

10:04 a.m.

Thursday, November 1, 1990

[Chairman: Mr. Ady]

MR. CHAIRMAN: We'd like to call our committee to order. We'd like to welcome the Hon. Don Getty, the Premier, before our committee this morning. Prior to going to the formal part of our meeting, we will take a minute and accept recommendations from the committee. Those who have recommendations. The hon. Member for Lloydminster.

MR. CHERRY: Thank you, Mr. Chairman. On behalf of the Member for Calgary-Foothills, I would like to read in this recommendation:

that the endowment be set up for the establishment of the family life and drug abuse foundation for the fiscal year 1991 provided that

a) a co-ordinated approach exists between government departments – AADAC – and the private sector in order to avoid duplication, and

b) the foundation not function on an ongoing operational basis.

Thank you.

MR. CHAIRMAN: Thank you. Are there any other recommendations? The Member for Lacombe.

MR. MOORE: Thanks, Mr. Chairman. I would like to read in this recommendation this morning:

that before any consideration be given in the future to renew the Occupational Health and Safety heritage grant program, all past approved projects be reviewed as to the true beneficial impact on individuals and society at large so as to gauge the actual productive value to taxpayers.

MR. CHAIRMAN: Thank you. Any other members? The Member for Calgary-Mountain View.

MR. HAWKESWORTH: Thank you, Mr. Chairman. Be it resolved

that the Standing Committee on the Alberta Heritage Savings Trust Fund sponsor a full-day seminar examining the comparative mandates, performance, and organizational structures between the Alaska Permanent Fund and the Alberta Heritage Savings Trust Fund and further that the chairman extend an invitation to representatives and key individuals associated with the Alaska Permanent Fund to participate in and make presentations to such a seminar and further that while the cost of organizing such an event would be an administrative expense to the Heritage Savings Trust Fund, the chairman be empowered to seek sponsorships and alternative sources of funding to help offset such costs.

A second resolution, Mr. Chairman:

that the Alberta government seek to recover as soon as possible the early repayment of the Heritage Savings Trust Fund loan to Vencap Equities Alberta Ltd.

A third resolution: be it resolved

that financial investments of the Alberta Heritage Savings Trust Fund be made or retained in those companies which follow or practise sound environmental policies and activities.

Another resolution: be it resolved

that proposed investments of the Alberta Heritage Savings Trust Fund in individual projects be made after those projects have received approval from a full and public environmental impact assessment process.

The final resolution for this morning, Mr. Chairman:

that all proposals for developments in Kananaskis Country be

submitted to environmental impact assessments, including a requirement for public hearings.

MR. CHAIRMAN: Any other members wishing to read recommendations into the record? Thank you.

Mr. Premier, the committee appreciates you taking the time from your busy schedule to come and appear before the committee. The Chair would just remind the committee that although there is a certain latitude allowed for questions to the Premier, questions really should be kept within the bounds of projects within the annual report of the Alberta Heritage Savings Trust Fund of 1989-90. So if you would hold your preambles to a reasonable length and keep your questions within the report, we can move smoothly through the question period this morning and hopefully the committee can gain a great deal of insight and information from the Premier.

We'd like to ask the Premier to introduce the two officials that he has with him, which is customary, give whatever opening remarks he sees fit, and then we'll move to the question portion of the committee this morning. Mr. Premier.

MR. GETTY: Thank you, Mr. Chairman. It is nice to be back with the committee.

I have with me today on my immediate left Mr. Gordon Young, director of research, Premier's office, and accompanying Gordon, his assistant Dusty Vida.

I must say it's good to be back with all of you. You may find that with two months or so of convalescence behind me, I've got a little bit behind on some details of things that are still on my desk waiting for me to deal with, but I wanted to be here with this committee as soon as possible. I know you want to complete your important work.

The committee is very valuable and is of considerable assistance to the government and the Legislature. You do good work. I consider the Alberta Heritage Savings Trust Fund the envy of Canada. We want to make sure that we are always trying to improve the operation of it, the investment of it, and the role it plays in our province, and your committee helps us to do that. As you know, we have ministers responsible for each of the projects that are in the trust fund, and I imagine that you've been able to talk to them about that on a detailed basis.

These days we have a world in turmoil, I guess, certainly changes all across the world. We have a certain amount of change going on rapidly in Canada as well, and I think we must make sure that during that period of change and turmoil, Alberta remains strong and stable. Of course, the Alberta Heritage Savings Trust Fund helps us to do that. I know that Albertans are proud of it. I know that our government is proud of its operations as well. I know that the committee and the committee's recommendations will help us to continue to manage it in the best possible way.

I think the most valuable use of our time today would be for me to try and answer questions of the committee. I obviously don't have answers to every question but certainly make the commitment to the committee that one way or another we can get them. We have some material with us here that we can use, but also if we don't have it with us, we will get it and get it back to you.

Other than that, Mr. Chairman, just let me repeat: it's good to be here with you and the committee. I hope I can be as informative as possible. Thank you.

MR. CHAIRMAN: Thank you, Mr. Premier.

We'll recognize the Member for Calgary-Mountain View, followed by the Member for Calgary-Fish Creek.

MR. HAWKESWORTH: Thank you, Mr. Chairman. I'd like to welcome the Premier this morning and say on behalf of us as members of the committee that we are pleased, especially because of his recent hospitalization, that he is able to be with us. You're looking fit, sir, and back to form, and I trust that you'll be back to your full and demanding schedule as quickly as you're able.

I'd like to begin my series of questions this morning, Mr. Chairman. We note that with the sale of AGT the debentures have been converted to a significant amount of cash that's now being held within the fund as well as the shares from AGT. When the minister of housing was before the committee earlier, he acknowledged the sell-off of the significant amount of the AMHC portfolio, which again results in, instead of debentures, a significant amount of cash being held by the fund. I would estimate that during this fiscal year it will be close to a billion or perhaps even as much as \$1.2 billion of assets that will have been converted from debentures in Crown corporations to cash. Now, that money is going to be reinvested in some form by the trust fund, and I'm wondering if the Premier this morning would give us some of his thoughts as to what priorities the government is likely to give to the reinvestment of that money. Will the province itself borrow that cash from the trust fund to cover the deficit of the General Revenue Fund and thereby avoid having to go to New York or Europe to borrow money? Would that be a priority, or would there be some other direction that that money be reinvested?

10:14

MR. GETTY: Well, Mr. Chairman, in considering any of the assets of the fund, we are always directed by the objectives of the fund, and that is, of course, "to save for the future, to strengthen and diversify the economy of Alberta, and to improve the quality of life for Albertans." Those general objectives will always be there to guide us, unless they are changed. Where you have assets converted to cash, on a short-term basis the dollars are obviously invested immediately into interest-bearing or some revenue-producing certificates so that we are able to maintain as high as possible a return on those dollars. Then we meet as the Heritage Savings Trust Fund investment committee, we get direction as well from our MLAs, we hear from this committee, and we make the decisions that fit the objectives established for us. But those decisions are made on a constant basis. I wouldn't zero in on any particular one at this time but rather say that we would try and balance it amongst the objectives that the Legislature established for us.

MR. CHAIRMAN: Supplementary.

MR. HAWKESWORTH: Thank you, Mr. Chairman. I hear the Premier saying that there are lots of demands but no clear priorities about how that money should be directed. Perhaps in light of the overall fiscal situation of the province - given the high debt that has been accumulated in the last five years, the province is paying out a significant amount of money each year in debt repayment, much of that going to New York or to lenders in other parts of the world - would the Premier acknowledge that if that money were borrowed from the trust fund, that would avoid having to go overseas and therefore there

would perhaps be a temptation to dip into the trust fund in order to cover the province's deficit?

MR. GETTY: Well, it's a matter of balance, Mr. Chairman, and we will want to find the best balance. There now are, obviously, as the Provincial Treasurer has discussed with you, investments, borrowings from the fund, from Crown corporations, and we try to hit the best balance. I don't know whether we do it as perfectly as any individual might judge, but our responsibility is to try and strike a balance.

