

[Chairman: Mr. Ady]

[10:01 a.m.]

MR. CHAIRMAN: I'd like to call the committee to order this morning, and a welcome to our Premier, who is here with us this morning. We appreciate the co-operation of you, Mr. Premier, and your staff in scheduling this day. In looking back at some of the previous minutes, it was easier than it has been in some past times.

One of the things that is different a little bit in our scheduling this year from previous years is that we've previously had the Provincial Treasurer appear early in the meetings. That wasn't possible this year, and so I would ask that perhaps in your questioning today you defer some of the specific questions on dollars and amounts, as it pertains more to the Treasurer than it does to the Premier, realizing that the Premier will be prepared to answer questions more having to do with the direction of the fund and in a broad sense. So perhaps some of your specific questions could be directed to the Treasurer when he appears. He already is scheduled, as you can note from your itineraries.

Our format remains much the same as in previous years. We invite opening comments from you, Mr. Premier, if you wish, and then we will extend the opportunity to each member to ask one question followed by two supplementaries.

One small order of business prior to moving ahead with that. Are there any members here who want to submit recommendations that they may have this morning? Bear in mind that the deadline for those recommendations will be November 14, as we established in our meeting yesterday.

Mr. Premier, we'd just like to briefly report that we have had some investigative visits to projects that were constructed from funds from the heritage fund. We have two more days scheduled in the next two weeks, and that will conclude those that are planned for this year.

On that note, Mr. Premier, I turn the floor over to you for opening comments, if you have some, and then we'll move on with the questioning portion of our committee meeting.

MR. GETTY: Thank you, Mr. Chairman. First, I'd also express my appreciation for your flexibility in the scheduling. I think it is probably more helpful to your committee if the Provincial Treasurer leads off with his responsibility for the heritage fund and can kind of present, as a minister responsible, a report to the committee as he has in the past, but I think we can get around that. I hope we can this time. If there are questions that I can answer of a detailed nature, I'll certainly try it or try and get back to you. I have with me today Miss Sheena Cox, who works in my office and assists me with research and may be able to help us as well on some questions.

As usual, I think one of the main responsibilities of your committee is to review the investments but also work on communicating to Albertans the importance of the trust fund, the details of the trust fund, and I certainly welcome anything I can do to help you in that regard.

One of the things, though, that we've talked about in the past I think requires greater emphasis, and that is the success of the trust fund in the diversification of Alberta's economy. I know every member of your committee has talked about this in the past and has been extremely interested in seeing what we could do to make sure that Alberta wasn't so heavily dependent on the twin economic foundations of agriculture and oil and gas. I think it's fair to say that the trust fund has been used as a policy vehicle to diversify Alberta's economy. The question is, is it

working? Are we achieving that? I think probably there's never been a year in which it's been better to stop and take a look at that very factor.

I believe that we have made dramatic diversification achievements. We've always had, as I said earlier, the conventional oil and gas industry and agriculture. But this year we have the conventional oil and gas industry virtually flat in terms of activity, way down from, I guess, the activity that it's had over the last seven years, even the tough years after the national energy program, even though we have stable, or more stable, oil prices. We have agriculture, which I think you'd refer to now as stable -- you know, healthier on the grain side -- but we have problems in the pork pricing and pork markets. So there we have two of Alberta's, if you like, foundation economic generators, and yet take a look at our economy.

Unemployment has dropped dramatically over the last three years. We have house sales booming in Calgary and Edmonton, in places like Red Deer and Whitecourt and Peace River. We have the highest per capita retail sales in Canada. We have jobs being created, some 25,000 jobs created this year over last year. If I had told a group of Albertans three or four years ago that you could have the oil and gas industry flat, have some softness in agriculture, and that you would have booming house sales, unemployment dropping, high per capita sales, people wouldn't have believed it. It's happening, and I think it's an exceptional measure of the diversification we've been able to achieve, whether it's in the area of the forestry projects, whether it's been the new efforts in tourism following, I guess, on the tremendous success of the Olympics, whether it's been the fact that we were able to -- and the trust fund is involved here -- have the investments from the Husky upgrader flowing across our province, the planning for the OSLO project at Fort McMurray, the new science and technology efforts that are starting to pay off.

When I talk about science and technology, I think it's extremely important when you go through this report and see the research that is being done as a result of the heritage trust fund. I think all the members have to recognize that putting science and technology together with our education system is going to be the key to how Alberta competes in the world in the future. We must be able to be on the leading edge in this whole new area of science and technology. And I'm extremely pleased that in 1990 we will be bringing to Alberta a national forum on science and technology to focus in on the importance of this industry in our province.

So I think it just happens to be an important time for us to step back, measure diversification, and be able to say that if we ever had a kind of way to gauge it, this year is a particularly valuable time to be able to gauge it. I'm pleased about that, because it's a commitment that I made to the people of Alberta some three years ago. We had in place a plan to do it, and it's as a result of that kind of planning that it's happening here. It's not just luck that there's an upgrader; it's not just luck that there are forestry projects; it's not luck that there's an OSLO project; it's not luck that there's a magnesium industry here now; it's not luck that we have a huge expansion in petrochemicals in the province: those things were all in our plan. And it's nice, and I think probably all members are pleased, to see that kind of economic activity all across this province.

Other than those comments, Mr. Chairman, I think I'd just try and either see how the members respond to my opening remarks or try and answer any questions that they might have. I'm pleased to be here with you.

MR. CHAIRMAN: Thank you, Mr. Premier, for those good overview remarks. We now move into the question portion of our committee, and we would recognize the Member for Edmonton-Centre, followed by the Member for Lacombe.

REV. ROBERTS: Thank you, Mr. Chairman. It's good to have the Premier with us today, and just before Thanksgiving weekend as well, a time when farmers are bringing in the harvest and we're giving thanks for the rich bounty that we have in this province, particularly as we see it as stewards of the Heritage Savings Trust Fund.

I would like to address a few comments and questions to the Premier and members of the committee building on some of what the Premier has said but looking at the fund particularly with respect to how our trust fund is performing vis-à-vis the Permanent Fund as set up by the state of Alaska. I think there are some interesting contrasts and comparisons that may be helpful in terms of looking at what we're doing and how we're doing it and learning from that.

It seems, in a sense, that there are three main objectives of such funds as ours and the one in Alaska. There's the economic strengthening and the diversification objective which the Premier has outlined and is perhaps what he wants to emphasize. There's also the social objectives in terms of improving quality of life, meaning we'll have a trust fund that can look at that. But there's also the third, which may be the savings or the fiscal purpose and objective of such a fund. After all, it's the Heritage Savings Trust Fund, not the heritage diversification trust fund.

Essentially, there are these three competing objectives, and I'm unclear, I guess as a new committee member, where the emphasis or direction of government is with respect to how we're developing our fund, particularly insofar as trying to be, in a sense, all of these three things: economically diversifying, socially in terms of quality of life, as well as a savings and fiscal fund. Trying to do all things for all people sounds like some clergy I know -- they try to do that -- or some politicians, and they never end up satisfying anybody. It ends up watering down what's intended, and great confusion results. Whereas I'm told that in the Alaska situation their Permanent Fund has a single purpose, that of savings. It's a fiscal objective, which is to supplement their general revenue, and with that single purpose and a single management of that purpose, they've done very well. In fact, they have a great return on their investment, which they're able to measure and to look at the performance. Theirs has done much better than ours has, and it's still growing, whereas ours is diminishing.

So given this kind of sort of overall look at the objectives of the fund and comparing it with what's happened, as I say, in the state of Alaska, I'm just wondering if the Premier might want to look at some wholesale reconsideration of the fund, to maybe open it up for public discussion of perhaps some legislative changes as well, and to see if there isn't perhaps a more single purpose and not a number of different objectives, which result in confusion. Rather, if he wants to set it up as a diversification fund, that we go in that direction and that direction alone, and do it effectively and measure when it's successful, because I'm afraid that in this multiplicity of objectives we're losing out on all. I mean, there are some very tangible benefits, as the Premier has outlined, in all three, and I don't deny that. But I think that with such a big nest egg, it's wise, it's good stewardship, to really look at a single objective and to work along those lines and not try to water it down over a number of different political

objectives.

MR. GETTY: Mr. Chairman, I understand the member's point, but frankly I think it would be a mistake if we zeroed in on just one feature. I think the real success and the art of management of this fund -- and it appears to have been the way the committee has responded over the years that we've had the committee -- is to balance off a series of objectives to make sure that it isn't so narrow but that rather in the management of it, in the judgment of the government, we in fact balance the impact in a variety of areas.

