

[Chairman: Mr. Oldring]

[2:05 p.m.]

MR. CHAIRMAN: Good afternoon, everyone. We'll call the meeting to order.

Before I recognize the Member for Cypress-Redcliff on recommendation 35, perhaps I can take a moment of the committee's time to welcome some visitors to the members' gallery. For the students who are present this afternoon, the Alberta Heritage Savings Trust Fund select committee is meeting. Some of you might have heard of the Alberta Heritage Savings Trust Fund. Those are your dollars that we're saving for future years. What we're doing right now is reviewing the 1987-88 annual report. Out of that we've made a number of recommendations that we're discussing this afternoon, and we'll be voting on these recommendations at a future date. I should point out that the committee attendance is a little low right now. We've all just come from a luncheon that was on in another part of the city. There are actually 15 members who serve on this committee. They are composed of MLAs from all four parties represented here in the Legislative Assembly. [applause] That's the customary welcome for special guests. We're pleased to have you with us this afternoon.

I recognize the Member for Cypress-Redcliff.

35. That the government of Alberta explore with Ridley Grain Ltd. and others ways and means for greater utilization of the Alberta Heritage Savings Trust Fund investment in the Prince Rupert terminal in order to better serve the farmer in western Canada.

MR. HYLAND: Thank you, Mr. Chairman. In speaking to recommendation 35, when we were out at Prince Rupert looking at Ridley Grain terminals, we heard that in many cases without any additional capital investment and just the addition of staff and product to move through the facility, the efficiency of the facility can be increased tremendously. All this motion is doing is encouraging the government of Alberta to get together with Ridley Grain Ltd. and others, whoever those others may be, and explore greater utilization of that terminal. We heard such things as the time it takes to load a ship, the ease with which train cars move in and out: stuff like that. They claim that any time you can cut down on time, you save money.

In reading an article recently, they say such things as cutting down to half the turnaround in grain cars can save \$6.50 a tonne in the movement of grain. I think that's self-explanatory: any of these things that we can do, we can save money.

MR. CHAIRMAN: Any further discussion on recommendation 35? If not, then, we'll move on to recommendation 36. I'd recognize the Member for Lethbridge-West.

36. That a study be done under the occupational health research and safety heritage grant program to analyze the effects of recycled air in airtight office space on employees, with a view to reducing incidents of influenza, et cetera.

MR. GOGO: Thank you, Mr. Chairman, members of the committee. As members will recall, when Dr. Reid was here, the minister responsible for that program, he had shown support for a program like this. Far be it for this committee to be telling the grant program what to accept. But I think the consensus would be a suggestion to go to them, as opposed to the government, and they would perhaps encourage a research project in this

area.

As members know, it's in the last quarter century that we've gone to airtight offices and recycled, I think, other people's germs. Unless there were installed filters and so on to get that out, I think we're only going to find ourselves with more and more people having incidents of colds and flu, et cetera. So, Mr. Chairman, I would seek the support of hon. members to support this recommendation so that perhaps we can make a major difference in terms of the incidence of temporary illness and casual sick time amongst employees in the province of Alberta.

MR. CHAIRMAN: Thank you.

Any other discussion on recommendation 36? If not, then, we'll move on to recommendation 37, and I'd recognize again the Member for Lethbridge-West.

37. That a study be done under the occupational health research and safety heritage grant program on the use of alcohol and drugs, including prescription drugs, in the workplace and the effects they have on safety, absenteeism, and productivity in Alberta.

MR. GOGO: Thank you, Mr. Chairman. Again, "that a study be done under the occupational health research and safety heritage grant program on the use of alcohol and drugs," including what to many people is the biggest incidence of misuse of drugs -- that's prescriptions drugs issued by physicians -- "in the workplace and the effects they have on safety, absenteeism, and productivity in Alberta." As we've been told many times, alcohol and drugs are a major cause not only of incidents of safety but in terms of loss of productivity through absenteeism.

Again, Dr. Reid is very supportive of this, and I would strongly encourage colleagues in the committee to support this recommendation.

MR. CHAIRMAN: Thank you.

Any further discussion on recommendation 37? If not, then, we'll move on to recommendation 39, and I would recognize the Member for Vermilion-Viking.

39. That an investigation be done into the feasibility of selling the shares held through Alberta Oil Sands Equity in Syncrude and that the proceeds from the sale be used in the future to fund the capital required in the upgrader at Lloydminster and the OSLO project.