MR. CHAIRMAN: Final supplementary.

MR. HAWKESWORTH: Thank you, Mr. Chairman. I guess for the members of the public trying to take from some of this information how government arrives at its decisions, how cabinet arrives at its decisions - I've been interested in the comparisons I've learned about how the process of making these decisions is much different in Alberta from, say, for example, in Alaska where it's a much more public process. There's a board of trustees; there are independent auditors; there's an external review that's been done of the Alaska Permanent Fund; there are all kinds of public hearings held throughout the state which allow people in that state to have a clear idea of what the investment strategies are for their fund, who the people are who are making those decisions, and how they arrive at those decisions: there's a considerable amount of openness in terms of the process compared to the process that we are experiencing here in Alberta.

I'd like to ask the Premier if at any time he and his government have given any consideration to how to make the process of decision-making regarding investments of the fund and the reinvestment of the fund more public and thereby more accountable so that the public is much better aware of what the strategy for the fund is over the short term and the long term and how those decisions are being arrived at. Has there been any thought given to that and any ideas or suggestions for how that might be improved or changed?

MR. GETTY: Mr. Chairman, as I said in my opening remarks, yes, we try and consider any ways in which we might improve the performance of the fund. But I draw to the hon. member's attention that we're in a public hearing right now. This is completely open and able to be participated in by the media as well as those of us here. This committee's report is public. We debate these matters in the openness of the Alberta Legislature. You, of course, can make us recommendations that we as a committee would consider as well.

Alaska, I guess, has selected one way. In our democratic system governments are elected to invest funds. That's one of our responsibilities, whether it's the General Revenue Fund or the Heritage Savings Trust Fund. That's one of the responsibilities that the government accepts, and we get the best possible advice and information and then make those decisions. I don't think there's any magic about the Alaska method. As a matter of fact, in my thoughts about democracy I would want to have elected people making the decisions.

MR. CHAIRMAN: Thank you.

The Member for Calgary-Fish Creek.

MR. PAYNE: Thank you, Mr. Chairman. I wonder if I could refer the Premier to page 3 of the 1989 heritage fund annual

report and a statement made by the Provincial Treasurer that the restructuring that is [now] occurring as a result of . . . reviews of the Alberta Mortgage and Housing Corporation and AGT as well as the normal repayments of previously issued debentures, will reduce the amount of Alberta Crown corporation debt held by the heritage fund.

I'm wondering, Mr. Chairman, if the Premier could indicate whether or not that's a trend the government will continue to implement or sustain in the years ahead and, if so, why.

MR. GETTY: Mr. Chairman, there are needs that the government foresees over a period of years, and there are opportunities to do things that we think are important at certain times in this province, and the decision is made to do it. Decisions made in the past that fit Alberta Crown corporations – for instance, the Alberta Home Mortgage Corporation – may no longer in our minds be the decisions for the changing times, and therefore we make changes. I don't think there is any magic to forecasting those changes. Those changes are made as it becomes obvious to us that the changes are needed.

MR. CHAIRMAN: Supplementary.

MR. PAYNE: Yes, Mr. Chairman. I wonder if I could ask the Premier to refer now to schedule 4 on page 44 of the '89-90 annual report. I note in that summary of commercial investment division investments that the market value of oil and gas and pipeline equities held by the fund is in excess of \$70 million, or more than 15 percent of the total market value of all the equities held in that division. I'm wondering: does the Premier feel that the dominance of oil and gas related equities in the commercial investment division portfolio is consistent with the heritage fund objective of diversifying the economy away from our traditional oil and gas dependence?

10:24

MR. GETTY: Well, Mr. Chairman, when you're dealing with the commercial investment division, remember that in this area we are trying to invest these dollars in the broadest possible way. In matching the comings and goings of markets, there are certain times when it's the right place to be with the commercial investment division investments, and other times you would find that in those areas the amounts would be down. I agree with the general tenor of the member's remarks that since the Heritage Savings Trust Fund revenues have come so dramatically from the sale of oil and gas products, we do not want to then pour the dollars exclusively back into those areas, or even in a weighted way into them. I think it's trying to make the best possible investments at the right time. I think generally the commercial investment division investments have been handled quite successfully.

MR. PAYNE: As a final supplementary, then, Mr. Chairman, I noted that the Premier in his response to an earlier question from the Member for Calgary-Mountain View regarding the Alaska Permanent Fund quite properly pointed out that the two funds have quite different mandated objectives, mandated by statute. On the one hand, the Alaska Permanent Fund has a mandated obligation to seek the best possible return on its investment, period, whereas the heritage fund has three objectives, to which the Premier has referred earlier and which, of course, are listed on the inside cover of the annual report. There is, however, another significant difference, and that is that the Alaska Permanent Fund is administered by an independent

board of trustees, whereas, of course, here in Alberta the investment decisions of the fund are made by the elected people: a very important structural difference.

I noticed earlier today in the exchange between the Member for Calgary-Mountain View and the Premier and on earlier occasions when this committee has met with the Premier that the opposition debate or questioning tends to be struck on an either/or proposition. They've got independent trustees there, and we have the government here. I think the either/or aspect of that debate has been too restrictive. With that as a backdrop, I'm wondering if I could ask the Premier to comment. Does he see any value, however, in some formal involvement of an independent qualified body not in a management role, as is the case in Alaska, but perhaps in an advisory role and not on an ongoing basis but perhaps on a periodic basis?

MR. GETTY: I certainly think, Mr. Chairman, that merits consideration. We have had the trust fund in operation for some period of time now. I think you and your committee may well direct us to consider having that kind of advisory look. It's always wise to stop, pause, have sober second thoughts, reflection on something as important as this. I think the hon. member's point is well taken. I find the restrictive nature of the Alaska example to be one that surprises me that it be held up as a model by the Member for Calgary-Mountain View. When you look at the tremendous, sensitive, and thoughtful things that the heritage fund has been able to do for Albertans – I think of the William Watson Lodge in the Kananaskis area, those kinds of things – that have been able to be accomplished because of our flexibility and because of our terms of reference, I think it makes some of these investments stand out dramatically rather than just the straitjacket of jamming it into the highest revenue earning possibility you can find.

MR. CHAIRMAN: Thank you.

The Member for Lacombe, followed by the Member for Edmonton-Centre.

MR. MOORE: Thank you, Mr. Chairman. Mr. Premier, we know the fund has had three basic objectives since its inception 13 years ago. To quote them:

1. to save for the future;
2. to strengthen and diversify the economy of Alberta; and
3. to improve the quality of life [in Alberta].

I think every Albertan realizes that it has been fulfilling those objectives very satisfactorily.

But in the process, when we went to fulfill the second one of those, "to strengthen and diversify" Alberta's economy, it was realized that there were a lot of processes that had to be put in place to allow that to start and grow. The private sector wasn't willing to put that money into it to begin the process, and we did that through the heritage trust fund. I refer to Syncrude, AOSTRA, microchip design fabrication, the food processing facility at Leduc: all serving industry. The private sector has been paying a fee for services or sharing it like in the case of AOSTRA; the private sector shares the cost of operating that. The end result is beneficial to the various respective industries.

Now, Mr. Premier, was it envisioned that projects such as these would be permanent government agencies, or was it envisioned that once established and being, say, fully utilized, they would be sold back to that particular private sector? Because they're the beneficiaries. Would they take this as one of their development arms, allowing that money to flow back

into the heritage trust fund to start up other areas similar to this which require that start-up or kick-off to get them going and advance our diversification?