The area of revenue, yes. I mean, if we're able to bring \$1.3 billion into our General Revenue Fund, I think that's significant. If we're able to accomplish what we're accomplishing in diversification, I think that's significant. And in the quality of life area, I think it's dramatic what the fund has been able to provide as well. The report, I think, is excellent for helping in those areas, and I don't see . . . If there is confusion, with respect to the hon. member, it may be there, but I don't see it in this report and I don't see it in the benefits to Alberta. It is true that it would be easier to have a narrow thrust, but I don't think it would be as good for the people of Alberta. I think the way it is now seems to be very effective. Though if the committee debates this issue over the term of its assessment of the fund and wants to put a particular slant, I would certainly make sure that our government reviews that very closely. If the committee wants to shift from the balanced feature into a narrower scope or, say, put half of it into one and put only one-third or something into something else, we'd certainly look at it.

REV. ROBERTS: I appreciate that, and we will get into some of those finer details on those points.

I'd like to pose one other global or macroissue with respect to our fund, particularly vis-à-vis the Alaskan fund, where I'm told one of the features is how they've since depoliticized the fund by setting up a -- it's not just a rainy day fund for rainy days. Whereas we might have it for voting days, in a sense having the government using it at their whim for political purposes, in the Alaska situation they set up a board of trustees separate from government, with government appointments, of course, but it's separate from the treasurer and from the department of finance. This separate board of trustees is told the purpose of the fund, told the assets of the fund, and told to go about meeting the objectives as set out. As we know, as I said, in Alaska they're very experienced people who are goal oriented in terms of savings and investments. They've made good investments and they're able to return dividends to all of the citizens of the state on a regular basis, and the performance of the fund is measurable and well documented in that sense.

In contrast, we seem to be behind closed cabinet doors. The Treasurer -- I'm not sure what confidence he has, getting booed the other night at the forum. I tell you, when I have constituency meetings, people say: "Well, what's going on with that trust fund? How much is in it?" It's not just confusion in my mind; I think the Premier well knows himself that people don't know. There isn't a sense of ownership or involvement of the public of the province in the fund, and then the report does show how the fund in a sense is shrinking in terms of real value. So I think there might be some virtue in a board of trustees which is separate and has a single purpose and is told to go at it. I'm wondering why we haven't done that and if the Premier wants to re-evaluate the fund in that regard.

MR. GETTY: Mr. Chairman, how in the world whatever went on at some -- what was it? -- reform rally has anything to do with the trust fund, I don't know. The Treasurer was there: I guess that's the link, is it? That's a pretty tenuous link.

However, I don't think you can separate the responsibilities that as elected people you're given, and that is to manage the resources of the people of Alberta. I think it's a bit of a cop-out to say we'll just pass it off to some people who are appointed. I can't see that at all. We are elected by the people of Alberta to govern and to manage the funds of the people of Alberta. We do some through the General Revenue Fund, others through the heritage trust fund. I can't for the life of me see how we'd be living up to our responsibilities to just pass it off to somebody else. I'll wait to see what the committee feels on that issue, but certainly it would not be something I'd look seriously at.

REV. ROBERTS: And I thought a board of trustees was a way this government liked to operate hospitals, universities, and other investments in the province. I can't see why it's passing it off in that sense.

I guess, finally, from this document, which I found to be very helpful, one of the consultants to the Alaska Permanent Fund writes that:

The Alberta fund has been used as an illustration by the Permanent Fund trustees as an example of how not to run an income producing investment fund.

I found that to be quite an indictment, that these big-time American consultants should have such a negative view of how not to run an income producing investment fund.

There are other reasons for it, for their reasons in saying that, but I guess my question is: will the Premier, at least through Executive Council, give some way to bolster what both the Auditor General and others are doing, to be able to really look at the assets of the fund, to measure it to see just how well it is running as an income producing investment fund and if there aren't better ways as good stewards of this fund to invest some perhaps outside of the province in other ways, to make sure that we're getting the best return on our investment at, say, 2 or 3 or 4 percent above inflation on an annual basis or something that's going to be measurable and attainable and stand up in the global money markets.

MR. GETTY: I guess we're going over the same ground twice, but I'll come back that this is not a narrow income producing investment fund; this has more things that we're trying to accomplish with it here. And if the individual, whoever it is in Alaska or referring it from the Alaska fund, is talking about just the narrow income producing feature, he's comparing apples and oranges. That isn't what this fund is set out to do. That is part of it, as I said, but we balance it. And you only have to look at and review some of the investments, as I gather you have -- you've looked at the cancer research; you've looked at Kananaskis; I understand you'll look at the medical research here -- and I think you will have your mind changed dramatically. By the time you have finished a year on this committee, you will probably be saying, "Gosh, you guys are really doing it the way to go." But I'm serious about the feature of the balanced approach.

MR. CHAIRMAN: Member for Lacombe, followed by the Member for Edmonton-Meadowlark.

MR. MOORE: Thanks, Mr. Chairman. Good morning, Mr. Premier. I'm glad the previous speaker got on the revenue area of the fund because I'd like to come in on that area a little too.

In the general public's eye there is a concern about the value of the fund. We know that there is no more revenue going into it at the present time and the interest is going into the general fund. The general public, because the media and other areas are portraying the fund as a diminishing situation and the fact that most people do not realize that the sole purpose of the fund is to raise money . . . That's not the sole purpose of the fund. But to a lot of people -- the previous speaker seemed to demonstrate that, that it was an area that this was here to raise money rather than serve Albertans. So I'd like to know, Mr. Premier, your opinion on whether we are adequately portraying that fund to offset these sorts of images that are out there.

MR. GETTY: Well, there's always some frustration in direct communication of something that is as comprehensive as this fund, with the variety of investments and the variety of initiatives that the fund is able to accomplish. I have expressed in the past, when I've talked to this committee, that if they can provide us with recommendations of ways to make those communications better with the public, I certainly would look seriously at any communication initiatives, because I think it's such an exceptional part of Alberta. It is something that no other Canadians have, and it's had such a significant impact on our province that it's a frustration when we can't communicate all those benefits clearly all the time to Albertans. Your committee can do some of it, or we must do it as members of the Legislature, but there's no question that there are times when that communication isn't completely successful.

MR. MOORE: A supplementary, Mr. Chairman. There's this one area that keeps recurring, and we have not put it to bed. I'm sure that some members here will bring it up. It is the question of deemed assets and how they're reported. It seems to be kept alive mainly by academics, whether they are from the U.S. or Alberta. They seem to come in and indicate that these deemed assets are not reported properly in our financial statement. However, when I looked at the financial statement on page 33, on the balance sheet it clearly indicates Deemed Assets, and it refers to Schedule 6. I think any Albertan or any academic should be able to turn to Schedule 6 on page 46, and it gives a complete breakdown on that.

When I look at it, Mr. Premier, the '88 values and the '89 values are listed there, and not in one case has the value of Deemed Assets gone down. These have remained the same or increased slightly. They are an asset to Albertans, and they are listed adequately there as they should be in a financial report, yet we still have this continuing image out there that we're misleading the public. Mr. Premier, what more can we do to give true, honest information to the public that will offset this negativism coming from, as I say, academics and supported by the media?

MR. GETTY: I guess it will always be a matter for discussion in this committee and perhaps in the Legislature, because this committee's a creature of the Legislature. I think when you look at page 35 and 33 before it, it clearly sets out the makeup of the fund, and I don't believe there is a way in which it could be more adequately set out. I know that we have the opinion of the Auditor, but you know, that has changed over the years, and

the business of auditing and accounting changes from time to time. But in thinking of the communication to Albertans, I think it's perfectly clear how the fund is made up, what portion is in liquid assets, which is invested and bringing in revenues, and what portion is the deemed assets. I'll look forward to any recommendations from the committee, but I think it's done very well now.

MR. CHAIRMAN: We'll move to the Member for Edmonton-Meadowlark, followed by the Member for Calgary-Fish Creek.

MR. MITCHELL: Thank you, Mr. Chairman. Mr. Premier, just as a point of information, you mentioned that Alberta is the only province in the country that has the benefit of a Heritage Savings Trust Fund. In fact, Quebec has a very similar fund. They don't call it a savings fund -- they call it a pension fund -- but it is bigger proportional to their population than our fund is to our population, and it does many of the things that we would in fact all like to see the heritage trust fund having done.

One of the concerns that I encounter with my constituents and with people in Alberta is a question they ask, and that is: what, really, are we earning on that fund? There are figures that I find very disturbing. In 1987-88, which is the last year in which we have complete data on both the heritage trust fund and each of the Crown corporations it has invested in -- so I can make some comparative points that I would ask you to consider -- in that year the Heritage Savings Trust Fund transferred \$1.353 billion into the General Revenue Fund. A good portion of that income, of course, was paid by the five Crown corporations in which the heritage fund has debentures. However, those five Crown corporations, in total net, lost \$304 million. In fact, if you exclude the ones that made money, the losses were considerably higher than that: somewhat in the order of \$430 million that three of those five Crown corporations lost. What I'm saying is that on the one hand the government wants to say that they have done an excellent job of investing the money of the heritage trust fund. In that year in this report they tout an 11.4 percent return on the financial assets of the heritage trust fund. If you exclude the losses of three of those Crown corporations from that, in fact the return is about 8 percent.

