debates have been initiated by members of the opposition but also by our own members, as was the case last year when we talked about the Alberta Housing Corporation and there was a motion on the Order Paper from the Member for *Calgary-McCall*.

So I really feel, Mr. Chairman, that there's an attempt here to get into a debate which is a debate appropriate for the Legislature, and therefore I cannot support the motion.

MR. CHAIRMAN: The Member for *Stony Plain*, followed by the Member for *Calgary-Forest Lawn*.

MR. HERON: Thank you, Mr. Chairman. The recommendation has been well debated from the debate received from the hon. members for *Ponoka-Rimbey* and *Vermilion-Viking*. I would like to add, though, in response to the hon. Member for *Calgary-*Buffalo**'s comment that calls into question accounting principles, in his closing statements in defending this recommendation, that I don't think anything could be further from the truth. It doesn't call into question accounting principles; it's calling into question management decisions which were made a

number of years ago. The hon. Member for *Vermilion-Viking* pointed out that we had a choice. We could have gone to markets elsewhere to borrow this money, and in doing so we would have incurred a transaction cost both in borrowing and in seeking investment alternatives elsewhere. But it was a deliberate management choice that we finance, at arm's length, the Alberta Crown corporations. And those are key words: "at arm's length."

I ask the hon. Member for *Calgary-*Buffalo**: if interest rates had moved up very sharply, would he be supporting a recommendation to write up the interest rates which would be payable to the Alberta Heritage Savings Trust Fund? I don't think so. I think the Crown corporations had the opportunity to borrow money at arm's length, and they have to live with the interest fluctuations.

I ask, in looking at this recommendation, for a reasoned approach: if the hon. Member for *Calgary-*Buffalo** would carry forth the recommendation to the Canada investment division. Would he suggest that we take those investments which yield, say, 18 percent and write them down out of the goodness of our heart, or should we be looking at the heritage fund in terms of maximizing the return to the heritage fund in line with the principles and policies we have set forth, that we treat investment at arm's length, and that we take this one step further and debate the Crown corporations on the floor of the Legislative Assembly where it should be, in Public Accounts and at other times, but not in this committee?

Mr. Chairman, I can't add much more than to say that I just can't support the recommendation the way it's worded.

MR. CHAIRMAN: Thank you.

Before I recognize the Member for *Calgary-Forest Lawn*, perhaps I can take a moment on behalf of the committee to greet some visitors that we now have, seated in the public gallery. Meeting this morning is the Alberta Heritage Savings Trust Fund's standing committee. It's a 15-member all-party committee, and we're presently discussing the 1988 recommendations as they relate to the 1987-88 annual report of the Alberta Heritage Savings Trust Fund. So welcome.

The Chair would now recognize the Member for *Calgary-Forest Lawn*, followed by the Member for *Calgary-*Buffalo**.

MR. PASHAK: Well, thank you, Mr. Chairman. I can support this motion. I don't think it goes far enough, though. I would agree, actually, with the Member for *Stony Plain* that we should debate these issues on the floor of the Legislative Assembly itself. One way to do that, the most obvious way, would be to transfer responsibility for the Alberta Agricultural Development Corporation to the ministry of Agriculture, to transfer the Alberta Opportunity Company to the ministry of economic development, and Alberta Mortgage and Housing Corporation to Municipal Affairs -- put those financings clearly in the budgets for those departments so that they will come forward in the estimates. That's where we should be dealing with these loans and loan arrangements and everything else.

This is another deliberate attempt on the part of this government to mislead the public about the true value of the Alberta Heritage Savings Trust Fund. It's not what it purports it to be in terms of the amount of money that the fund purports to move in out of revenues acquired through the fund and then transferred to general revenue. It's obviously much less than that. So again the public is being hoodwinked, and the only way to get around that is to put responsibility and the budgeting for these areas

where it should be, and that's within the departments themselves. The funding and the revenues and the expenditures should all be part of the estimates.

MR. CHAIRMAN: The Member for Calgary-Buffalo.

MR. CHUMIR: Yes. Well, I have always been arguing that all of our investments should be looked at in terms of their fair market value insofar as we're able to do so, and that includes the investments in which we have done well. I've never been shy from admitting that from an economic point of view the loans to the other provinces, which are at high interest rates, were great investments and we've made a lot of money on them. Their value is much higher than the book value, and I'm not trying to hide from that. There have been gains and losses in terms of the heritage fund investments.