MR. GETTY: Well, Mr. Chairman, I think that to the greatest extent possible that is what the government would want to try and do with projects where we have been a catalyst or the stimulating factor in trying to cause something to happen. The member has touched on one of the most important challenges that has faced governments in this province, I suppose since we've been a province. There has been a great deal of talk about it in the past. Certainly for many, many years while I've been in public life, people have said, "We must diversify the Alberta economy." Frankly, while there has been a lot of talk, until relatively recently we have been talking more about it and not doing enough about it. I think that when Albertans went through the dramatic, devastating downturn of agriculture and energy together in the mid '80s, there was no question that they said: "The time for talking about that diversification is over. We must make it happen." Why hadn't it happened? It hadn't happened because it's a tough thing to do. It takes risk, it takes determination, it's a huge commitment, and it takes using all the financial muscle you can gather. The government set out to make that diversification happen, and it did it, as the hon. member has said, in a variety of ways. In some cases it stimulated industry, in some cases by loans or guarantees; in some cases it participated as an equity investor. In other cases, even in the area of research, which has become a tremendous industry in this province - I gather you'll be meeting with the medical research foundation - it's been in that type of investment.

10:34

As you get into the battle to diversify - and I say it's a battle because every province, every area in Canada and North America and I suppose the world wants to do it - you can't suddenly get timid when the odd problems pop up, and they're bound to. They are bound to happen. There are going to be places where your using the fund or other dollars as a catalyst or for stimulation will not work. But the main accomplishment that I think we can all be very proud of is the fact that diversification is now a fact of life in this province, and it has put in place a foundation to the Alberta economy that we've never had before, because of the breadth of that foundation.

As we are trying to look at with the Syncrude operation, for instance, there is now a chance for us to move out of the Syncrude investment and have the dollars back to stimulate, invest, diversify in other areas. That may well be the same thing that would happen in something like the Husky upgrader or other investments that we're aware of.

What I think has to be always in people's minds is that you set out to accomplish something that's never been done before in the history of your province, and you make it happen. Don't let the timid minds, don't let those with less courage or those who cry and complain any time something goes wrong in any way deter you from your goal and your aim and the target the people of Alberta have wanted for years and years and years. The government is not going to be deterred. The government is going to make sure that we continue the drive for diversifying the economy of Alberta and strengthening the economy of Alberta, and we only have to look - unless the members ask me, I won't take the time of the committee to give them a look at Alberta that others outside of this province express - and you start to see the tremendous benefits that this trust fund,

diversification, tight fiscal management, and those types of things have flowed to this province over the past five years of this drive for diversification.

MR. CHAIRMAN: Supplementary.

MR. MOORE: Thanks, Mr. Chairman. Well, the Premier's words lead to my second supplementary, because we're all very proud of that heritage trust fund and what it's done, and we realize it's done a tremendous job out there. When we look at the balance sheet on page 33, we see the value of the fund - it's small, \$125 million; that's a drop in the bucket - that has depleted. That has raised some concern with all Albertans. They're very proud of that fund. They don't like to see it depleted through inflation or otherwise. They'd like to see it maintained during this period of time when there's no money flowing into it. That is a real concern out there because they realize the importance and the value of that fund to us. To the Premier on that. He has stated, you know, the value of it and what it will do in the future. I would just like to get it reaffirmed that it is our commitment not to let this fund deplete and to maintain it as much as possible where it is until such time as oil revenues can come in.

MR. GETTY: Absolutely, Mr. Chairman. The determination of the government is to maintain the strength of the fund, to maintain the earning capacity of the fund, and as soon as possible to be able once again to have a certain portion of our nonrenewable resource revenues flow into the fund, to have it grow again and perhaps also go back to the way it was when all the income earned in the fund flowed back into the fund. Those are all goals and objectives that we would like to obtain. However, as all members know, we've been going through a period when in a priority way those dollars have been necessary for the tremendous needs of this province in health and education, seniors' programs, and that type of people program that we're so proud of in Alberta.

MR. MOORE: My third supplementary, if I could, Mr. Chairman. I'd like to go to page 14 on the financing to Vencap Equities Alberta. We all know that in 1983 it was set up with a \$200 million participating loan from the heritage trust fund. If I can quote right from the statement here,

The company's investment focus is on companies whose business operations will significantly benefit Alberta's economic development and diversification.

We go down to the bottom, and it says:

The return on the Heritage Fund's \$200 million loan is in the form of a percentage participation in Vencap's pre-tax income and amounted to \$5.6 million in 1989-90. The Heritage Fund has received \$52 million in income on its investment since 1983.

That's in seven years that it has returned \$52 million. I realize that the people in charge of Vencap are proven businesspeople, very, very sound businesspeople. I'm not questioning that at all. They have been very careful in their investments, and their investments have all proved good. However, it seems like the public view is that there's a huge pool of money sitting there and not being fully utilized to the mandate they're set out for, that it's sitting there while they carefully examine. Do you feel Vencap is fulfilling its mandate?

MR. GETTY: I guess I'll answer this way: I didn't feel in the early years of the mandate that the company was aggressive

enough in its participation in venture projects in our province. But I do know that as it's gained more confidence, as it has gained the capacity and experience necessary, I've seen it pick up the level of activity and start to do the job along the lines that it was originally intended by the Legislature. The Legislature in I guess it was 1983, when the Vencap legislation went through, did something that in a way forces the directors to balance their thinking to a certain extent, and that is that they also directed that shares of Vencap be sold to Albertans. At that time you built into – I don't know whether "conflict" is the right term – the board of directors' responsibilities the need to continue to consider the return on those shareholders' investments and balance that out with the need in this province to have a large pool of venture capital funds taking risks, high risks. Those two desires – the desire of having shareholders get dividends or shareholders' holdings increase compared to taking high-risk venture capital investments – are at some odds. So there is within the mandate of the Vencap board those conflicting responsibilities.

10:44

MR. CHAIRMAN: Thank you.

The Member for Edmonton-Centre, followed by the Member for Three Hills.

REV. ROBERTS: Mr. Chairman, as the Premier knows, there is widespread discontent amongst the electorate, of people of Canada and of Alberta, and increasing cynicism about the political process and politicians after the failure of Meech Lake, the overthrow of the Peterson government, the orgy of appointed Senators, the GST being rammed through. All of these things are causing an increasing cynicism about governments. As I've been on this trust fund committee two years now, I have similarly heard a number of questions and concerns about the accountability and effectiveness of the Alberta Heritage Savings Trust Fund. People just don't know how much is in it. People don't know what it's doing. People have questions about its value, about the changes to the Crown corporations: is it a rainy-day fund when we have operating deficits of billions of dollars, questions about its investment performance, whether it should be more liquid, more long term, our own committee recommendations. I'll try to get at some of these, but it does seem to me that very, very clearly we're at a time now when we should have a full public hearing reviewing the Alberta Heritage Savings Trust Fund in this province and that such a participatory democracy would go a long way both to reduce the kind of cynicism that people feel as well as to help us get a much firmer handle on the future direction, mandate, and management of the fund.

Now, this has been a committee recommendation of the last two years. When the Premier was here last year, he agreed that this is a wise consideration. I want to know from him today: will he commit to having a full public review of the Alberta Heritage Savings Trust Fund over the next calendar year?

MR. GETTY: Mr. Chairman, I would commit to giving very serious consideration to the hon. member's request. He has certainly outlined some of the reasons for turmoil in Canada and, I suppose, in the world, but to focus such things into the responsibilities of the heritage trust fund I think is stretching it even from the lofty view that he perhaps sometimes can see things from. As I said, I'd give it consideration, as we do every

recommendation of this committee, and very serious consideration.