One, I would ask that the Premier confirm that 8 percent, and two, give us some clarification of how he feels about the quality of earnings and what he's going to do about a situation where the fund pays to general revenue earnings that it has earned on debentures from Crown corporations and then general revenue in turn subsidizes those Crown corporations so they can pay the return.

MR. GETTY: Well, Mr. Chairman, we've had this discussion before in the committee. I'm going to ask the hon. member to get into it, in terms of his details, with the Provincial Treasurer when he's here. But I find nothing wrong with having the government of Alberta, who guarantees the position of various Crown corporations, making sure that the investments they have in the heritage trust fund are solid and return dollars to the fund. I see nothing wrong with that.

MR. MITCHELL: That's disturbing in itself. It certainly means that those are not quality investments that provide quality earnings in the long term. Given that one of the objectives of the fund is to do that, to replace diminishing natural resource income, I think that's disturbing.

A second point . . .

MR. GETTY: Just one thing, Mr. Chairman, to the hon. member, and I know the Provincial Treasurer raised this with the committee last year. Remember, there are many investments in this fund which have increased in asset value that are not shown that way. The Provincial Treasurer made those points with the members last year.

MR. MITCHELL: It is also the case that the assets, for example, of the Alberta Mortgage and Housing Corporation haven't been written down anywhere comparative to market declines.

A second point that you made emphasized the value of the fund in diversifying the economy. In fact, if you look at this report, very little has really been put into diversification. Try as I might, I've added up about 10 percent of the assets which could be construed in any way as putting money into diversification. One area for the future that I and many Albertans -- and I'm sure you do as well -- believe is right for diversifying our economy would be business related to environmental protection, to recycling, and those kinds of initiatives, particularly with respect to recycling. I think there is a great potential for developing technologies to produce recycled paper of a high quality, to integrate recycled fibres into a virgin pulp-making process.

Could the Premier please give us his thoughts on emphasizing diversification, yes, but through environmental research, research into industrial development around environmental protection and environmentally sensitive industry?

MR. GETTY: I think, Mr. Chairman, it's an absolutely superb future diversification and economic development area for Alberta and Albertans, and I would hope we see that as a growing part of the economy of our province. There's no question that there's a greater attention to the environment now, but I would remind the hon. members that long before dealing with the environment was as popular as it is now, the Alberta government had the best legislation, standards, and controls in Canada. But there is now an explosion of technology, and I think that the hon. member is making an excellent point in this area and that we will want, through the trust fund, to make sure that we're on the leading edge in this area. I think he's on a very good point. I hope you will have the Minister of the Environment somewhere on your schedule, because in the area of recycling he is now bringing a proposal of options to our cabinet, and ultimately to our caucus, that I think will be a very comprehensive program that the members will be pleased to see.

MR. MITCHELL: Thank you. It's been brought up already by my colleague from Edmonton-Centre: the concern with the structure of the fund. The Quebec model indicates a private-sector board with a chairman of the board, a president, who runs their fund, similar to the case in Alaska. Quebec was very careful to structure distance from political influence, and in fact one of their initiatives is that the president, the chairman of that fund, is appointed for a 10-year term and can only be 'unappointed' -- dismissed -- with a two-thirds majority of the Legislature.

I'm concerned that the fund is too closely directed by political influence, that it is a politician -- a minister: the Treasurer -- who runs it, and that a great deal could be gained by having some distance from that kind of political influence. The Premier

answered by saying, well, you know, he believes the people want politicians who are accountable to run that fund. One, accountability can be achieved by the two-thirds majority initiative, and two, that statement is a direct contradiction of the Treasurer's and the Premier's positions on how we run Vencap, how we run the Treasury Branches, for example, both of which have been carefully structured for arm's length from the government. Would the Premier please comment on that and perhaps reconsider structuring the fund further from political influence?

MR. GETTY: The hon. member, Mr. Chairman, has been referring to Caisse de depot in Quebec, an organization I know very well. I've been involved with them many times, prior to coming back to public life, in dealing with investments across Canada and corporations that I was involved in. They have nothing like our policies involved in the Caisse de depot. It is a completely different management of pension funds. It has none of the initiatives that this fund has, and to draw parallels to it I think is just trying to compare apples to oranges, as I mentioned to the other speaker who talked about this being just a revenue producing fund. When you look closely at the operations of the Caisse, it's just not in the same ball park. I understand what they've done there, and I know the impact it has had in the private investment markets, and how it's operated. But I'd be very surprised if this committee would want us to move in the way they are, because you could take about two-thirds of the good things that are happening and shown so dramatically in this document and you could say, "They're no longer something we are going to be able to do with the heritage trust fund." And I think that would be a big mistake.

MR. CHAIRMAN: Member for Calgary-Fish Creek, followed by the Member for Calgary-Forest Lawn.

MR. PAYNE: Thank you, Mr. Chairman. I was interested earlier today to learn of the Member for Edmonton-Centre's admiring position with respect to the high-priced American investment consultants -- I believe that was the phrase he used -- retained by the government of Alaska, who apparently have spoken somewhat negatively about our fund's investment performance. If you'll allow me, Mr. Chairman, I couldn't help but reflect that if we were to bring those consultants with us or if we could have had them with us last week -- I can see it now. As we walked through William Watson Lodge, they would clutch our balance sheet and go "Tsk, tsk; this has not been a very good investment." Likewise, I'm sure if they had been with us in the Alberta children's hospital, they again would have said, "Tsk, tsk; this has not been a very good investment." Finally, if we were to take them to the banks of Fish Creek, which of course runs through the Fish Creek Park in my constituency and which at this time of the year is one of the most beautiful and inspiring resources we have in our province, I'm sure once again, with visions of subdivisions and pricey condominiums in their heads, they would say, "Tsk, tsk; this has not been a very good investment."

Mr. Premier, in each of the last several years, this committee has made recommendations about the goals and objectives of the fund. Two of our opposition colleagues today quite properly have raised the question of the goals and objectives of the fund, and I was heartened by the exchange between them and yourself as to the nature and purposes of the fund. I might refer you, Mr. Premier, to recommendation 8 of this committee's report last

year. Perhaps I could quote that for the benefit of the committee, inasmuch as we have some new members.

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.

That same recommendation was brought forward in 1988, and the Treasurer responded by saying that the government was continuing to review the future of the Fund. He said, as I recall, that public meetings and forums may be deemed appropriate.

Mr. Premier, I'm wondering, would you be prepared to consider implementing some formal review process such as a multi-sector committee to examine the longer term directions of the fund?

MR. GETTY: It will be given consideration, and is being given consideration, because we look seriously at every recommendation of this committee. You know on an ongoing basis, of course, that a government, through its contacts with business, with labour, and through its MLAs, is constantly reviewing how it manages its affairs and how it manages important parts of the government such as a trust fund. We have not gone to the more structured kind of recommendations that you are referring to and that I think were inherent in that proposal, but it is being considered. I don't know whether this committee itself could, in fact, provide us with some of those benefits rather than setting up another structure; that's one of the things we have debated as a government as a result of that recommendation. Perhaps the members could think about the potential for doing that as a committee. But we are considering it, and we have not discarded the recommendation at all.

MR. PAYNE: Mr. Premier, just for clarification. Were you suggesting that this select committee should modify or enlarge its scope so that it undertook this kind of review in consultation with representatives from the private sector or apart from such nongovernmental involvement?

MR. GETTY: I would think, if the committee deems it wise, that they could consult with anybody they like. They have very comprehensive terms of reference and might want, for instance, to invite the gentleman from Alaska to talk to.

MR. PAYNE: On that point, Mr. Premier, I was suggesting to our chairman that he send me up there to talk to them.

MR. GETTY: I will say this to the hon. member -- I mean, you made the point so eloquently about the value of the fund to Albertans when you talked about such things as the William Watson Lodge, the medical/heritage research, or a magnificent park, and those things. That's the point I was making with the Caisse in Quebec and the Alaska fund: they can only dream of being able to do those things; they can't do it.

MR. PAYNE: Finally, Mr. Chairman -- I'm hoping you didn't regard that last exchange as a sup. For several years the committee, I think, has been prepared to acknowledge that there's a risk of forum stacking by interest groups when you embark on a round of public meetings, rallies, and forums. There is that acknowledged risk. But despite the fact of that risk, this committee for several years has supported some kind of public review of the goals and objectives of the fund. In that context I'm

wondering, Mr. Chairman, would the Premier consider including public forums and meetings as part of the review process of the fund if it were in fact to be undertaken by this committee aided and abetted, possibly, by outside resources?

MR. GETTY: We'd certainly consider it, Mr. Chairman, but we constantly have, as individual MLAs, public meetings and forums in which the heritage fund is often one of the issues we receive input on. But, sure, we'd consider it.

