

2 p.m.

Wednesday, November 14, 1990

[Chairman: Mr. Ady]

MR. CHAIRMAN: I'd like to call our committee to order. The Chair's records indicate that we completed recommendations 13 and 14 just prior to the break at noon, that we're now prepared to move to recommendation 15. I recognize the Member for Calgary-Mountain View.

MR. HAWKESWORTH: Thank you, Mr. Chairman. I guess I'm going to have to ask the Member for Edmonton-Meadowlark to have a chat with his colleague from West . . .

MR. CHAIRMAN: Westlock-Sturgeon.

MR. HAWKESWORTH: Pardon me?

MR. CHAIRMAN: Westlock-Sturgeon.

MR. HAWKESWORTH: Yes, Westlock-Sturgeon. I didn't have a great deal of luck over the lunch hour to convince him to support number 14, so hopefully he'll be able to succeed where I wasn't able to.

15. Moved by Mr. Hawkesworth:

That all proposals for developments in Kananaskis Country be submitted to environmental impact assessments, including a requirement for public hearings.

MR. HAWKESWORTH: The same with recommendation 15, Mr. Chairman. The Heritage Savings Trust Fund has contributed through the capital projects division close to a quarter of a billion dollars in Kananaskis Country. I think it's about time that there be some sort of review of where developments in Kananaskis Country might be headed.

I think the minister could do one of two things: have a similar kind of consultation process that Parks Canada has adopted for the long-term planning of the national parks under their jurisdiction, or, alternatively, the proposal in front of us, that as development proposals come forward for Kananaskis Country there be environmental impact assessments, including a requirement for public hearings, to allow the public to, first of all, learn about what developments are proposed before decisions are made and to make their feelings, wishes, or thoughts about those proposals known before the final decisions are taken.

I know it's a source of pride and enjoyment for many Albertans, and certainly a sense or a desire to be able to influence government over what might be decided for Kananaskis Country – so far there have really been no opportunities for the public to be involved or allowed in the planning in Kananaskis Country. I would just hope the minister would recognize how much Albertans would like to be able to speak to what is planned for Kananaskis Country. I hope the members of the committee would recognize that as well.

MR. CHAIRMAN: Are there other speakers on recommendation 15? The Member for Athabasca-Lac La Biche.

MR. CARDINAL: Thank you very much. I believe I'd have to speak against this motion. I think the concept is no doubt good, but it's probably a bit too late, because looking at the new natural resources conservation board that's being established, it will definitely cover an area like this. Therefore, I don't believe

it's necessary to put forward a motion like this to deal with that same issue, because Alberta is already dealing with it. The other area it doesn't really specify is: what is an environmental impact assessment study in relation to parks?

Basically with that, I'd like to thank you for your time.

MR. CHAIRMAN: Thank you.

Are there other members wishing to speak to recommendation 15? The Member for Ponoka-Rimbey.

MR. JONSON: Yes, Mr. Chairman. With respect to this particular recommendation, as I recall, when the minister was before the committee, the process of review and study and due consideration in terms of developments in Kananaskis was quite well explained. Certainly with a facility such as that, which I think is one of the facilities the people of Alberta take great pride in, the whole emphasis has been on preserving the environment, the scenic side of it, the wildlife side of it, the flora and fauna part of it and so forth.

MR. CHERRY: He's done a tremendous job.

MR. JONSON: That's right, hon. Member for Lloydminster. I'm glad that you agree with me.

Therefore, I'm really wondering why this particular proposal is coming forward. I haven't heard anything in the remarks or otherwise to indicate those objectives haven't been adhered to in the development of Kananaskis. I just put that view forward, Mr. Chairman.

MR. CHAIRMAN: Thank you.

The Member for Lacombe.

MR. MOORE: Well, some of my colleagues have spoken about the intent of the motion. I guess we could agree that everybody's concerned about the environment and what development does to it, that they do the best possible projects to stay in agreement with all the environmental ambitions of the people. But in Kananaskis Country we have various parks, and when one views the conditions of development in parks, they're very rigid and they protect the environment. In fact, that is the major concern of the parks program. To admit that we should put all projects in Kananaskis Country to it – we already have very stringent controls in there protecting the environment. I don't think it's necessary in that given area.

MR. CHAIRMAN: Thank you.

Does the Member for Calgary-Mountain View wish to close debate?

MR. HAWKESWORTH: Thank you, Mr. Chairman. Just a few closing comments.

When the minister appeared before the committee, I went to some lengths to give him an opportunity to state for the record that this would be the policy for the future in Kananaskis Country. He made a point of not giving that guarantee. Therefore, I think it important that it be a matter of the public record that this is an objective we would like to see for Kananaskis Country.