REV. ROBERTS: Well, we've had consideration for the last three years; that's the status quo. What we need is commitment to some change and to some public participation. One of the key questions that keeps coming up and plaguing us in this committee, and I'm sure in government and in the Treasurer's office, is whether or not this fund should be inflation-protected. A number of the fund's assets are deteriorating with the ravages of inflation over the last 10, 12 years, and many recommendations have gone forth that yes, it should be inflation-protected, yet to do that would mean a decrease in the amount of revenue transferred to the General Revenue Fund. So what's it going to be? Are we going to have a heritage trust fund that's going to retain its equity and be a firm fund for future generations of Albertans, or are we going to get all the revenue we can to offset the deficit problems that we have on the General Revenue Fund? I mean, that's a key question. Public hearings, I think, would go a long way to getting Albertans to give us some insight on where they'd like to go with that. What's your position?

MR. GETTY: Well, I've touched on it, Mr. Chairman, already briefly, but let me repeat again. Maybe I'm just not communicating it well to the hon. member this morning.

When the province of Alberta was flat on its back in 1985 and '86 with tremendously high unemployment, with a lack of confidence, with losing 3 and a half billion dollars in resource revenues in one year – by the way, I think we're still \$1.9 billion less in the current year than we were back in 1985 in resource revenues – when those sets of conditions hit and we made a determination to work our way out of that deep problem, we had to use every bit of financial muscle, financial flexibility, that we had. One of the decisions that was made was to use the heritage trust fund as much as possible. Now, it's easy to say: "Well, which is it? Will you let a great health system come apart? Will you stop caring, really, about the education of our future, which is our children? Will you abandon the seniors? Will you abandon our farmers and ranchers? Would you be narrowly focusing in on saying, 'Let's save this fund against inflation'?" Obviously the decision that the government made was a balanced one, to keep the fund as strong as possible yet use it in as many ways as possible to prevent a catastrophe from developing within this province when these really tough times hit.

I think that when you now look at the state of this province, the strongest province in Canada – the strongest financially, the strongest economy, the strongest in per capita retail sales, the largest level of investment, unemployment dropping as participation in our work force increases, when the energy industry was flat on its back, having unemployment dropping – I think the decisions of the government are shown to have worked. Now, you may have taken a different decision and come up with a different result, but we have the results now before us. I'd point out one other thing: we have during this time the lowest taxes in Canada and no sales tax. We've been able to do that during some of the toughest financial times this province and the people of this province have ever faced. Those are decisions you have to make in government, and that was the one we chose.

REV. ROBERTS: Although it still remains that we have an over \$11 billion accumulated debt and an \$11 billion heritage

trust fund, and people have questions about how to balance that in a much better way.

Now, my third question relates to what I thought last year was the Premier's commitment. I mean, he did make one commitment, which was to take \$200 million out of the trust fund to set up a family life and drug abuse foundation, and that was in 1989. Nothing came out last year. This year when I asked the Minister of Health about it, she said three times, "Well, I don't have an answer for the member; I don't have an answer." She said that three times. Then she said,

Where we go from there I don't have all the answers on right now.

I think we're all very conscious of the . . . tight fiscal situation that we're under and the need to use as many of those heritage dollars for income into the General Revenue Fund as possible, and dodged the whole question about the \$200 million for a drug abuse foundation which was going to in many ways replicate the already excellent work of AADAC. So I want to know again from the Premier: if he is not prepared to inflation-proof the fund, if he's not prepared to have public hearings on the fund, when is he prepared to make good on his election promise to have \$200 million to set up a duplicate outfit?

10:54

MR. GETTY: I'm not sure where the hon. member is on whether he's recommending it or not, but I'll give you the government's position. That is, first, that we identified the need. One of the most devastating scourges that faces North American society, perhaps society all across the world, is the breakdown of family and substance abuse. We also knew that we did not have all the answers on how to deal with it and that merely putting tremendous amounts of money into more social workers or building more hospitals or trying to hire more public servants certainly wasn't doing it. We made a decision to tackle it through a foundation, a foundation much as the group you will meet this afternoon, the medical research foundation.

We said, "But as we do this, let's do it carefully, let's do it thoughtfully, and let's get Albertans' input." Therefore, there were hearings, meetings, across the province. As a result of those hearings, the report has come in. The report is being digested, and from that report legislation is being prepared for the spring session of the Legislature, and the foundation will be created. The amount of money in any given year is one that has to be judged by our Treasury Board as we go through the Treasury Board process and budgeting process, but there's no weakening of the commitment. You will have a chance to debate, as will the whole Legislature, the creation of the foundation in the spring session.

I take exception – although these are opinions, I'm sure, that you're expressing – that this will in any way duplicate the fine efforts of AADAC. AADAC is respected all across Canada, across North America, but AADAC is out performing in the communities. AADAC doesn't have the capacity to do the research. AADAC doesn't have the capacity to pull together the brains and the people of Alberta together in a foundation board that would, as the medical foundation group has, conduct specific, thoughtful research which would then help guide AADAC. But there'd be absolutely no way – and we can all make sure when you see the legislation come – that this foundation in any way tries to duplicate or take the place of AADAC. That is an absolute, clear direction both from the hearings and from the government's own determination.

REV. ROBERTS: AADAC said they already had enough information. They need more . . .

MR. CHAIRMAN: Thank you.

The Member for Three Hills, followed by the Member for Lloydminster.

MRS. OSTERMAN: Thank you, Mr. Chairman, and good morning, Mr. Premier. You have already stated the objectives of the fund, and they have been restated, and your comment about the fund being the envy of Canada I believe to be true.

As we look back at the uses of the fund that were possible at a time when our economy – maybe not that the economy was buoyant so much as that a couple of sectors were very buoyant. We now have a buoyant economy that, as you have noted, is much broader-based than it was before. All of that augurs well for Albertans. But there is a concern about the integrity of the fund going into the future. Looking at the first objective, and that is "to save for the future," our colleague from Calgary-Fish Creek has a motion that has already been alluded to by the Member for Edmonton-Centre, that speaks to a second look – if you will, a sober second look – at the objectives and so on of the fund. Given that in other provinces who, for example, may own their power companies or whatever and see normally in some cases some pretty healthy returns that go to government because of that ownership – and whether we agree with that philosophically or not, it still is a way they have of absorbing some shocks in their own economy. I realize the Premier has partially addressed this, Mr. Chairman, but I wanted him to state again his sense of our ability, if not to maintain absolutely the integrity of the capital that we use for income purposes – because we would have to leave some of that income in the fund in order to do that, taking into account inflation – at least to leave the capital that is income-producing at this point intact until we can take a good measure of how the public feels about their fund and the role it plays in our ability to deliver the programs you have mentioned that we all have a lot of pride in.

MR. GETTY: Mr. Chairman, the member has hit right on one of the items that causes, I guess, the greatest agonizing in decisions regarding the fund. That is: how do we leave enough to make sure that inflation doesn't reduce it on an annual basis and then have it there to be added to and grow beyond even inflation in the future when we have the capacity to do that? Whatever assistance we can get in making those decisions I think we should try to get. Whether, as the member says, I think, some type of public consultation or consideration in some way – I'm not sure whether it's a referendum or something like that – it can be given serious consideration, because then Albertans would be directing us. Now, I don't think the member was being that specific, but I couldn't agree more with the concern or the desire.

MRS. OSTERMAN: Mr. Chairman, I'll just make a comment – and the Premier may well want to respond to it as well – and it will be my only supplementary. I think that in this motion comes a suggestion that we would be looking at academic and investment community expertise that could play a role in this review. To the Premier: I think one of the things that is very difficult for Albertans and probably Canadians right now is that they hear the grave concern that's expressed about our fiscal situation, notwithstanding a good economy because no economist has yet predicted that there is any possible way that the accumulated debt can be paid even in a buoyant economy. Obviously, the concern and the type of thing that could be brought to bear that would help all Albertans address our situation in a realistic way is looking at the demography. We're asking a generation

now that's just coming on stream into the workplace to face demographics that we've never seen before. They will be looking after more senior citizens and wanting more sophisticated health care. The very system that we take such pride in we may not be able to sustain. It takes that realistic kind of thinking, but with good information, for Albertans to assist their government. I would hope the Premier would consider very seriously that the mechanism for that kind of feedback could well come through an objective discussion with the heritage fund, because it does play such a great role in the percentage it contributes to our annual budget.