MR. PAYNE: Thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you.

I'd like to recognize the Member for Calgary-Forest Lawn, followed by the Member for Ponoka-Rimbey.

MR. PASHAK: Thank you, Mr. Chairman. The Premier in his opening remarks commented on the state of the Alberta economy, and I think there is reason for a degree of optimism. The economy seems to be performing at the moment reasonably well, but this comes, in a way, as a bit of a surprise -- a pleasant surprise albeit, given the flatness in the oil industry that the Premier referred to. It does seem, to me at least, that we have a declining industry on our hands. We have maybe eight or nine years left of discovered, deliverable oil. As we continue to explore and produce, maybe we have about 30 or 35 years left of the kind of activity we've been used to in the past, and we don't have that much by way of natural gas reserves. We know that the burning of . . .

MR. GETTY: Pardon?

MR. PASHAK: We have about . . .

MR. GETTY: We don't have that much in terms of natural gas reserves?

MR. PASHAK: That are discovered and deliverable. We have about 72 trillion cubic feet, according to ERCB estimates, and we're getting close to producing about 4 trillion cubic feet a year now, which means that we've got roughly 16 or 17 years of deliverable gas. We've only had one really major find in the last 20 years in this province, the Caroline find. Maybe there's more gas to be found, but the point I'm trying to make is that we have an industry that's in serious decline. We have, as well, problems associated with the burning of fossil fuels. When I look at the Heritage Savings Trust Fund expenditures, we've committed \$500,000 to research into alternate energy sources such as solar and wind generation of electricity, mostly in the southwestern corner of the province.

My question really is -- and again it goes back to diversification and the nature of the Alberta economy -- through the Heritage Savings Trust Fund, is the province looking at any strategy that would replace the current direction of the conventional oil and gas industry in this province? It seems to me that we may want, given the potential in this province, to remain the energy producing province in this country. But this isn't going to happen, it seems to me, without some direction from the government and some involvement on the part of the government with the private sector.

MR. GETTY: Well, Mr. Chairman, the hon. member is cer-

tainly touching on an area of concern, and that is the conventional oil and gas reserves eventually reaching a period of decline. But I only caution him that this goes in waves, actually -- the concerns in this area. I can remember not very long ago, certainly in the time that I've been in Alberta, when people said there was no sense drilling in Texas and Louisiana and Oklahoma anymore, that they'd been drilled out. And when the prices increased, there was tremendous activity and tremendous results. There's no question in my mind that the same thing, to a much greater extent, is possible here in our province. You can put your hand on an oil and gas map and not touch a drilled well that went anywhere below 1,000 feet, and have huge potential for huge reserves that people can develop with new seismic and geological theories and so on. So I only caution the hon. member in that regard, because people have written off oil and gas prone areas before and had them, with the incentive of price -- and that's really the key, I think, that we have to look at here.

In terms of natural gas we've been facing, over a period of time now, the so-called bubble in the United States. Everybody has been predicting when it's going to end. I think, as these things often do, they end before you realize it. It isn't some big bang, when you suddenly say, "It just ended." It ends before you know it, and it has ended in the United States. The demand for our natural gas reserves and the plans that the energy companies are now contemplating for drilling for natural gas are quite dramatic, and I think we are going to have a pickup in that activity.

I only want to talk briefly about the conventional oil and gas, but I want to also come back to the other oil and gas resources that we have, particularly the heavy oil of the Lloydminster type, the heavy oil in the area of Bonnyville, and then of course our resources of the Fort McMurray type and the Peace River reservoir types. We're just on the verge, I think, of tremendous investments in those areas as well. So in terms of the government I think we have to make sure there's a balance of incentives, rewards, for the risks that are taken, but I haven't -- and I'd be interested in hearing if there is a way that the heritage fund might make the conventional oil and gas business more attractive. I think, really, it's a matter of risk and rewards that the marketplace will provide.

MR. PASHAK: I think that we as citizens of the world have a very serious problem on our hands that has to do with the burning of fossil fuels. The hole in the ozone layer is a result of the production of carbon dioxide which occurs as a result of burning coal and oil and gas, and I think governments have to take a look at that question. That's why I was raising the question with you as to the extent to which dollars from the Heritage Savings Trust Fund are being used to look at alternate sources of energy that don't have these serious environmental consequences.

But back to your answer. You mentioned McMurray, the tar sands, heavy oil deposits, and of course the OSLO project which, in the short term at least, will have some real economic benefit to Albertans, and I want to ask a question with respect to that in terms of what is the contemplated commitment from the Heritage Savings Trust Fund to this project. But before I put that question, I'd like to -- well, I guess it would be a post-preamble or something; I don't know what you'd call it. In any event, it looks like that project may be running into difficulties, at least at the federal level, because the federal government, under the trade agreement, is restricted to only putting public dollars into projects that are, in a sense, regional development ac-

tivities as opposed to investment activities -- or at least that's one interpretation of the trade agreement -- so that already the Economic Council of Canada has indicated that this project doesn't have a priority for the federal government for that reason. This hasn't been declared an area that needs, you know, regional economic development help. There was an announcement yesterday with respect to perhaps a delay of up to two years before there would be a firm kind of commitment to go ahead with this project. So given that, what is the role of the heritage trust fund, then, in terms of supporting the OSLO project?

MR. GETTY: Well, Mr. Chairman, we aren't given that; we aren't given what the hon. member said. Just this August I met with the Prime Minister in Red Deer, and one of the key matters we discussed and both he and I confirmed publicly is the complete commitment of the federal government to the OSLO project, to the Husky upgrader, and that they are pressing forward with their investment there with complete commitment. So we aren't given that it's going to slow down or not go ahead. It's needed. The key factor is that our Energy Resources Conservation Board points out that demand is up here and the very conventional decline that you talked about is putting supply down here, and the only way we're going to close that gap is with oil sands plants. Yet they take us six to seven years years to build, so we already have to be building now for 1996. That's why they must be committed to OSLO.

I would like to see more projects start in Fort McMurray or Peace River type oil sands developments. I'd like to see it -- and I think, Mr. Pashak, you've heard me say this before -- just at the time when it looks like the Middle East could once again start to have its hands on the throat of the free world in terms of energy supplies, that Alberta had supplies coming on not just to serve our own self-sufficiency but to be able to aid us in our trade and our ability to market our resources throughout the world. I think it would be one of the greatest assets we could have right at that time. So there is no lack of commitment at the federal level or the provincial level.

Now, I recall last year when I was with the committee, I had been into the details of OSLO right at the time. I don't have them all in mind right now, but I do know roughly a billion dollars from the heritage fund will be committed to OSLO over the years, with a return of something like \$37 billion, under a reasonable price forecast. So I think the heritage fund will play an excellent role in the development of that resource.

MR. PASHAK: Final supplementary then. With respect to an investment in a project such as OSLO, has the committee of cabinet that looks at heritage trust fund investments ever considered doing value-for-money kind of audits in advance of these investments, bringing in, say, outside firms of chartered accountants to take a look at whether or not this would be a wise investment on the part of the government from the point of view of getting a return commensurate with their policy expectations?

MR. GETTY: Yes we do, Mr. Chairman. I'm not sure whether I could make a specific reference to a study of a firm, and perhaps the Provincial Treasurer will be able to help you with that. But certainly, when we are evaluating our participation in, say, OSLO or the Husky upgrader, we are getting outside advice, definitely.

I only want to say one other thing to the hon. member about

our resources. The United States right now has aircraft carriers steaming through the Persian Gulf to protect their supplies of oil from the Middle East, and there's no question in my mind that the United States is becoming more and more reliant on the Middle East for supplies. It's dramatic; I think up to something over 60 percent of their use now is foreign supplies. With that sensitive potential for racial and government upheaval in those areas, I think they've got to be thinking of the strategic defence of their nation and they've got to be looking at a neighbour and friend like Canada where you can provide a larger amount of their supplies by pipeline on a secure basis. I think you're going to see a greater desire on their part to invest in those types of resources on a long-term basis in Alberta.

MR. CHAIRMAN: Thank you, hon. member.

Just prior to calling the next questioner, with the committee's indulgence I'd just like to digress for a moment and advise the group that has just joined us in the gallery that they're visiting the hearings of the Standing Committee on the Alberta Heritage Savings Trust Fund Act. We have before us this morning our Premier, the Hon. Don Getty, who has come before the committee to give us some understanding of the status of the Heritage Savings Trust Fund and perhaps give some direction as to where it may go in the future. We're pleased to have you join us this morning, and we'll now move on to the next questioner, the hon. Member for Ponoka-Rimbey, followed by the Member for Clover Bar.