But the reality is that the losses that have been made through our loans to Alberta Mortgage and Housing, Agricultural Development, and Alberta Opportunity Company -- the losses to these companies have been probably in the range of billions. Notwithstanding that these losses have taken place, we still act under the pretense that they're there at fair value and that we get the full revenue from them, notwithstanding the fact that the revenue we do get, to the extent of \$350 million, reflects a transfer from our left pocket as a province to our right pocket as a province. We pretend they are separate entities, and the reality is that they are really loans to ourselves. I think that is just not providing fair disclosure to the people of this province.

MR. CHAIRMAN: Thank you.

Any further discussion on recommendation 11?

MR. HERON: Mr. Chairman, I can't let the last comments go unchallenged, because the hon. member is saying that if a Crown corporation loses money, it's a problem of the heritage fund. That is not the case. The heritage fund holds a debenture which is guaranteed by the province of Alberta. As the hon. Member for Vermilion-Viking pointed out, if the Crown corporations had borrowed from, say, the province of Ontario or the U.S. pension fund or Kuwait or wherever, the province of Alberta would still be guaranteeing those debentures and still picking up the operational losses of the Crown corporation.

Many of those Crown corporations have social goals. We know that the Agricultural Development Corporation has a social goal in encouraging the beginning farmer program, for example. We know that the Alberta Opportunity Company is a lender of last resort. We know that they're not there to minimize their risk exposure in loans but, in fact, in many cases to take risks which normal financial institutions won't take. So I think the two items are separate and distinct. If the hon. member wants to debate at some length whether we should be discussing the performance of the Crown corporations, I think that's best done on another floor.

I also cannot agree with the Member for Calgary-Forest Lawn when he says that all Crown corporations should be abolished and responsibility for them brought under the minister and that the minister should then bring their operations before the Legislative Assembly. I think Canada has a proud record of creating some Crown corporations that work and that the management is best left to independent boards with a diverse experience, outside of the Legislative floor. So I think a good, strong case can be made for Crown corporations, but not in all cases. For example, I agree with the recent decision of the fed-

eral government to privatize to some extent Air Canada. I believe we could be taking more initiatives to privatize in this province. I look at the experience with PWA, one which saw the government's involvement achieve social goals, not to say that it probably doubled its money in the transaction and then later on sold it as a privatization effort.

But, you know, we can't just stand here and say that because some of the corporations which are borrowing from the heritage fund have lost some money, we now abolish these Crown corporations and put responsibility for them back under the minister and debate them on the floor of the Legislature. I think the recommendation goes too far in confusing this issue.

MR. CHAIRMAN: Any further discussion on recommendation 11? If not, then we'll move on to recommendation 12, and again I would recognize the Member for Calgary-Buffalo.

12. 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 standing committee on this matter.

MR. CHUMIR: It's quite clear that the three corporations I mentioned in my comments on the last recommendation have lost tremendous amounts of money. The financial statements reflect some loss. I'm very dissatisfied and lacking confidence in those numbers. My lack of confidence arises from the experience we've had with respect to reporting of similar types of losses in relation to the failure of the Canadian Commercial Bank, the Northland Bank, the Principal Group. And we've seen in recent times outside of Alberta issues arising with respect to the valuation of losses in Financial Trustco in respect of the recent transaction relating to the sale of that company.

There have been some major studies and recommendations made with respect to the role of auditors and the principles that have been applied by those auditors, the failure of auditors to apply appropriate standards which would disclose the nature of these losses in a timely way. I would like to see us have a look at these things and hire independent auditors and give them some fairly strong instructions with respect to getting down to the kinds of valuation decisions that were discovered by Price Waterhouse when the government retained them to do the Principal Group review, so that we can have some assessment. This isn't in any way to imply chicanery; it's just realization that our institutions, the way we've done things in the past, have not served the community well. We've just got too many examples in front of us. I'm concerned that perhaps we've been understating our losses quite significantly in these corporations, and I think we should know globally what they are, because they represent a lot of public money.

MR. HERON: I'll be very brief, Mr. Chairman. I cannot support the recommendation because I don't think the recommendation has any bearing on the Heritage Savings Trust Fund. I think there's another time and another place you can discuss the Crown corporations. If the hon. member looks at it from a purely financial perspective: you have a debenture -- it happens to be a Crown corporation -- of the Heritage Savings Trust Fund, which is guaranteed by the province of Alberta; he must surely, then, look at the credit rating of the province of Alberta, which is, say, higher than that of the province of Ontario, because that is the underlying strength of the piece of paper that

the heritage fund holds. It's a debenture which is guaranteed by the province of Alberta.