11:04

MR. GETTY: Thank you. Mr. Chairman, I now understand that when you referred to the Member for Calgary-Fish Creek, the hon. member was referring to an actual motion he has made, which has been drawn to my attention, of an all-party task force, I guess, of the Legislature, and perhaps more broadly based even than that, and that it try and get advice and expert opinion from all over Alberta and perhaps all over Canada and any other places. It seems like a pretty reasonable recommendation to give consideration to.

MR. CHAIRMAN: Thank you.

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

MR. CHERRY: Thanks, Mr. Chairman, and good morning, Mr. Premier and staff. Mr. Premier, I had the privilege of attending the biprovincial upgrader annual meeting. It was, as you know, where the four participants came together and got an update on the activities of the upgrader. I think usually when I speak about the upgrader now, people are getting tired of listening to me; at least that's what my colleagues seem to say. Nevertheless, during the meeting Mr. Bob Blair – I call him Mr. Nova – indicated you've got this structure going now and said, "What I would like to recommend is that you put on your thinking hats this weekend and see if there's any feasibility – maybe you could make this project a third larger without that many dollars going into it." That kind of stuck in my head. So my question to you, sir, is: in view of the problems in the Middle East and that, where do you see the heavy oil projects going today? Are we going to see some more movement in that direction, sir, or what?

MR. GETTY: I think it requires me to go back a little bit. I recall in '86 and '87, when I returned to public life, saying that the most important thing for this province to do was, for the first time since 1974, start to develop ways and means of building its capacity to produce its heavy oil and oil sands, because while we were able to get Syncrude going in 1974 and it was a highly successful operation – and it's shown in your reports – nothing had happened since yet our conventional oil was tipping down, and has, by the way, unfortunately tipped down dramatically in the last two years after being warned by the conservation board that it was going to happen. By secondary recovery and other things it seemed that it never quite did happen. It has happened now, where the province has lost over 125,000 barrels of conventional oil a day. It is no longer capable of producing that. That's a lot of oil per day times 30 or whatever price you want to put on a barrel of oil. Yet we have this huge storehouse of heavy oil, the heavy oil in the Wainwright-Lloydminster, Bonnyville-St. Paul area, and then the tremendous reserves in the Fort McMurray type of oil sands, and nothing was happen-

ing. So we set out to stimulate a project in those areas. A lot of people said: "Why are you doing that? We've got all the oil we can possibly want, and all we have to do is zip it over from the Middle East, Saudi Arabia, Kuwait, and these places." They considered the reserves in Kuwait and Saudi Arabia in the same context as reserves in Swan Hills, Drayton Valley, or Rainbow Lake.

Obviously you couldn't do that. Obviously, when you consider that the United States was using aircraft carriers in the Persian Gulf to keep open the lines of conventional oil production from the Middle East, we were dealing with completely different matters. Also, when you consider – and as you know – how long it takes to get one of these projects going, you have to start well in advance of the need. So we set out, and I think that by sheer determination of this Legislature and the Alberta government, there is in fact a biprovincial upgrader now being constructed in the Lloydminster area. What it's going to do is take that thick, gucky, not easily sold product and upgrade it to where it will be sought after by anybody seeking oil in markets anywhere in the world. I think it is just breaking new ground for projects like it, which will come whether it's by, as Mr. Blair suggested, the expansion of that project and the economics that sometimes you can obtain by expanding an existing project or whether it's by building new ones and also by OSLO going ahead.

The nonconventional oil resources of this province must be developed, and I think the foresight in fighting for this upgrader and then fighting for OSLO is being proven right now when people look at the reserves in Kuwait, look at the reserves in Saudi Arabia, and say . . . You know, we could have the Middle East with their hands around the throat of the United States. The United States has had to commit hundreds of thousands of their armed forces and has had to pull together all of the free world to help them and the tremendous capacity to kill with the military weapons that are now put in place, and here we have larger reserves than the Middle East and the knowledge of how to develop them.

I guess I've taken a little longer than I intended, but only to say to you that I think the biprovincial upgrader is just the start of a series of upgrading plants, and I think OSLO will follow Suncor and Syncrude and we will see just how valuable those nonconventional oil resources are to this province, to Canada, and to North America in the future.

MR. CHAIRMAN: Supplementary.

MR. CHERRY: Thank you, Mr. Premier. You've just about answered my supplementary, but I want to continue with the oil subject. Do you think that now, with the escalation of the crisis in the Middle East, we're going to see the federal government take a different stand towards OSLO or any other projects in heavy oil, which we definitely will have to get involved in, as you say, sir?

MR. GETTY: It's pretty difficult for me to read the federal government's intentions. I think they see now the wisdom of the projects. Whether they have the capacity or the determination to join in OSLO again or participate in another upgrader project I cannot predict right now, but looking at the global picture, I would think they are seeing the wisdom of making sure that this country with our resources is not being put in the position of being strangled down on energy resources. If anybody wants to guess at the price of oil these days when you add in all the troops and military and everything else that really is there to

keep that oil flowing, it's pretty dramatic what the price of oil is that's coming to the free world.

11:14

[Mr. Jonson in the Chair]

MR. CHERRY: My last supplementary, Mr. Chairman, would deal with the family life and drug abuse foundation. I had the privilege last week, Mr. Premier, of being in Medicine Hat and speaking to the FCSS conference. There was certainly a positive attitude towards it, and several people came up to me and wanted to ask questions later on. One of the things the report did not mention was: as you know, sir, we have young people that are under treatment in the States, and would you visualize part of these funds from the endowment going to help those families? I know that AADAC at this point does send the young people down, but do you see the foundation perhaps helping AADAC with that horrendous amount of money that seems to be quite a problem for those families going to the States?

MR. GETTY: Well, I can only say they may at this stage, because remember, we're going to place the foundation in the hands of Albertans, international respected experts, and ask them to manage them as we did the medical foundation. I'm sure they'll have to look at that very problem as one of the priorities they would have to consider without a doubt. As President Bush has said in his comments regarding the scourge of drugs in his country and in the world, I think we're going to need everything we can think of.

[Mr. Ady in the Chair]

I don't think anyone has picked out one solution, one bit of research, one bit of treatment, one way of doing it. Some, as you know, do it under, as they call it, very tough love conditions, and others say the entire family must be in an institution together. Others say teaching children about this in grade 7 is way too late; you should have been teaching them about this problem in grade 1. Then there's the police. All of the tools available to modern government are going to be necessary. But probably in the end it will be that you'll have to remove the use; in other words, convince the people of the foolishness of the use of the drug rather than ever being able to build barriers through the police and other inspections and everything else at borders and airplanes and means of transportation that are available. So remove the demand, but in the meantime, until that's accomplished, do everything possible to restrict the inflow.

MR. CHAIRMAN: Thank you.

The Member for Ponoka-Rimbey, followed by Wainwright.

MR. JONSON: Yes, Mr. Chairman, and good morning, Mr. Premier. Certainly one of the major issues of the day is the environment, and we have stories every day concerning problems, I suppose, and initiatives that might be taken therein. Last year I believe recommendation 5 from the committee recommended the creation of an environment investment division of the fund. In our discussions thus far at the meetings this year there's been the suggestion that guidelines should be established for our investments in different areas of the fund which would direct money toward what might be called environmentally friendly companies. I wonder, Mr. Premier, if you have

any views on the degree to which the fund should get into directing its investments in any "environmentally friendly" way.

MR. GETTY: Well, obviously it's one of the heaviest responsibilities we have as people and governments: to make sure we protect our environment and enhance our environment. Whether the government of Alberta does it through the heritage trust fund or through the General Revenue Fund, it has to be done. I think it was pointed out in the Provincial Treasurer's response that investments that do enhance the environment can now be made under the capital projects division, and the recommendation last year said let's create a new division to do it. Now, I guess if you can do it, what is the need for the new division, unless it helps focus, from an education point of view, the attempts by this trust fund to deal in the environmental area.