MR. JONSON: Yes, Mr. Chairman. Last year, I think it was, the Hon. Ray Speaker noted that in several of the program areas that are targeted by the Heritage Savings Trust Fund, it was his understanding -- and it was verified in our discussions -- that there are also federal government funds available that could be applied in those areas. When this was raised when the Premier was with us last year, Mr. Premier, you indicated that the Hon. Jim Horsman, Minister of Federal and Intergovernmental Affairs, was going to be assigned the task of reviewing that situation. I guess, Mr. Chairman, to give added emphasis to that issue being raised, the committee itself passed a recommendation that stated that strenuous efforts be made to obtain a formal refusal of federal funds prior to commitment of Alberta Heritage Savings Trust Fund resources to that particular capital project.

My question, Mr. Chairman, to the Premier is: first of all, could he update us on any activity that has taken place in that regard over the past year? Because I might add, Mr. Chairman, there was evidence brought before the committee that at least indicated that there seemed to be a tendency or a trend in the direction of the contention that Mr. Speaker was raising with us.

MR. GETTY: Well, it certainly was a matter that was brought to our attention by this committee, and you'll recall our discussion on it. I will try to -- first, Mr. Horsman on a co-ordinating basis, in his general responsibility for intergovernmental affairs, conducted a good discussion in our cabinet, and we were able to identify with ministers. But the departments then, within the co-ordination of Federal and Intergovernmental Affairs, would pursue certain areas of federal funding. That has happened, and I think it was a valuable recommendation. It really is just to bring back to people's minds and make sure you don't overlook anything, and Mr. Speaker, of course, is now in a position where he can do even more about it. But at the time I also raised with you a caution, and that is the caution that while the funds are

there, they usually have a federal or a national twist to them that can distort your own desires and principles. That is, to get the funds, you accept their reasons for putting them forward, and you have to shift what you are going to do in order to get those dollars. I think that if that happens, if the old lure of a 50-cent dollar causes you to do things that you otherwise would not do in your province, then it's a mistake. So within that caution plus thanking the committee for highlighting this again, it was a helpful exercise that we went through and are going through.

MR. JONSON: One supplementary, Mr. Chairman. In the course of that review, was any conclusion reached that would have said that the very existence of the Heritage Savings Trust Fund was in any way an impediment to getting federal funds? Let's say that there was a federal program where the objectives at the federal level were not contrary to ours.

MR. GETTY: No. I don't think the heritage fund, in fact, was a reason for not getting them. I think the federal programs are delivered in a way that while there may be a bias towards areas that are not as financially sound as Alberta in the creation of the program, once the program is created, there isn't a second level of bias put in, no, in that we're able to obtain the funds.

MR. JONSON: Thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you.

Member for Clover Bar, followed by Member for Wainwright.

MR. GESELL: Thank you, Mr. Chairman.

Good morning, Mr. Premier.

MR. GETTY: Good morning.

MR. GESELL: Before I get into my question, I'd like to maybe make a few comments about the investigative tours we've had. I'd like to say to you, Mr. Premier, specifically that I feel we in Alberta are extremely fortunate in the resources and the opportunities and the potentials we have that have been realized through this Heritage Savings Trust Fund. I speak of the services, the quality of life of all Albertans, the economic opportunities: investment, research and development, and so on. All of my three questions are related somewhat to the goals and objectives of where we're heading.

On the first one, diversification. In your remarks last year you placed some emphasis on diversification: tourism, forestry, research and development, commercialization of that development, processing of agricultural products, and so on. I think we've seen the results of that emphasis, and you've alluded to that in your opening remarks: the low unemployment rates, the growth in the province. We're fortunate in that. My point -- and it partly has been covered by the Member for Edmonton-Meadowlark -- is: where are we going to place our emphasis for the coming years? The point that was raised by Edmonton-Meadowlark with respect to the environment is an excellent one. I truly agree that in two aspects it is important to us, both from conservation and preservation of our environment, but also as an economic opportunity as well. I see that quite clearly, and I want to elaborate on that. But I also see a secondary emphasis, and that's in education, the future of our children and those that'll be coming in the future generations. I think that is critical

as well.

On the environment, Mr. Premier, I see conservation and preservation as something that is becoming more and more critical and more people becoming aware. I know in my constituency they are. I see efforts such as the lightning-strikes detection technology that we have in place in Alberta as one of those that preserves our forestry resources. Is it the intent to go further with some of that conservation and preservation strategy? Secondly, allow me . . . Okay, I'll stop there.

MR. GETTY: Well, I think that in this whole area of technology we are going to have a greater and greater emphasis through the trust fund and through government initiatives in the general revenue areas as well, in departments. I think you'll find that raised again and again. I know that when you have, and I'm sure you will have, the Minister of Technology, Research and Telecommunications, who will have the overall responsibility of co-ordinating in this area, you will find that the government's commitment is going to be more and more significant.

The environmental technology: I'll just confirm again that I think the Member for Edmonton-Meadowlark has made an excellent point that you supported, and we will be moving in that area. I don't have individual, detailed items to tell you about as to how it will go, but I'm sure you will find, as the ministers come and talk to you, that we'll cover almost every area, but we will probably get some good advice from your suggestions.

I understand you are going to go to the medical research facilities at the Mackenzie. It's quite a feeling to know that all of that research is going on. You get a tremendous sense of elation or satisfaction when you see a breakthrough, as we've made with diabetes research. I mean, that is a breakthrough completely funded and as a result of the initiatives of this medical research fund of the heritage trust fund. You know, that's really when you see the thing starting to come home and the impact being made, when you hear young people talking about how that's going to change their lives forever and the fact that it happened here. It's just like the tip of an iceberg that that breakthrough is now going to cause more and more in that area of diabetes. Well, I think we are seeing those kinds of things coming out of that Alberta Heritage Foundation for Medical Research, with tremendous excitement in the coming years.

MR. GESELL: Thank you. Mr. Chairman, the second portion of that relates to the economic opportunity that I see in waste management, as I call it, and I don't want to limit myself, as the Member for Edmonton-Meadowlark has indicated, to just recycling. I think there are diverse opportunities there in composting, recycling, incineration, and a host of techniques that I think we need to apply in combination in order to solve some of our problems, protect our environment. I see this as an industry, as diversification. It creates employment. I would hope, Mr. Premier, that there may be some emphasis placed with respect to investigation of those techniques and some leadership in that. I draw particular reference to Motion 208, which I was fortunate enough to introduce in the Assembly, which urges the government to undertake those different investigations.

MR. GETTY: Mr. Chairman, one area that I think really deserves some serious attention is the whole area of landfill sites across Alberta -- and the member is really onto this issue -- because we just can no longer go on selecting secluded spots and trying to cover or bury or in some way, with windbreaks and

forestry stands, hide away where we are putting our waste. Now, we are the leaders in hazardous waste disposal, and I think we have to be able to accomplish more in the area of our landfill sites. Technology must be here to do better than that. I know that when you run into the "not in my backyard" syndrome all across this province, now, you have to realize that we must need a comprehensive program of burning or using some other technology to eliminate those landfills.

MR. GESELL: Thank you. I will save my questions on the education portion for the appropriate time, but I want to shift a little bit, with your permission, Mr. Chairman, to foreign investment of some of the fund, and I wanted to get some opinion from you, Mr. Premier.

So far, almost all of our fund is invested in Alberta. The Treasurer has suggested that the government should perhaps allow a much larger share of the fund's investment to be made up of national/international stocks. I think there was some comment in the *Edmonton Journal* on June 20. The diversification beyond Alberta I feel might provide greater stability and maybe some greater revenue, but I have to be honest, Mr. Premier: that is not really the feeling of my constituents. They would like to see the fund invested in Alberta. But my question to you is: do you feel the fund should be more diversified beyond Alberta, or should we concentrate on Alberta solely?

MR. GETTY: I think the fund should be invested in Alberta to diversify and provide jobs for Albertans, except for the area which is that portion that's invested in, I would call, the stock market. I think the largest market in the world is the United States, with some argument there about whether the Japanese market is as big and has as many opportunities. But I think that when you're looking at that part of the fund that is invested in market securities, it has to be spread more than just in the Canadian stock markets -- just good balance, good sense of where the real growth companies are and where the growth opportunities are required that those funds be invested on a global basis.

MR. GESELL: Thank you.

MR. CHAIRMAN: Member for Wainwright, followed by the Member for Edmonton-Meadowlark.

MR. FISCHER: Thank you, Mr. Chairman, and good morning, Mr. Premier.

MR. GETTY: Good morning.

MR. FISCHER: I, too, would like to mention that our tour that we had so far -- and I was on the tour we had last year as well, and we've gone to different facilities, and it really gives you a nice feeling when you see the investment we have put into this province.

My question is a little along the line of one of the recommendations we had last year, and I'd like to read it. It's recommendation 42, and it asks

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.

Now, I believe we've done an excellent job in investment and

diversifying. I think of our objectives of the fund, and one of them is to save for the future and the other one is to strengthen and diversify our economy. I believe that now we're beginning to see a lot of the results of our wise investment, and of course we still do have a deficit that we have to address. Are we getting close to the point to shift over a little bit more to emphasize the save-for-the-future objective? Could you enlighten me just a little on that?