DR. WEST: Thank you, Mr. Chairman. As the committee is aware, we have \$508 million shown in the report as an investment and a position of 16.67 percent of Syncrude. One of the reasons the government gets involved in an equity position in many of these resource companies is because on their own they are unable to raise the capital to go forward into an area of resource development that might be questionable economically at the time.

Syncrude now has developed their efficiency to the point where they can probably show a cost-effectiveness of \$12 a barrel, and the shares of Occidental that have been sold recently and bought by PanCanadian resources have shown that these shares are worth considerable on the marketplace. Therefore, I recommend that we sell these shares so that we can move on into the kick starts that we're using in other areas: the upgrader and the OSLO project.

MR. HERON: Mr. Chairman, it's on a rare occasion I disagree with my colleagues, but in this case I do. I do not believe that

we should be directing the investments on a philosophical basis. The objective of the fund is to provide funds for a rainy day and to maximize the earnings on it and to operate within the scope of the three broadest objectives to maximize return on the portfolio. Now, it may be that we wish to divest ourselves of Syncrude at some time in the future, but I would like to see, if I was a part of that decision of the investment committee, a thorough analysis of the present and future expected returns before I would make a trade-off.

I just say: consider an example A, you know, that you have in Syncrude tremendous growth potential. Let's assume that you have tremendous growth potential. Let's assume that you are holding pure equity, that it's a perfect protection from inflation, let's say. It's levered into world oil prices. I ask then: would you sell an investment that's that attractive into the future and hold cash which is yielding the promissory note rates? No; it would make a lot more sense for me to sell the cash holdings, listed as some \$2.87 billion-plus, some of them, and reinvest in the OSLO project, and we shouldn't be considering directing the investment committee of the heritage fund to roll over specific assets without a lot more information. So for that reason I cannot support the motion.

MR. CHAIRMAN: Thank you.

The Member for Lethbridge-West.

MR. GOGO: Mr. Chairman, I support the motion that an investigation be done into the feasibility. I would be shocked, amazed, and surprised if the investment committee would ever sell those shares, but I would support an investigation into the feasibility.

MR. CHAIRMAN: Thank you.

The Member for Vermilion-Viking.

DR. WEST: I'm truly alarmed at this, but one of the things I think the people of Alberta have asked for for years is that the government stay out of the private sector as much as possible — only when needed to kick-start certain resource industry investments. If we were using the philosophy of the hon. Member for Stony Plain, then I am sure that maybe the investment into a diamond mine in South Africa would be a lot better than investing in Syncrude over the last 10 years. I'm not sure of that, but I'm sure we could find hard-core investments on the outside world that would be better than perhaps the risk of going into such things as upgraders and OSLO.

But that's not the point. The point is that these are government-directed funds for the future of this province, and the people of Alberta are not interested in a high-finance portfolio being run by a group of politicians in this Assembly. I would say that once the equity position has become sound and these moneys could better be used in the start of other projects, they should be withdrawn.

On the basis of using the cash position, I would also like in this feasibility study to know what position the double A plus rating we have is, based on the ability to move some \$5 billion to \$5.5 billion in a cash position rather than the ability to hold shares that are issued on the open market in a place called Syncrude. I would say that it's a balance.

MR. PASHAK: Well, I'd like to say that this is the silliest resolution that has come before the committee. Here we have an equity position in Syncrude that's finally beginning to return a

great deal of income to the Alberta Heritage Savings Trust Fund and to the people of Alberta, and it's at this point we saw it off for some nebulous project. It just doesn't make any sense. So I'm completely opposed to this particular resolution. There may be other ways of funding the Lloydminster upgrader, but that should be done through taking an equity position and not through selling shares in something that has finally started to produce a reasonable rate of return to the citizens of the province.

MR. R. MOORE: Well, again I guess I'm not on the same wavelength as some members of this committee when I hear that it's the silliest. It makes common sense to me. It seems to me that I heard some individual say that we should take so many million out of Vencap right away, this morning, and do something with it; I forgot what it was. It probably was a silly idea anyway.