I ask, if you follow his reasoning, why we don't ask for a complete investigation of the Canada investment division. Why aren't we appointing some consulting firm, as he suggests, to look at Nova Scotia Power and all those other investments? They may be having operating deficits. That I don't know, but I do know one thing: they carry the guarantee of the provincial government. That satisfies me as a member of this committee, and I think it should satisfy all of us as members of this committee, that Alberta has a double A, double plus credit rating which is attached to the securities which are held in this fund. So I can't support the recommendation, Mr. Chairman.

DR. WEST: Well, mine is along the same line as the Member for Stony Plain; I cannot support this motion. Again, as I said in the last motion, it indicates a misunderstanding on the lending that took place from the Heritage Savings Trust Fund to these Crown corporations.

Take, for example: the money, as I said before, had been borrowed from Kuwait. Then would you be asking the Alberta Heritage Savings Trust Fund to look at the loss or asset ratio of the Alberta Mortgage and Housing Crown corporation? So what is the difference whether the money was borrowed at arm's length to Alberta Mortgage and Housing Crown corporation with the provincial guarantee from the Alberta Heritage Savings Trust Fund committee or Kuwait?

What you're asking is something that should be on the Legislative Assembly floor for us to look at: whether the mandate for Alberta Mortgage and Housing policy that we gave years ago should be continued. If you were to start something in that line, I wouldn't argue with you at all. I think that perhaps we should look at Alberta Mortgage and Housing to see whether we should be building any more homes or be extending some of these programs. But the provincial guarantee to the Heritage Savings Trust Fund would be no different than a provincial guarantee to Saudi Arabia, and Saudi Arabia couldn't care less what went on with Alberta Mortgage and Housing Crown corporation as long as it had a document that it made an agreement with the province of Alberta stamped "We guarantee it." They couldn't care less whether the \$3.8 billion with Alberta Mortgage and Housing completely failed and that we had to pick up all the losses and we gave all the homes for nothing to all the people they were built for. You seem to have a confusion because it's from the Alberta Heritage Savings Trust Fund.

But to satisfy yours -- maybe that's what the Liberals would have done, and they showed it in Ottawa several times -- maybe we should have borrowed all this money offshore and paid these millions and billions of dollars to foreign countries. But we didn't. And it wouldn't have made any difference whatsoever to the ADC programs, to AOC; those are the ones you have questions with, not the Alberta Heritage Savings Trust Fund's equity position.

MR. GOGO: You're giving a lot of publicity to Saudi Arabia, you know. We could be doing more to get the price of oil up.

MR. CHAIRMAN: Any further discussion on recommendation 12?

MR. PASHAK: A question, if I may, that I'd like to put to the Member for Stony Plain. He indicated that there are other times and other places when we could deal with, say, for example, the

matter of the Alberta Mortgage and Housing Corporation. I would agree that the rules would possibly permit us to set up subcommittees to call before us various ministers, and it's possible that the Minister of Municipal Affairs could appear before that subcommittee and bring with him officials of the Alberta Mortgage and Housing Corporation. But other than that, I'd like to know if he has any other suggestions as to time and place whereby we could get a full and complete accounting and opportunity to question officials of the Alberta Mortgage and Housing Corporation.

MR. HERON: Mr. Chairman, as the Member for Calgary-Forest Lawn mentioned me, it's only fair to say that we have all kinds of opportunity, once the statements are tabled in the Legislature, to question the ministers: in question period, in Committee of Supply, to bring forward private member's Bills. I just see that the opportunity is unlimited, really, to bring forth items and areas of concern. I mean, there were many times we sat over here in the last sitting of this Legislature -- which incidentally was, I am told, the longest in Alberta history -- that I thought the members of the opposition parties were wasting their time in senseless, repetitive filibusters. In fact, night after night they were ruled out of order because they couldn't stick to the topic. And here we are now some months later saying, "We don't have the opportunity on the floor of the Legislative Assembly to perform our mandated task." Well, I find that sad, but I think it's taking up a lot of unnecessary time in this committee, Mr. Chairman, to debate, you know, that topic.

MR. GOGO: Well, Mr. Chairman, I would certainly hope that the hon. Mr. Chumir does not think that members of the committee are particularly picking on him because of his motions. It just happens to be that -- the universe may or may not unfold the way it's unfolding -- the chronological order of the motions indicates that Mr. Chumir is sponsoring this group, and that's why it may appear that members of the committee are taking exception to his motions.