MR. GETTY: Well, the problem is, of course, that when you're in a deficit position, the only way you can build the fund would be to borrow money to put into it, and we have taken as a decision of our government that that isn't the wise way to do it. The easy decisions with the fund were made years ago -- by "years ago" I mean four, five, or whatever those years were -- one, to reduce the amount going into the fund and take more into the general revenues; secondly, to take the income from the fund and put it into general revenue. When I say easy decisions, they were big decisions, but they were easy in that they were nice things to have happen to the General Revenue Fund, to suddenly have a new \$1.5 billion that hasn't been coming into general revenue suddenly appear. The tough decisions are, for instance, to cap it, because we are in the situation of in one year losing \$3 billion of revenues in our budget. We had no choice, in my mind, but to cap the fund.

Now the squeeze and the balance must be exerted to maintain enough in the income area to be able to keep bringing in the \$1.2 billion or \$1.3 billion. If, as you're saying, perhaps we get the economy surging here, maybe more can be done in the area of income and less in the area of diversification. I guess that's just going to be a judgment both by this committee and by our government under the conditions we face, except to say that some of these investments have to be made so far in advance, such as the OSLO investment, where you start to invest next year and the next year for seven years before you start to get your revenues back. Albeit very large revenues, they are out into the future.

MR. FISCHER: That kind of leads me a little bit, then, over to -- and I'll just use Syncrude as an example. We have invested and taken an equity position in Syncrude, and certainly it has been a very valuable one to the economy, and it's beginning to pay some very good dollars back into our heritage fund again. We are investing in Lloydminster and OSLO, and I like the idea that we take an equity position rather than sometimes we get into loan guarantees that might be a little along the line of helping them. Have we considered, I suppose, phasing out of some of those? The difficulty with the equity position, of course, is competing with the private sector. Do we consider phasing out of some of these kinds of investments and putting the money back into the heritage trust fund, maybe accumulating more dollars to help us with our general revenue budget? I'd like your thoughts on that.

MR. GETTY: I'd be pleased, Mr. Fischer. I think you've raised a key one, the Syncrude investment. It is one, I think, now due to be reviewed for sale. We are not as a government and I'm sure this fund really was not seeking to own an oil sands plant but rather to have one developed. As it is, it has turned out to be a very good investment, but I think it begs the question now that if you were trying to start one, not own one, then obviously you've got it started, you've got a return on your

investment, time to sell it and have another one started or have something else generated that helps with economic development and diversification. So I think that decision is now before us.

One of the problems with it over the past several years has been getting the value from Syncrude when the price is down. Having to sell it in a period of depressed prices, you just aren't going to get the real value from people who are trying to buy things at depressed market levels. But the price has stabilized, and I think forecasts now . . . People are feeling more secure about future prices, and I think it brings us to the point of decision on Syncrude. And there may be others. Those dollars then go into other areas. I think we definitely have to make that decision.

MR. CHAIRMAN: Member for Edmonton-Meadowlark, followed by the Member for Edmonton-Centre.

MR. MITCHELL: Thank you, Mr. Chairman. To the Premier. An area that is emphasized by the fund's investment is medical research, and I think it's one of the achievements of the fund. One area of health care that I believe requires attention is sudden infant death syndrome. Unbeknownst to many people, one out of 500 children in Alberta dies each year from that syndrome, which is one of the most if not the most significant causes of death in children under one year of age. Not a great deal of research funding and attention has been applied to that problem. I'm not asking for a commitment on the part of the Premier; I know it's a specific question. But I would ask whether the Premier would ensure for this committee that as he and his Treasurer consider priorities for medical research within the heritage trust fund and, parenthetically, elsewhere, he would consider placing that on the priorities list so that it begins to receive consideration.

MR. GETTY: Yes, Mr. Chairman. I guess I can only join with the hon. member in expressing concerns about that disease that strikes children. It would be something, first of all, that I'll raise with the Minister of Health, who has ultimate responsibility in the area, but I hope the hon. member will raise it as well.

I was just recently at the opening of the cardiovascular section of the Foothills hospital in Calgary and had an opportunity to meet with some of the researchers who were there. It's remarkable how many of them said -- and these are superstars of research -- "We came here because of that medical research fund." They look on Alberta as the place that's ahead of anywhere else in North America. That's in the Foothills hospital, which is a superb research facility; the Mackenzie Health Sciences Centre is another superb research facility. So it may well be that they can develop within either of those two hospitals a specific direction along the lines the member has recommended.

MR. MITCHELL: Secondly, with respect to the government's commitment to providing a \$200 million endowment fund for the Alberta Family Life and Drug Abuse Foundation, I wonder whether the Premier could comment on this potential problem. I believe that AADAC has distinguished itself in many respects in fighting drug abuse. I believe that the initiative undertaken by the Premier and announced in the February 17, '89, throne speech is admirable and would enhance or at least supplement the activities, obviously, of AADAC. Could the Premier please comment on why it is necessary to establish a parallel bureaucracy and whether he feels there is a danger that, one, we

would undermine what AADAC is already capable of doing; two, we would duplicate that; and three, we might actually end up sending more money to administration and less money to the front lines of a program of that nature?

MR. GETTY: Well, I agree with the hon. member, Mr. Chairman, that if we aren't careful, there could be some duplication, but we're going to be careful. I hope that together we will make sure we're careful. I want to have AADAC continue, clearly, as the delivery mechanism of our government in the areas of alcohol and drug abuse. In the endowment I think we just don't have the answers, and people are groping for the answers all over the world. I think we have to know, and we have to have the research being done that can give us some new ways of tackling this whole area of substance abuse and its impact on our communities and families.

Actually, it seemed to me a natural when the heritage fund is here to help make strong communities, strong families, a strong future for Alberta. If there's one thing that can be undercutting the future of any part of North America and, I guess, other parts of the world, it's this problem with substance abuse. We tackle it now through AADAC at I think it's grades 6 and 7. As I've said publicly, maybe we will find that the place to start is when you're three years old. I don't know, but I do know that the world is now starting to focus in on what a menace this is. We just have our neighbours to the south moving dramatically on it. You may have noticed that we have shifting now in the public's concern. Even past the environment is the concern for substance abuse and its impact on our country.

So Alberta I hope is going to be in the lead here. If you would consider that we'll try and develop this along the lines of the medical research foundation, which is not in the delivery of programs but rather in the area of making breakthroughs on how to deal with them on a longer term basis, with one small exception and that is not to have it just in the hands of researchers. The foundation, I hope, will also be able to provide guidance to AADAC in more than just pure research.

MR. MITCHELL: Thank you. I wonder whether the Premier could apply some of that money to figuring out how to prevent MLAs from abusing tobacco in this very Chamber. That wasn't a question.

AN HON. MEMBER: Fine them.

MR. MITCHELL: Fine them: there's an idea. And put the money into the foundation.

The third question. During our tour of Kananaskis it was apparent that that's an extremely well developed, thought-out park. There appears to be demand for even more such development, certainly for campground sites and maybe even for golf spots and so on -- not that we would be advocating that, probably, in a time such as this economy is experiencing. However, could the Premier please indicate the extent that money would be available for further development of that kind of facility? Would it be his philosophy to expand Kananaskis or to consider a development not of that scale but an initial development of that nature in northern Alberta, not too far from Buffalo Lake?

MR. GETTY: I don't know about Buffalo Lake, but if we have Mr. Moore continue to push for the stabilization of Buffalo Lake, I'm sure that'll help tourism as well as recreation facilities

in central Alberta.

I lean, I think as the hon. member does, to moving somewhere north of Red Deer with that type of development. We have had quite an intensive series of projects go into what we can refer to as southern Alberta, and I think the time has come to make sure that if we can . . . There is the natural beauty, of course, of the Kananaskis area, and therefore it just gives itself towards that kind of development. But I think there are natural, beautiful areas in northern Alberta — when I say northern Alberta, I'm just talking Red Deer north — that we should be able to look at and see if the funds are available that we can have some type of development that matches Kananaskis, perhaps not by the mountains but in some other way.

MR. MITCHELL: The ravines of Edmonton-Meadowlark are a natural beauty.

MR. GETTY: Well, of course, there are quite a lot of requests for continual expansion of the Capital City Park as well.

MR. CHAIRMAN: Member for Edmonton-Centre, followed by the Member for Calgary-Fish Creek.

REV. ROBERTS: Yes. Mr. Premier, I'd like to get back in a sense to some of these goals and look at how we can measure performance of the fund and so on, but before I do, it's just a question swimming around in my mind. I'm just wondering whether you might have any comments about what might seem as a superficial question. But in your time as Premier or understanding of the history of the fund, has there ever been any kind of polling done with Albertans or any survey taken with respect to what Albertans out there actually are thinking about, what their perceptions are, what their ideas might be for the fund? I mean, we made a lot of assumptions today that it's doing good work here and there, but I'm just wondering if any kind of scientific and polling data has been accumulated at any point.