Anyway, I think we have to look at the philosophy of whether government should be in the private sector or it shouldn't. I think anyone who has ever followed economics will know that it isn't government's place to be in the business world other than to assure that there's fair play there. But to become a partner in it and become a competitor in it against those who are paying the taxes that keep government in play: I just don't buy it. I think the original purpose of this was to take up the shortfall between what risk the private sector wanted to take and what was needed so that the economy of Alberta and all the citizens of Alberta would benefit. That was excellent, and we went in and took up that slack, that shortfall in the equity position. Now that it is operating, I don't think it is the intention of the investors, it isn't the intention of the citizens of Alberta that we would maintain that and become another Petro-Canada situation, only on a provincial scale. I think it was there to make sure that our economy moved ahead, created jobs. It's done all that. Now is the time, when it can stand on its own two feet, to move that on into other areas where the risk is such that the private sector is not willing to take it all up.

It's an excellent motion to get that money back in there, working, creating jobs in other areas, and let the private sector get on with running the business world, which it does best, a heck of a lot better than the government.

MR. CHAIRMAN: Thank you.

Any further discussion on recommendation 39? If not, then, we'll move on to recommendation 40, and I would recognize the Member for Vermilion-Viking.

40. That a continuation be sought of the municipal recreation/tourism areas grant program by infusion of more dollars from the Alberta Heritage Savings Trust Fund. As well, consideration should be given to allocating additional funds on top of programs already developed.

DR. WEST: Thank you, Mr. Chairman. I'll try to move into this one a little more gently.

The municipal recreation/tourism areas program, as you all recall, is the one where \$100,000 goes into a set area, with \$20,000 operating for 25 years following it. In many of our constituencies there has been upwards of four of these put in place. As you search for more areas to target \$100,000 in this operating, you start to dilute the effect of these recreation areas. The reason for this motion is to perhaps continue this program but allow the possibility of using additional funds into the rec-

recreation areas already developed. Some of them have come along quite well but could better serve the area if they were expanded somewhat. In keeping with our tourism target of a \$10 billion industry in the year 2000, I would think our funds would be better used by topping them up on some of these programs than diluting them in areas that may be only 10 or 20 miles apart. So I'm saying that we would get a bigger bang for our buck by giving the moneys to the individuals that can use them on a grassroots level than perhaps planning a major expansion in certain areas, using many more dollars.

MR. CHAIRMAN: The Member for Ponoka-Rimbey.

MR. JONSON: Yes, Mr. Chairman. Certainly, I share with the mover of the recommendation, as well as I think everybody here, the view that this is a very good program, but I think we always have to bring a little financial reality when we make these recommendations. I wonder if the mover of the motion could identify where the funds will come from for expanding this program within the context of the Heritage Savings Trust Fund capital division, which is rather well committed at the present time.

MR. CHAIRMAN: Maybe the member will do that when he's summing up.

I'd recognize the Member for Lethbridge-West

MR. GOGO: Thank you, Mr. Chairman. I agree with the first sentence of his recommendation. I have some difficulty with the second, and that is: "allocating additional funds on top of programs already developed." I wonder if he could explain the second sentence, as to what he means by additional funds.

MR. CHAIRMAN: Before I recognize the Member for Vermilion-Viking, are there any other members that wanted to address this? Perhaps, then, the Member for Vermilion-Viking might want to respond to the concerns raised by Ponoka-Rimbey and the concerns raised by Lethbridge-West.

DR. WEST: Was Ponoka-Rimbey on the same . . . I didn't hear him unfortunately.

MR. CHAIRMAN: Perhaps the Member for Ponoka-Rimbey might want to reiterate his comments for the benefit of the Member for Vermilion-Viking.

MR. JONSON: Mr. Chairman, I won't repeat the first part. It was rather complimentary to the member, and I'm sure that he'd appreciate that. The second part was the question. I was wondering, since we have to be realistic about our proposals for using more funds here, whether he has information or could indicate to us how he expects this to be funded from the capital division in the immediate future, given that -- at least it's my understanding -- most of the funds that are available in that division are committed at the present time.

DR. WEST: Yes. It was just in consideration that if there are any funds that are left over in that division, they could be moved into this program again. Such things as the grazing reserves enhancement program had a million dollars that was turned back here not long ago. They had used only, I think, \$49 million of the \$50 million that was allowed. So there are opportunities to move some funds from one project to another, and I was hoping

that there'd be some in that range.

Again, if you look at the sums that have been advanced so far -- I haven't got the book -- I think it's \$3 million. I think if you looked under schedule 7, in '87 it was \$3 million; it's up to \$5,475,000. Those type of dollars have been well expended compared to some of the moneys that we see that have been spent at Kananaskis, of \$224 million. I think that the effect in rural Alberta of these \$100,000 grants has been unanimously supported.