I would simply point out that surely our job, by statute, Mr. Chairman, is loans by the Heritage Savings Trust Fund. The matter that should be debated is: is the interest being paid back? And to my knowledge not only is Alberta Mortgage and Housing paying it back, but it's guaranteed by the province. So I think it's kind of a mundane argument. If members want to go after the corporation, there's a time and a place for that, and I don't think that's within this context. We're getting our money back into the fund, and surely that's what the issue is.

MR. PASHAK: Well, we've just heard two political statements, and I'll make one. There is absolutely no way that members of this Legislature can find out just how public moneys are spent, in many cases. We don't know what's really behind the Alberta Mortgage and Housing Corporation, what their true worth is, because there's no way we can bring officials of that department before any legislative committee that's currently in existence. Even if we do bring the minister before some of our committees, like the Public Accounts Committee, the rules of procedure are so completely determined by government members that they completely thwart and frustrate any attempt to get at the facts about how this government spends money. What we've got is an elaborate organization that's set up to prevent the people of this province of Alberta from having even the most rudimentary understanding of how their dollars that they pay in taxes are spent by this government.

MR. CHAIRMAN: Okay. Any further discussion on recommendation 12? I think the Chair allowed the debate to perhaps stray a little by a number of participants, but we'll now move on to recommendation 13. I would again recognize the Member for Calgary-Buffalo.

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

MR. CHUMIR: I think this would be valuable in terms of disclosure to the people of this province so that we know what's really in the fund. Some assets can be valued very, very easily; others would require estimates and be more difficult. But I think the difficulties could be overcome, and to apply this approach in the annual report would certainly be useful in clarifying what's really going on in the fund for the people of this province. So I think it would be a sensible approach.

MR. GOGO: I'd just point out -- I think surely that where the hon. member is asking for fair market value, my understanding is that in the Alberta commercial investment division, many of those show the actual fair market value. So, you know, I think Mr. Chumir should be more explicit as to what part of the annual report should show fair market value. Parts of the report now do in fact show fair market value or a market value, period.

MR. HERON: Well, Mr. Chairman, I think there's an inconsistency with this recommendation. A few recommendations ago we heard a strong case put forth that the deemed assets should be eliminated from the Heritage Savings Trust Fund, that we should reduce the subjectivity of the financial information contained in the statements. Now we're asking for more subjectivity to be introduced.

I might point out that generally accepted accounting standards say that market values are not shown except in the case of where they're traded or that they have a market that can be readily ascribed to that security, and then it's shown only as supplemental information. If you notice, it's not shown in the total of the assets of the Heritage Savings Trust Fund.

Now, is the hon. Member for Calgary-Buffalo, by his recommendation, suggesting that we should hire -- and I would suggest scores of -- appraisers and auditors to go out and make subjective or qualitative assessments of what the market value of those assets are worth at a particular period of time? It just seems to be a totally unnecessary expense when you look at the assets, for example, of the Alberta investment division. You know, we can say that we think that because of the high interest rates and the provincial guarantee they're worth a lot more, if we had to trade them. We can look at the Canada investment division and with almost certain knowledge say that if we were given the task of going out and selling those to pension funds tomorrow, they're worth a lot more. But that's subjective, and that can only occur if you sell or realize upon the security. In other words, it would be a shame that we'd have to sell the securities to prove there's a market value there and to satisfy the request of this recommendation.

So I say that we stick with generally accepted accounting procedures and show market values only where there is indeed a market on the security and that we use our commonsense approach when we look at the other investments in terms of whether they represent good value for the heritage fund and whether they are paying their interest and principal on that

investment.

So, Mr. Chairman, again I cannot support this recommendation, and I just caution the hon. members that I think this would be one of the most expensive proposals that we could implement.

MR. CHUMIR: Well, I hear some of the comments that are being made, and in fact some of the points are well taken. This is an issue; it could and would be expensive if certain procedures were followed -- for example, trying to assess and value the investment in Syncrude in any given year -- and I intend that some reason and rationality be applied in dealing with this recommendation. For example, with respect to the Canada investment division, it would be quite easy to make an assessment and evaluation with respect to a debenture that has an interest coupon on it, because there are comparables on the market. Similarly, I think we should have some better idea with respect to the value of the loans to the Crown corporations. The members of the government side have indicated that they think we should continue to use the concept that the heritage trust fund and the government corporations are totally separate entities. Obviously the thrust of our recommendations here is that this provides an element of unreality in terms of adequate disclosure of what's really happening to the people of this province.