MR. GETTY: This is subject to checking, but I think there is. I believe there is. I'd ask you to raise it with the Treasurer, and I'll check and pass on your question to him. It seemed to me there was something back where either the Public Affairs Bureau or some arm of the government conducted a poll, a survey I guess it is. Mind you, we have polls every three to four years which indicate what people think about these things, but I would think that by looking back, there may be something that could be helpful to the committee.

REV. ROBERTS: Perhaps even updating it in a way that this committee could look at.

MR. GETTY: Or conduct a survey.

REV. ROBERTS: Good, because I think it's useful as an Albertan, nonetheless as an MLA, to have that kind of accountability. I think one of the things my constituents would like to know is — and I think you did use the word before — about a plan. But I think that with such a huge nest egg it'd be interesting to know what the government not just is sort of putting money into but the kind of performance standards, the plan, the strings that are attached so that it's not just money going into Kananaskis Country, as beautiful as it is, or into medical research, as important as that is, but that there's a sense of what's

measurable in terms of the impact of those dollars flowing in that regard.

I'm getting back again to the objectives. I'm just wondering, for instance, in the diversification area whether in fact the Treasurer or yourself or cabinet have looked at, in a sense, a tangible number of jobs that need to be created because of that investment, or the percentage growth in gross provincial product that's going to be resulting — something tangible in that way — or quality of life. You know, we want to get a hold on crime or lowering suicide rates or drugs or increase our recreational ability. I mean, it's something tangible that can be measured over a five-year period or, getting back to the investment side, that we want, you know, a 5 percent return or some percentage above inflation. This is a tangible goal that we want to see achieved and then be able to measure that with, in fact, the performance of the fund. Has any thought gone into that kind of plan or performance standard setting?

MR. GETTY: Yes. I think we use yardsticks, definitely. But I caution you. You try and take a snapshot, for instance, of, say, your medical research investment. The day before you could have said, "Well, we've done a lot of research, but we have achieved nothing except that we've got ourselves closer to breakthroughs," and the day after you've got one. So it's a difficult yardstick in those areas which are very judgmental and also in the areas of the benefits to Albertans of a Kananaskis Park or a Fish Creek Park. Those are really difficult.

We may be able to measure something coming from the Family Life and Drug Abuse Foundation on a long-term basis of turning down the incidence of substance abuse and substance addiction — I hope we can — and family breakup and that type of thing. The one that obviously comes to mind more easily is in the revenue producing side, to measure it against others. The other, I think, is that we have a measurement today, that I referred to, in the diversification side, where you know and I know that with the energy industry flat and stability but some weakness in parts of agriculture we have an economy that's strong and healthy and a confidence in investment we would not have had four years ago. That's something that is measurable. You can see it.

REV. ROBERTS: I appreciate that.

I think there are some more questions there, but I'd like to get into another area which I think still springs from a sense of being fresh in the committee. I've tried to do some reading and some homework on this, but I don't know if I'm missing something, not sitting at those cabinet tables and knowing in a sense how the role of the trust fund is unique and separate from the role of the General Revenue Fund. I mean, there are a million and one good ideas out there, and I'm just wondering: what is the rationale, what is the criteria, upon which decisions are made to say, "Yes, this should be a project of the trust fund and not of the General Revenue Fund?" I think Kananaskis is great, but shouldn't that come out of Rec and Parks? Medical research is great. But I'm just not sure at what point the trust fund, in the mind of Executive Council, kicks in to fund a certain project and upon what basis that decision is made and what criteria and so on. Am I missing something, or is this . . .

MR. GETTY: It's something we've talked about before in this committee. A general rule, a guidance, is that if it appears to be an investment in the long-term foundation and growth of the

province, then the heritage fund, capital projects division, seems like the kind of place to put that investment. Now, I know that's a very general description and guideline, but it is one that guides us. For instance, the foundation of an individual line service is a long-term foundation of rural Alberta to provide them with something that we've all taken for granted in the cities. I think that's a natural one. Parks are another. Research hospitals, I think, obviously are another. There are some that are closer to the line, I guess you might say. Irrigation systems, I think, are another good one, long-term construction.

MR. CHAIRMAN: The Member for Calgary-Fish Creek, followed by the Member for Calgary-Forest Lawn.

MR. PAYNE: Mr. Chairman, I just wonder if I could let the Premier and the Member for Edmonton-Centre know that there was, in fact, formal survey research conducted on the fund in 1983 when I was the minister responsible.

MR. GETTY: By the Public Affairs Bureau?

MR. PAYNE: Yes.

MR. GETTY: So it is there and could be obtained.

MR. PAYNE: I don't think it will surprise the members that two most substantial results of that survey were: one, that there was widespread support for the concept of the fund in the province, like in the 90s; but there was also very substantial concern by individuals that they didn't really know how the fund was operating. We addressed in that year just all sorts of mechanisms. We had a grade 6 level annual report tucked in every daily newspaper. We had free sectional pamphlets in display racks at places where people line up. It's just an ongoing battle to try to achieve that level of understanding.

I hope this won't bleed away from my question, Mr. Chairman. I did want to mention that at dinner two nights ago, at which we had a very formidable after-dinner speaker from Stettler, I sat at a table of six or eight high-priced downtown Calgary business executives. I was astonished at the very fundamental naivety and lack of understanding about the fund. I seized that opportunity to elaborate, but I thought that somehow we've got to recreate the vehicles to deal with that kind of naivety and lack of information. As I indicated to you, Mr. Chairman, informally, when we meet with the Treasurer, I would like to develop some questions and comments there.

MR. GETTY: If you don't mind, though, I wouldn't mind going back and forth on this issue. Perhaps even our Member for Ponoka-Rimbey could tell us with his experience: is the fund on our curriculum?

MR. JONSON: No, not as such.

MR. GETTY: Well, that's something you might think about as a committee as well.

I'm sorry to interrupt you there.

MR. PAYNE: Well, I must be getting old; I keep harking back to eons past. But I harken back 10 years to when I was in your seat there, Mr. Chairman, and we had a wonderful colleague, Grant Notley. I believe it was he who initiated the phrase: this

committee is not a watchdog committee; it's a lapdog committee. Of course, countless journalists and countless opposition MLAs have repeated it in the decade since. In retrospect -- and I've undertaken a bit of a review -- many of the recommendations that the committees have made over the years have in fact either been overlooked or at least have not been responded to in any way. Even, I might suggest, recommendations that have been brought forward repeatedly by successive committees -- like recommendation 1 from the most recent report regarding public forums -- seemed to be passed over.

The Premier, I think, will be aware from the previous debates that members of this committee over the years have suggested that the committee needs more teeth, more binding power. That is to say, previous committees, and I suspect this committee, would like to see the committee's role redefined to a certain extent, at least to the extent that the investment committee, which is, in fact, Executive Council, would have some kind of statutory obligation to respond more substantively and to reflect in a more systematic way in policy formulation and investment initiatives the recommendations for the funds. Mr. Premier, knowing of your enduring support for the committee, what changes if any do you think might be made to avoid a continuation of these frustrations that have been sensed by this committee over the years?

MR. GETTY: I don't think I can just give you a quick answer to that. I can assure you that every recommendation is reviewed and responded to. You have it in writing. I see a summary here that Miss Cox was showing me: the update of the status of each of the recommendations made to date, in summary. I don't think it's quite the bleak picture you've just painted, frankly. It looks to me pretty good, if I read this right. One hundred out of 141 -- or is that a percentage?

MISS COX: No, that's the full 100 percent.

MR. GETTY: I'll take some time to look at that.

MR. PAYNE: [inaudible] I didn't realize it was that good. I'm happy to moderate the bleakness, but I'd still like to leave the point made on the table.

MR. GETTY: The point is well taken that you spend a lot of time, you review a lot of matters, and you talk to a lot of our Executive Council, and I can only assure you that every one of your recommendations is reviewed. Your number one, which you mention as, I think, a second tree nursery, is one that is right now under active review. There's some concern by the people where the nursery is now that they would like to see it expanded rather than another one built, but those are judgments that have to be made. I think it would meet the needs of the committee, perhaps, if it were doubled. It would do what they were looking for, although there may have been concerns about concentration and, therefore, disease or something hitting the whole tree nursery at one time. There's always the very object of diversification to prevent that from happening.

MR. PAYNE: No other sups, Mr. Chairman.

MR. CHAIRMAN: Thank you.

Member for Calgary-Forest Lawn, followed by the Member for Ponoka-Rimbey.

MR. PASHAK: With respect to the question just raised by the Member for Calgary-Fish Creek on recommendations being followed up by the Heritage Savings Trust Fund group, 11 recommendations went forward last year from the committee itself, but I must point out that those were recommendations that were adopted by the entire committee. There were some 30 other recommendations that were presented, mostly by opposition members, that didn't get by the committee.