MR. CHAIRMAN: Hon. member, prior to your supplementary, with the indulgence of the committee, the Chair would like to take a moment and acknowledge a school group that has joined us in the gallery and advise them that they are watching the ongoing proceedings of the Alberta Heritage Savings Trust Fund. Today we have the privilege of having the Hon. Don Getty, the Premier of the province, appearing before the committee, just for your information.

Now I'd like to acknowledge the Member for Ponoka-Rimbey with a supplementary.

MR. JONSON: A supplementary question, then, Mr. Chairman. One of the recommendations that has been discussed in this committee but to this point in time, at least, not during the year specifically passed, is that there is an appropriate role for the Heritage Savings Trust Fund in the whole area of recycling. Now, I understand that plans and initiatives are under way for the province to announce a comprehensive policy in that particular area. To the Premier: Mr. Premier, do you envision that particular initiative being financed through the Heritage Savings Trust Fund?

MR. GETTY: That decision certainly hasn't been made. It's one of the options. But you're right about the initiatives. A comprehensive recycling program is currently being developed, and obviously there will be government dollars involved. Whether the trust fund or the General Revenue Fund is the source has not been decided.

MR. JONSON: My final question, Mr. Chairman. I'd like to switch topics, which I guess we do from time to time in our supplementaries. Just a follow-up question from those of the Member for Lloydminster with respect to OSLO. Going back a couple of years, the OSLO project seemed to be garnering a considerable amount of interest from the other provincial governments. I think Ontario and Quebec were two that were mentioned. Given the increased price of oil currently – although we hope it does not have to stay at that level, because it seems to depend upon war or the prospect of war – and predictions are that it might level out at a somewhat higher price of \$25 per barrel and so forth, I wonder if the Premier could advise the committee as to whether there still seems to be that national interest in the OSLO project.

11:24

MR. GETTY: Well, it certainly received a setback when the national government, the federal government, pulled back its

support past the engineering phase, which is now proceeding. The work that was being done with the Ontario government has obviously been slowed down because there's been a change in that government. I'm not sure of the potential to interest the new, current government of the province of Ontario, although philosophically it might well be that they would tend to participate more in government-owned operations. But I don't know their position yet, and I think they're in such a state of change there with the change of the government that they haven't come close to being able to make a decision.

From the province of Quebec's point of view, which would be another large government that might consider it, they felt they had companies supported by the province of Quebec in the oil business already and would leave it to them – they're managed by boards of directors and executives – to decide whether they want to participate. They as a government wouldn't direct them to do it.

MR. CHAIRMAN: Thank you.

The Member for Wainwright, followed by the Member for Athabasca-Lac La Biche.

MR. FISCHER: Thank you, Mr. Chairman, and good morning to the Premier and to Gordon and Dusty. It's been very informative this morning, and certainly a lot of the questions that we write down have already been answered.

You did cover quite strongly preserving the integrity of the fund, and I would just like to ask you one short question about that. I don't think you answered it in your other statements. We do have a lot of investment and diversifying going on in this country now. We've done an excellent job of coming from the '85-86 era into what we have going now. I wonder – and I've always wondered about this in any kind of economic development or diversification – how much is enough, and at what time do you think we can start channeling some of the earnings back into the heritage fund? Is the timing close? I can see in my mind sometimes where we can get totally dependent on using the heritage fund, so it's unlimited, so we're entirely dependent on it. I'd like to hear your thoughts on that.

MR. GETTY: Mr. Chairman, to the Member for Wainwright, I guess it would always be a judgment you'd have to make. There are so many factors. For instance, the matter of an oil sands plant that takes seven years to build is a long-term proposition. If you know you need the oil in 1997, you have to make the commitments now. Now you might have a buoyant economy yet you're trying to have something happen seven years from now, so you would be forced, I think, to go ahead with that kind of commitment. But generally this. I would say you stimulate the economy. You're a catalyst. You take risks. Some fail, but the majority get going. Then the economy starts to build on itself in a diversified way and you can tamp down the government's role or the heritage fund's role in the area of diversification or stimulation.

I say this because I think it may be helpful to the committee, and it is not me or the government of Alberta making the comment: I draw to your attention the assessment of Alberta. Mr. Chairman, you could stop me from repeating something that may have already been done – this is the October, 1990, investment outlook for Canada and Alberta, and I just want to make reference to Alberta – whether it's already been drawn to the committee's attention.

MR. CHAIRMAN: No, it hasn't. Perhaps if the Premier is going to use it, though, he would offer to table a copy for the committee.

MR. GETTY: I will table a copy because I think it might help the members in their deliberations.

Here are the lead words for Alberta after it gives a couple of pages, as you will see, on Canada:

The pace of business investment will hold up far better this year in Alberta than in [Canada] as a whole. The . . . increase in business investment, measured in inflation-adjusted terms, will average 9 percent this year. This is three times the national rate. In comparative terms, Alberta's investment performance ranks in the top two provinces in Canada and, for the third consecutive year, investment spending per capita is the highest in the country.

Business investment in the province is well diversified across the corporate sector . . . with notable strength in the energy, forestry and utilities sectors. Strong gains in investment will cushion Alberta from the impact of slowing economic demand elsewhere in the country.

And here's the key. It's so key because you're now talking about people – not just statistics; people looking for jobs.

Continued solid employment gains this year, projected at about 2 percent, will keep the unemployment rate close to 7.5 percent, about one-half a percentage point below the national rate. This is the second consecutive year the Alberta unemployment rate has been below the national rate. The downward trend in the provincial unemployment rate in the past three years represents a significant achievement in terms of job creation, given the highest labour participation rate in the country.

I'd just go on to point out there are other things. I'll give you the copy and you can read them yourselves.

Business investment in the province has benefitted from well-managed fiscal policy. The budget deficit has moved steadily lower . . . enabling the government to remain on track in reaching a balanced budget . . . Measured in terms of GDP, the deficit will average 1.1 percent this year, down from 2.2 percent last year and one-sixth the 1986-87 ratio.

Earnings from the \$12 billion Alberta Heritage Fund flow into the General Revenue Fund and make a significant contribution to provincial revenues. If these earnings were unavailable to the General Revenue Fund, the budget deficit would be twice the current level, both in absolute terms and as a share of GDP.

I think, Mr. Chairman, those are the main points that I thought would be interesting to this committee, except for this:

Capital expansion in the forestry and pulp and paper sector in the province contributed importantly to investment strength . . . The final construction phase of four pulp and paper plants has accounted for most of the investment in this sector this year. Investment in pulp and paper . . . represents about 30 percent of total manufacturing investment in the province.

Obviously, this is somebody who has studied the Alberta situation well.

Alberta has the best expenditure management record among all Canadian provinces. The rate of growth in Alberta program spending averaged 1.8 percent in the past five fiscal years, well below the rate of growth for all provinces and one half the rate of growth in federal program spending in the corresponding period,

while maintaining the lowest taxes in Canada.

I just draw this to the members' attention and will give you a copy because I think it can help you as you work your way through your report.

11:34

MR. CHAIRMAN: Thank you. A supplementary?

MR. FISCHER: Yes. My supplementary I guess is going to jump around a little bit this morning, but that does lead me over then to the equity positions that we take in our heavy oil development like Syncrude and like Doug Cherry's Lloydminster project and like OSLO if we get into it. We have that equity position. Whenever we need an expansion, whether it be Syncrude or the Lloydminster project - the Member for Lloydminster mentioned the expansion already - we do get ourselves, from the heritage fund's point of view, tied in. Maybe I look at that as a disadvantage of taking an equity position. I personally like an equity position much better than I would like a loan guarantee, because you have some kind of control over it. But I see that can be quite a drawdown on the capital division of the heritage fund when we seem to get drawn into it. I guess I look at the Alberta Energy project. In order to maintain our 35 percent equity there, we had to put \$30 million into it to carry that on. How do you feel about that?