To answer the Member for Lethbridge-West, what I was saying was that we would take the funds -- right now you can't take and put \$200,000 or partial ones together; it's just a hundred thousand dollar grant once and \$20,000 a year. I wouldn't be suggesting that we top up the operational funds, but the capital project fund could be put on so that perhaps you could get \$150,000 or \$200,000 rather than \$100,000 in one area. What I was saying is that now everybody's splitting these up and putting \$25,000 here and \$50,000 there, and they're not even surfacing as a benefit to the area. They get diluted so far that the effect of the grants becomes almost meaningless. I'm saying that sometimes we have some beautiful tourism areas that need some extra dollars and there's no programs to address those.

MR. CHAIRMAN: Thank you.

Any further discussion on recommendation 40? If not, then, we'll move on to recommendation 42, and I would recognize the Member for Wainwright.

42. That continuing emphasis be placed on Alberta Heritage Savings Trust Fund investments that yield monetary return, until such time as the budget is balanced and the accumulated debt is erased.

MR. FISCHER: Thank you, Mr. Chairman. Motion 42 is a motion that I believe very strongly in, in that we should place more emphasis on having a balanced budget. I know that the Legislature last summer approved an increase in the limit on the capital projects division from 20 to 25 percent of the fund's assets, but it does bother me a little bit because things change; our economy changes. With our income and our general revenue being so unpredictable, it's nice to have a little bit of backup with the income from the heritage fund.

As I listen to a lot of our recommendations here, we are recommending putting more into deemed assets and therefore lessening the amount of income that comes from the heritage fund that is transferred to general revenue. We have to face the reality of the federal deficit and the billions of dollars that our young people are going to have to pay off one way or another with that one, and it would be a shame to see our provincial government go in the same direction. In my mind, balancing that budget and paying off this accumulated debt that we have here is by far the best thing we can do for the future of this province and for future generations. I'll just stop there.

Thank you.

MR. CHAIRMAN: I recognize the Member for Calgary-Forest Lawn.

MR. PASHAK: Thank you, Mr. Chairman. Although I agree with some of the remarks made by Mr. Fischer, I find his motion strangely contradictory with a number of the other motions we've been looking at. If we have his motion and approve it, it would mean that we'd automatically be rejecting the motion, for example, that was just moved by Dr. West.

Where I agree with him is that we should be striving for some kind of balanced budget, and we should be concerned about the provincial debt, especially in light of what I consider to be the real assets of the Heritage Savings Trust Fund. I think that by now, over the last few years and including this year, we probably have a provincial debt somewhere in the neighbourhood of \$6 billion or \$7 billion, and my assessment of the Alberta Heritage Savings Trust Fund would be that we have less than that in actual redeemable securities that would not affect in some substantial way the people of the province. When you add to that the unfunded pension liability of the province, it also helps to make Mr. Fischer's point.

However, I'm not clear as to whether Mr. Fischer, in putting this motion forward, is really arguing against all of those motions that have been put forward by his colleagues, advocating that we put money into areas such as tourism, et cetera. Maybe he could clarify that.

MR. FISCHER: Thank you; I'd be glad to. I left that motion a little bit general in order to leave some flexibility. Now, when I said "continuing emphasis," I didn't mean a hundred percent of the money going into income for general revenue. I do realize that there are some very high priority recommendations that may have to be, some of our projects. I'm thinking of the upgrader at Lloydminster. Depending on how our general revenue income comes along in the next year or so, possibly there's a need that it's got to go that way. Maybe it should go now.

But I just would like to see all of us look carefully at either increasing this income that's there now or at least not letting it slide, and we have seen it come down a little bit the last year or two or three.

MR. CHAIRMAN: Thank you.

Any further discussion? Well, thanks very much, everyone. That concludes the discussion of recommendations from the 1987-88 annual report. I appreciate all the co-operation and effort that everybody has put into this year's meetings. Unless there's any other new business that needs to be raised at this time . . . Member for Cypress-Redcliff.

MR. HYLAND: I move we adjourn.

MR. CHAIRMAN: Okay. Perhaps before we do that, the only outstanding item is going to be a date to discuss recommendations. There are a number of people absent today, and I don't know if it's going to be possible to set a date at this time. Perhaps you can leave it in my hands, and I'll co-ordinate it with various committee members. Any suggestions that you might have would certainly be appreciated by myself.

Any further discussion? If not, then I accept the motion to adjourn by the Member for Cypress-Redcliff, and thank you very much again.

[The committee adjourned at 2:30 p.m.]