MR. GETTY: I imagine other members' didn't get by either.

MR. PASHAK: Quite a few. In fact, I have to -- one of my recommendations actually got through the committee.

MR. GETTY: You might recommend that the stabilization of Buffalo Lake be in this.

MR. PASHAK: Just one final question on my part to the Premier. In posing the question, it doesn't reflect the view that I hold about the heritage fund itself. My question really is to ask the Premier to justify the continued existence of this project called the Alberta Heritage Savings Trust Fund itself. I raise that question because the fund was created in part to protect Albertans against a rainy day, and I think there's lots of evidence that it is raining out there. I mean we've been running a series of deficits over the last few years, and I don't think it would be too far off the mark to say that our current deficit position is in the range of \$9 billion to \$10 billion cumulatively and that we probably have another \$6 billion-plus in unfunded pension liability.

When we look at the real assets of the Heritage Savings Trust Fund from the point of view of being able to actually go out and sell those assets in a short period of time and recover funds, it would seem that our overall debt position is quite a bit in excess of the real value of the fund. So given that there are no further revenues, at least at this point in time, coming into the fund from the energy sector of the economy and that revenues that the fund itself generates are being transferred to the General Revenue Fund and that there has always been a concern that our overall financial position is somewhat distorted by the existence of this fund -- that is, that other provinces and the federal government tend to think we're a lot wealthier than we really are because the fund exists, which means that they're not too sympathetic when we ask for financial assistance in other areas of the economy. Given all of that, maybe it's time to think seriously about breaking down the whole Heritage Savings Trust Fund and transferring what assets that do exist here to appropriate departments and cabinet ministers for them to exercise responsibility on that basis.

MR. GETTY: Well, I understand the thought process that the member goes through, Mr. Chairman, and I think it's a valid thought process to go through. We haven't agreed that that is the right thing to do. The concerns he raises are those that we also think about, no question about it. We just don't come to the conclusion to do it. I think it's a thoughtful assessment. However, the conclusion isn't the same. I don't know what the real benefits would be of doing that. When you talk about the assets of the fund, I mean there are so many assets that we hold in trust for the people of Alberta -- or of the government, when you talk about the balance of assets and liabilities -- that are carried at \$1 or do not in any way have a real value placed on them.

I think you should be careful that you don't put yourself in a more pessimistic situation in terms of Alberta's assets and liabilities. Suffice to say we're far ahead of any other province of Canada.

MR. PASHAK: If I might just repeat the question. Maybe I lost it in the preamble -- or the 'postamble' again. What is your justification, then, as the Premier of the province for continuing to support the existence of the heritage fund?

MR. GETTY: Because it's working. It's doing what we set out to have it do.

MR. PASHAK: For my final supplementary then. Working in what sense, Mr. Premier? I'm just trying to get a . . .

MR. GETTY: I think that's excellent, and we should always rethink things we've had going for some period of time, but it is meeting its objectives of strengthening the Alberta economy, of providing a source of revenue to keep us from having to increase taxes. It's allowing us to have a quality of life that we otherwise wouldn't have. It is doing the things that we laid out for it as objectives, the very balance that I discussed with Rev. Roberts earlier. It's being achieved, and on a general assessment, while you might have arguments about individual parts of it, I think the committee must probably agree with that.

MR. CHAIRMAN: Thank you.

The Member for Ponoka-Rimbey, followed by the Member for Lacombe.

MR. JONSON: Mr. Chairman, just one comment, if I might be allowed, on the matter of publicizing the nature of the Heritage Savings Trust Fund. While it's not specifically dealt with in the curriculum, provincial government matters come up in grades 6 and 10, and I would hope that when MLAs are invited -- as they frequently are -- to speak to those classes, all MLAs would make it a point to emphasize the worth and value of the Heritage Savings Trust Fund. So it can be imparted in that way.

Mr. Chairman, I have a question. I'd just like to return to the topic of the Alberta Family Life and Drug Abuse Foundation as it's proposed. The member for Edmonton-Meadowlark had raised a number of questions there, and it's my understanding, Mr. Premier, that the minister's advisory committee on health will be asking for public input, the input of interest groups, so that the best strategy possible can be developed in terms of utilization of the funds that will be available. But I have one concern and, therefore, a question, and that is that while I think the approach to finding out a broad range of views on this initiative is very good, there is a bit of a concern out there as to just how this will be financed, where the money is going to come from, and so on. We know that it's coming as an endowment from the funds within the Heritage Savings Trust Fund.

My question is: has there been any definitive statement put out on the design or the way that the endowment will be structured and where the funds will come from and so on? It would seem to me that might be a good thing to put out there so that people would not have that concern on their minds when we get to the other part of the activity.

MR. GETTY: Well, there has in a general principle way, yes, both by the minister -- of course, we had a paper tabled in the

Legislature as well, and that's what is guiding the committee. But basically it is to develop in the area of family and drug abuse a companion endowment to the Alberta medical research foundation and to have the funds which would come from that endowment be accumulated and then invested in research and in guiding us with new family life initiatives and in tackling the substance abuse problems which are so rampant. I would not want to more narrowly than that restrict the opportunity for the board of governors, or whatever we would end up referring to them as, because I think we want a mixture of experts and the public with the government working together to identify the areas that first need these dollars.

You will recall that when we put the \$300 million in place for the medical research -- in fact, before they actually spent anything it was \$470 million because they were cautious about moving, and it may well be that the \$200 million will in fact grow and be more. I'm looking at the pharmaceutical companies as wanting to also contribute. That's a source of funds. I would hope that the beverage companies, Seagram and others, would want to contribute as well, because this is an area that obviously concerns them very much, and that we would find this is a focal point. But it would be funded by more than just the heritage endowment.

MR. JONSON: Thank you.

MR. CHAIRMAN: Member for Lacombe.

MR. MOORE: Thanks, Mr. Chairman. To the Premier. I have some concern with our heritage trust fund and how it is handled. When does the heritage trust fund and any of these projects that it is involved in cease to have an obligation for the maintenance of that and general revenue take over? I'll point to Kananaskis Country on this one. We have now put a wonderful recreation area in the province, something up and above what the general revenue would have done, and it has done an excellent job. But now as the years go on, we find they are making demands for further roads, further campsites for that. To me there has to come a time when general revenue takes over those obligations and the heritage trust fund goes on to provide other infrastructure that would enhance our life-style here just as it did in Kananaskis in the first place, or helped Syncrude come here. Is there a policy where we say, "Now general revenue takes over"? I'm using Kananaskis again for those demands that are being made for more campsites, more roads, and so on. When does general revenue take over and the heritage trust fund's responsibilities cease in those particular areas?

MR. GETTY: It's a judgment of when you might say that we've concluded what our initial desire was to build. At that time it would switch to operations from the General Revenue Fund completely. That's a judgment that has to be made on individual projects.

MR. MOORE: Because of the time, Mr. Chairman, I'll save my supplementaries, because I know the Premier's door is always open to all of us. We can get those concerns addressed directly anytime we want, on short notice.

MR. GETTY: We need to give serious consideration to the trust fund being a part of the curriculum in education and make it a matter to raise with the Minister of Education.

MR. CHAIRMAN: Thank you, Mr. Premier. We have about two minutes left of our time that was allocated for our meeting of our committee this morning, and I'd like to just take a moment and thank you for the informative meeting we've had. We appreciate the importance that you as Premier place on the functions of this committee. We've covered some broad areas, and we appreciate your responses. I'm sure your forthright responses will assist the committee in our deliberations to come up with some worthwhile recommendations for the future of the fund.

As mentioned by the hon. Member for Lacombe, we do have two or three members still left on the speaker's list, but hopefully the questions they have could be obtained from the Premier's office and perhaps specifically from you if need be. Again, thank you very much for being with us this morning.

MR. PASHAK: I'd like to say how much I appreciated the Premier being here this morning. Listening to his responses to the questions that we in the opposition have placed, they were so good that I think we would welcome an opportunity to have him come back before the committee after we've finished our meetings with other cabinet ministers and that sort of thing, in a way to kind of wrap up, because he really does provide a good view of the way the whole fund operates. I would just hope we might at least take that into consideration.

MR. CHAIRMAN: It's certainly within the mandate of the committee to call any member back before the committee, and if that's the desire at some future time, we can endeavour to schedule it with the Premier's time if it's possible.

MR. GETTY: I just want to express my appreciation, first, for the work that the committee does and for the opportunity to be here with you and for the frank exchange, Mr. Chairman. I can anticipate that the committee is going to be very helpful to the people of Alberta and our Legislature. I have enjoyed being here.

MR. CHAIRMAN: Good. Thank you, Mr. Premier.

I'd entertain a motion for adjournment. Hon. Member for Wainwright. Thank you.

[The committee adjourned at 12 o'clock]