MR. GETTY: It depends on the individual investments. For instance, we are actively seeking a sale of our interest in Syncrude. As you can imagine with your responsibilities, with the price of oil escalating, a piece of a project like Syncrude starts to look much more valuable in the minds of potential buyers. In the case of the Alberta Energy Company, while we originally had 100 percent of the company, then sold 50 percent of the company to Albertans in a successful divestiture and then dropped to some 35 percent, it was a decision of the government and the caucus to stay at that level for now. It may be that in the future that decision would change as you find a higher priority use of those dollars. By the way, those dollars have been highly successful in raising the value of that investment.

MR. CHAIRMAN: Do you have a final supplementary?

MR. FISCHER: That's all.

MR. CHAIRMAN: Thank you.

I'll recognize the Member for Athabasca-Lac La Biche and perhaps ask the committee members to hold their preambles to a minimum. The Chair does have still quite a list of members who'd like to get in with a question to the Premier.

Athabasca-Lac La Biche.

MR. CARDINAL: Thank you, Mr. Chairman. Good morning, Mr. Premier and staff. Welcome. It's nice to lead in with a question after so much good news as to where Alberta is at as far as the economy. I think I also want to read in some positive stuff here, and I have a question, of course: the importance this fund plays in our lives.

For the benefit of the Member for Edmonton-Centre, who had some questions on what the fund does, one key area I'd like to target on, and it is a key area because it affects all of us, is affordable housing for Alberta. What this government has done through Alberta Mortgage and Housing Corporation - for example, processing to date 42,500 home ownership loans for modest-income families, which no doubt affect a hundred thousand individuals; 23,000 apartment-style units; 8,200 community housing for low-income families . . . [interjection] Of course, these guys don't want to hear too much good news.

REV. ROBERTS: We want to hear a question.

MR. DOYLE: Why are you telling us this? Is that the question?

MR. CARDINAL: Eighteen thousand self-contained units . . .

MR. CHAIRMAN: Hon. member, I'll have to ask you to move to your question quickly, please.

MR. CARDINAL: Eighteen thousand lodge and self-contained units for seniors, people who built this province - that's a lot of good news - and 172,000 units for special-needs individuals. I think it's important for the committee members to be able to look at that and assess it and the key role this fund is playing instead of criticizing it. We've built thousands and thousands of residential lots . . .

SOME HON. MEMBERS: Question, question.

MR. CARDINAL: Listen. I sat here for two hours to listen to you people coming in late, and you expect to talk. I want my share of talking too.

. . . for land banking for small municipalities in rural Alberta: a key role today in diversifying rural Alberta, and this fund played that role.

My question is: because we are continuing with the diversification plan specifically in some of our needy areas of rural Alberta, will the land banking program continue possibly for the high-needs areas in rural Alberta?

MR. GETTY: Mr. Chairman, there have been mixed benefits from land banking for the government, because in some areas there were high expectations of growth that didn't materialize and the government, in helping communities, ended up with the community and the government holding land that wasn't needed. Nevertheless, I think learning from that lesson and knowing that there are areas of high need, currently the government's intention is to continue to assist with land banking in areas of high need.

MR. CARDINAL: Thank you. My first supplement is in another area. Will a specific economic diversification division be created within this fund to continue our plan of diversification of Alberta?

MR. GETTY: If I understand that question, Mr. Chairman: even though there are diversification investments going on, this would be to just create a division which is particularly directed to that? That in a way is the same as the proposal from the Member for Ponoka-Rimbey, and that is: while you can do it anyway, why not create a division that maybe highlights it? If the committee makes that a recommendation, it would certainly be given consideration, because I think highlighting the benefits of the fund to Albertans is very important.

MR. CARDINAL: Okay. The third supplement. During '89-90, \$77,000 was committed for a project in southwestern Alberta for a 10-megawatt wind farm. Is there any move to look at some experiments in northern Alberta possibly utilizing peat moss, sawmill waste, and pulp mill waste for electrical energy and further diversifying the farm sector in rural Alberta?

MR. GETTY: Mr. Chairman, I know there are proposals being considered, but I just have to tell the members of the committee that I don't have the details at my fingertips and am unable to respond in a detailed way.

MR. CARDINAL: Thank you.

MR. CHAIRMAN: Thank you.
The Member for Westlock-Sturgeon.

MR. TAYLOR: Thank you very much, Mr. Chairman. I would like to let the Member for Athabasca-Lac La Biche know that I've waited even longer than he has. I also want to congratulate the Premier on his look of good health and welcome him back. As one who had similar problems years ago, I look forward to sharing my Roloids and Diovol with you for the next few years. It's amazing how many miles you can get out of them.

The first question has to do with the actual management of the heritage trust fund, which has been touched on by others of course, and that is the use of an independent group. Evaluations of the heritage trust fund: one by Professor Stauffer of Georgetown University says that the development effect of heritage trust funds in Venezuela, Abu Dhabi, Alberta, and Iran were not successful. Another one a little closer to home, by Mr. Ostermann and Mr. Mumey, good Albertans here, in March 1990, says that the Alberta government is ambiguous.

MR. CHAIRMAN: Hon. member, just for the benefit of the members of the committee, *Hansard's* having a problem. The speaker system is malfunctioning. I presume we just have to proceed.

MR. TAYLOR: Are you having trouble hearing me?

11:44

MR. CHAIRMAN: It's back on. It's very erratic.

MR. TAYLOR: It's coming back very loud, yeah. I just thought it was the normal NDP heckling behind me. I'm sorry.

REV. ROBERTS: No, no, Nick, we want to hear every word you got to say.

MR. HAWKESWORTH: We're hanging on every word.

MR. TAYLOR: All I wanted to mention was that there are some outsiders who do not paint the glowing picture the Premier has. Dr. Stauffer from Georgetown University in Washington, D.C., and Glen Mumey and Joseph Ostermann here in March 1990 said things like:

The Alberta Heritage Savings Trust Fund and [its relationship with] the Alberta government is ambiguous. This ambiguity extends to the Fund's investment portfolio, where obligations of the Provincial government and its Crown Corporations comprise much of the asset position, and where . . . government subsidies and guarantees increase the Fund's reported earnings.

In other words, he's saying there's a little bit of witch-doctoring going on there.

Now to the Premier. Back again to the annual report, page 7, the segments of the heritage trust fund split into the investment division, Canada division, commercial and so on. What I was going to suggest to the Premier is: has he considered at all possibly marrying the two concepts? One of developing and diversifying Alberta, which probably he has a good argument should be under political aegis, but the other concept of investment, a true trust company, that you can't involve. Now, I know you said you'd love it being run by government, but I wonder whether, if the government changed, you would love it as much. In other words, if there's a change in government, the idea of the government running this fund might not be as attractive as it is now.

Would the Premier consider, say, separating out the Canada investment division and the commercial investment division and letting that be run by an independent board?

MR. GETTY: Well, Mr. Chairman, the member is making that suggestion. We'll certainly give consideration to it. But while you can get all the advice and all the expertise possible, the ultimate responsibility under our form of British parliamentary democracy is for elected people. That's where the buck stops: it's our responsibility. Now, I could quite possibly contemplate the hon. member being in here saying to us, "Look what you've done: you have a responsibility here for yielding a reasonable return of profit, and you've gone and put it in the hands of a whole bunch of Bay Street types, and they've gone and lost money" – and this and that and the other thing – "surely you should have kept responsibility yourselves because you're elected by the people of Alberta to do it." I mean, that's the debate and the considerations. I think we have to get the best advice possible, but we are responsible.

MR. TAYLOR: The trouble is, though, that it doesn't make it a trust fund if it can be handled by us.