So I think we can do much better in respect of how we approach this thing. I'm sure that the best solution in respect of what should be done is probably somewhere between my recommendations and some of the suggestions and comments and critiques. Some of the points they make are well taken, but they don't yet erode the basic thrust of what I have been proposing.

MR. HERON: Mr. Chairman, I would ask, then, that the hon. Member for Calgary-Buffalo give us some idea of how we could use this information when we make policy recommendations. He used the Syncrude example. For the record I should mention that I think that would be one of the easiest investments to ascribe a market value to. When we look at the 5 percent holding that was recently involved in a commercial transaction between PanCanadian and Occidental, I think we could look at a market value of our holdings which would reflect that transaction.

But my question to the hon. member is: when you look at the areas of disagreement or the subjectivity which is introduced to ongoing real estate appraisals and when you look at the disastrous impact the real estate investments had upon many Alberta financial institutions, is he suggesting that we could use up-to-date market value appraisals to implement policy of the heritage fund? It's unclear to me, in recommending such a costly proposal, just how you would use the information.

MR. CHUMIR: I think in the Alberta Mortgage and Housing Corporation it is reported that there is some focus on the fair market value in terms of assessing the annual loss to be put in the books of the corporation, and what we've been discovering -- and this has to be done annually; management has to make an assessment with respect to the losses that have been incurred in the portfolios -- what we've seen in recent years with respect to the failures of the financial institutions is that these are not being very well provided for and that auditing principles and standards have been inadequate.

What I'm getting to is: let's do a review; let's make sure that the losses that are being booked more accurately reflect what's

actually happening on the market. Because there is a requirement to do that. That doesn't mean you have to assess and evaluate every property. What it means is that you assess the bad loans. And you already have to assess the bad loans and make some estimate of what is recoverable.

There are provisions in the footnotes to those financial statements, relating to permanent loss and reduction of value of land. They already say they're doing it, but what we can probably project is that they're not doing it well, because they haven't done it well in other corporations we've seen, where the true values have had to be brought into play.

So I think we'd be doing ourselves a favour, and business is certainly going to have to change, if we assess those things more realistically. No, you can't pinpoint them with precision and detail, but the work that's already being done, that which we're being told is being done, is not being done very well, I believe, and I think we should get after that.

MR. CHAIRMAN: Member for Vermilion-Viking.

DR. WEST: Yes. I won't overcriticize this motion, because I retracted one, 41, that I put in myself. But I think by the discussion here today you can see why the motion that I put forward and this motion are redundant.

Just for an example, if you went to the capital projects division, deemed assets -- one of the previous motions by the same member indicated that we wanted to educate the public with respect to the fund; we want the major review -- you'd be looking at these assets and what have you. If you said that the Advanced Education Endowment Fund was \$168 million, showing the market value of it, that would make the people of Alberta feel really good about the fund. But if you went down and depreciated something such as, say, our airport terminal buildings, when we got through and said they were once \$48 million but might be worth only \$12 million today, that would really

disappoint the people of Alberta.

On another point he was back onto a misconception he has about the value of Alberta Mortgage and Housing and its book value stated in the Alberta investment division. Really, it's not to anybody's benefit or disbenefit to go and do an appraisal of Alberta Mortgage and Housing for the Alberta Heritage Savings Trust Fund's benefit. You insinuated that these are bad loans. They're not; they've made their payments on time back to this Heritage Savings Trust Fund.

What happened with the social program and the losses they incurred is the business of the people of Alberta through the General Revenue Fund, not the Alberta Heritage Savings Trust Fund. You wouldn't want to ever insinuate that any of the Canada investment division were bad by having to do a deep inquiry into them, because the people of Alberta are very proud of the fact that all those provinces have paid back \$378 million since lending stopped in 1982, and on an average debenture rate of 12.5 percent.

So I put on record once again that there would be no value in doing an investigation on the value of the Canada investment division, because it's a matter of record. I'm just saying that I withdrew mine because I felt it would get convoluted, cost a lot of money to hire people to go out and do appraisals, and would confuse the people of Alberta even more than I see some members here are confused about it today.

MR. CHAIRMAN: Any further discussion on recommendation 13? If not, then perhaps in light of the hour . . . We've had a good morning of debate and discussion, and I think it has been excellent, on the recommendations we've had time to deal with. I would recommend that we adjourn now until 2 this afternoon, and we'll begin with recommendation 14. If you want to leave information in here, it will be locked.

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