The second supplemental jumps a bit. I'm jumping around because of the time, Mr. Chairman. The second area I wanted to touch on was the question, and something I agree that's been going on, of the liquidation of the assets of Alberta Housing. In view of what seems to be a successful move in these assets as well as the selling off of AGT – in other words, the assets are going to be used to swell the heritage trust fund and hopefully reflect in a better debt picture – would the Premier set in motion some studies to do the same thing with the Agricultural Development Corporation, bearing in mind the 9 percent loans we put out went around the ADC and it worked out very well? Why can't we do the same with the rest? We've got a whole little bureaucracy floating around there, something that even the NDP would be proud of, that kind of a known banking system out there. Would the minister consider maybe winding that down the same way that they've wound down the housing corporation and using the assets in the heritage trust fund?

MR. GETTY: Winding down ADC and perhaps the Alberta Opportunity Company that are both funded through the heritage fund? Well, consideration would be given to it if the committee makes that recommendation to us. I know that in a very tough time for agriculture, ADC had its problems. We had a comprehensive assessment of it and made changes. We're always open to see if we can do things better.

You say that the Premier paints a glowing report. I'm not painting a glowing report that everything is perfect at all. I was speaking very strongly of the Alberta economy and reading to you the assessment of people from outside of Alberta. But in terms of the trust fund, balancing the responsibilities given by the Legislature and having the trust fund play a strong role in tough times in Alberta – and good times – I think in general has been handled very well. We'd always look at ways of improving it, because we don't have all the answers or necessarily have thought of all the ways of doing things better.

MR. TAYLOR: Last question. I agree with the Prime Minister – the Premier, I should say. That's a Freudian slip there; I know you're trying to change your name and do all sorts of things to dissociate from that. I'm sorry for connecting you.

MR. CHAIRMAN: Hon. member . . .

MR. TAYLOR: I just wanted to apologize for connecting him; that's all.

MR. CHAIRMAN: I'm sure he accepts your apology. If you could just move to the question.

MR. TAYLOR: The question I wanted to go after is that Moody's most recent report of October 11, 1990, which talks about a report on Alberta, says that the Alberta debt is 14 and a half billion dollars, not \$10 billion as was generally accepted. If you add the \$9 billion pension liability to that, Mr. Premier, we come up with debts of 23 and a half billion dollars. So we have a 23 and a half billion dollar debt, yet we're running around talking about . . .

AN HON. MEMBER: They still give us an AA plus.

MR. TAYLOR: This is by an independent out of New York. . . . a heritage trust fund here - we're talking without deemed assets - probably under \$10 billion. It seems to me that all businesses and most people in their private lives are trying to reduce their savings account, which is the heritage trust fund, and pay off their debt at the bank, yet we're continuing to let our savings and investment account, if you want to call it that, stay there and let the debt mount. Can you give any real reason? Good financial management, it would seem to me, is to try and pay down your debt and let your savings account go to hell.

MR. CHAIRMAN: Just prior to the Premier responding, would the member be prepared to table that document he referred to? Thank you.

MR. TAYLOR: It says, "Alberta Liberal," on top of it, but if you don't mind, I will, certainly. [interjections]

MR. CHAIRMAN: The Chair will refrain from comment.
Mr. Premier.

MR. GETTY: I understand, Mr. Chairman, that the report gives a strong rating to the province of Alberta, which I'm pleased with.

Could I say one other thing to the hon. member? Why is it such a popular thing for you and some members of your party to try and list, as no one else does, liabilities and not list assets? I mean, that surely is the presentation of the worst distorted situation possible to look at. The tremendous, fantastic assets of this province - and you pick out a few liabilities and say, "Look, we have these liabilities." Now, nowhere in your business background would you ever do that. In any fair assessment of anything you would want to list all of the assets as well: the huge lands and forests and energy and buildings and roads and all the assets of the province, which are carried at perhaps one dollar in your mind. Surely, if you went to actually list the assets beside the liabilities, you'd come to the same conclusion that everyone does: that this is the province in the strongest financial position of any in Canada.

11:54

But let me conclude with one more comment. You are talking about balance sheets. Remember that budgets and using a trust fund to help the people of Alberta are much more than just a

balance sheet. It's the aspirations of farmers and ranchers and young people, and schools and roads and towns and communities all across this province. It isn't just a black-and-white balance sheet; it's much more than that. That is, I think, the beauty of the accomplishment of the heritage trust fund: it's been able to try and meet the aspirations in such a broad way rather than such a narrow, just balance sheet way. Those are, I think, the benefits we've been able to establish because the Legislature gave us the broader responsibilities.

MR. CHAIRMAN: Thank you.

The Chair will recognize the Member for West Yellowhead with one question and perhaps one supplementary. Our time is about spent.

MR. DOYLE: Thank you, Mr. Chairman, and certainly I apologize for being late, being at the transportation hearings. The Premier I certainly welcome back, and welcome back to good health.

Mr. Chairman, environment plays a very key role in the province and in this country. So does the environment in families, and I appreciate that the heritage trust fund has put money into such things as AADAC and now into drugs. Alcohol is by far the biggest abuser and the worst cause of family breakdowns. I would like the Premier to explain his reasonings for putting things into those types of projects and at the same time putting money into John Labatt, Molson Companies' class A shares, Molson Companies' class B shares, and Seagram's to the amount of some \$10 million.

AN HON. MEMBER: They buy our grain.

MR. GETTY: Mr. Chairman, the answer to this is somewhat like the answer that was dealt with earlier when one of the hon. members asked: if these are funds from oil and gas, how come in the commercial investment division there are investments in oil and gas companies? I think it's just the need to make sure that when you are looking for the highest growth, best managed, best return types of investments, you try and get a coverage of companies across our country that can provide that kind of growth and that kind of return. If the committee has some recommendations about excluding those types of companies, we'd be interested in taking a look at it.

MR. DOYLE: Thank you, Mr. Chairman. This will probably be my final question. I was quite concerned about the Alberta Energy Company and the investment of \$42 million to prop up the shares. Could the Premier tell me if this \$42 million investment has propped up the shares of cabinet ministers in this government and other government members?

MR. GETTY: Obviously, the investment in the Alberta Energy Company wasn't meant to prop up their shares. Their shares have done well by themselves. As a matter of fact, the shares have gone up as the government's share of investment has gone down. So, in fact, your conclusion is wrong. We have gone from 100 percent of the shares to 50 percent of the shares to down to 35 percent of the shares and, in fact, the value of the company has gone up and up. So I think your analogy is wrong.

As far as whether any member of the Legislature is benefiting, I only draw to your attention that the Legislative Assembly Act allows that members can invest. As you know, we have a panel of people headed by the chief judge of our province which has made recommendations and which we asked to deal specifically

with Alberta Energy Company shares, and they have made specific recommendations. That report should find its way into legislation and debate in this Legislature, and I'll be looking forward to see how the members of the House deal with it.

MR. CHAIRMAN: Thank you.

MR. DOYLE: Thank you. Mr. Chairman, due to lateness of the hour I move adjournment.

MR. CHAIRMAN: In a moment, if you'd hold your motion for just a moment.

The Chair would like to express appreciation to the Premier for appearing before the committee and for the forthright manner in which he's responded to the questions from the committee members. We appreciate him taking the time, and I must say I appreciate the manner in which the committee focused their questions today. The Chair appreciates that very

much.

I would just remind the committee that this afternoon we'll reconvene at 2 p.m., when the Alberta Heritage Foundation for Medical Research will appear before the committee. The officers of that foundation will appear. I also remind you that this afternoon is the deadline for the submission of recommendations.

The Chair will now recognize the Member for West Yellowhead.

MR. DOYLE: Mr. Chairman, due to the lateness of the hour, I move adjournment.

MR. CHAIRMAN: Thank you. All those in favour? Opposed? The committee stands adjourned.

[The committee adjourned at 12 o'clock]