A reference was made to the natural resources conservation board. There's a great deal of discretion contained within that legislation. It's again not at all clear to me that the provincial government would in fact ensure in all cases or for major development proposals in Kananaskis Country that this process

would be undertaken. In fact, there are really no guarantees anywhere that I can see. I am aware of an example of a cross-country ski training facility that has been built in Kananaskis Country without the kind of environmental impact assessment that's proposed here in this motion. I'm also aware that down the road a ways in Wind valley there are major golf and resort proposals very much under way, and there's certainly no guarantee there that proper environmental impact assessments will be concluded prior to the final decision being taken on those projects.

So I would see that any direction this government appears to be going is in the opposite direction from providing the kinds of assurances this motion would require. That's why I'm making it a matter of the public record. You know, having served on city council in Calgary, the matter of public hearings takes place all the time in reviewing development applications and proposals, and the same for development appeal boards, which are in place in all municipal jurisdictions in this province. I'm not talking about something that is so alien and foreign that it's outside the realm of experience of this government or the people in this room. I think it could be very much a standard part of the process of approvals for developments in Kananaskis Country, and nothing would be harmed thereby.

MR. CHAIRMAN: Thank you. That concludes discussion on recommendation 15.

The Chair again recognizes the Member for Calgary-Mountain View to bring on debate of recommendation 16.

2:10

16. Moved by Mr. Hawkesworth:

That the Standing Committee on the Alberta Heritage Savings Trust Fund Act sponsor a one- or two-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 costs of organizing such an event would be an administrative expense of the Alberta Heritage Savings Trust Fund, the chairman be empowered to seek sponsorships and alternative sources of funding to help offset such costs.

MR. HAWKESWORTH: Thank you, Mr. Chairman. This particular motion is a bit different from others on the proposed papers in front of us in that the other motions recommend something that government should be doing, recommendations to government about the fund, whereas this particular motion has to do with the committee itself. It seems to me that it would be an exciting opportunity for the standing committee to take an initiative here for itself to have a look at the other major resource-based savings fund in existence in North America, that being the Alaska Permanent Fund.

We've had a lot of discussion in Alberta and in this standing committee over the years about what the Alaska Permanent Fund is all about. To my knowledge none of the people on the committee here – I could be mistaken on that and stand to be corrected – have ever actually had the opportunity to travel to Alaska or to speak directly and spend time in finding out more information about the Alaska Permanent Fund. So rather than sort of suggesting that the standing committee fly up to Juneau or wherever and meet with the people there and do a fact-

finding tour much as we do for projects funded by the heritage trust fund in Alberta, rather than doing that and taking the entire committee there, it seems to me we could do something exciting by having Alaskans come here to meet with us and talk about their fund. We could invite those people who are the managers of our own trust fund in the Provincial Treasurer's office or the Provincial Treasurer and/or the Premier to talk about our fund in comparison with theirs. That's not to envision saying one is better than the other in all respects, but we might be able to learn from what other people's experience has been. I think it would be a cost-effective way to do that: to invite Alaskans here to make presentations and participate in a seminar.

Now, in thinking through how such an event might be organized and paid for, it would seem to me, Mr. Chairman, that it could be and would be considered an administrative expense of the trust fund itself much the same way as our tours of oil sands projects are considered a cost of the trust fund as well. I could see, for example: why not ask Nova Corporation to perhaps sponsor a luncheon? Or perhaps Northwest Orient Airlines or Delta Air Lines might be willing to contribute some air line tickets for the cost of bringing the Alaskans to Edmonton, or Burns Fry, the big investment dealer in Canada, might be willing to sponsor some portion of our meeting expenses and also participate. There wouldn't be anything wrong; in fact, I think it would be quite a good idea to involve people from the private sector, perhaps representatives of various corporations that have received investments from the Heritage Savings Trust Fund being here and participating in such a seminar.

Who knows what might come from it? I don't know that anything needs to come from it other than a better awareness of the various members in the committee about the workings and the details of the Alaska Permanent Fund, and we might be able to teach them a few things as well as learn from them. I think the same advantage we get from traveling to different projects in Alberta to see what the fund has supported and how those things are working – that adds to the awareness and knowledge of members of the committee. By the same token, I think a seminar such as this would do that very much as well, Mr. Chairman. I would hope that by adopting this resolution, that would be providing the chairman with the mandate to help pull this together.

MR. CHAIRMAN: Thank you.

The Member for Westlock-Sturgeon.

MR. TAYLOR: Yes, Mr. Chairman. I can see the point behind the hon. Member for Calgary-Mountain View's motion, but I think it's much too narrow. I'd hoped that motion 2, which was on earlier and put forward by another equally famous Calgarian, from Fish Creek, would save the day. I feel this is a little narrow. I think there are many, many trust funds around the world now handling excess income. As a matter of fact, the emir of that country in the Middle East that we intend to save if Joe Clark gets turned loose, Kuwait, has one of the biggest heritage trust funds going. I gather he was able to abscond with most of it to New York, so maybe we could have him in to tell us how to run it and invest it too. But I think this is much too narrow, although it's well intentioned.

I spent some time this summer talking with a New Zealand representative who was trying to put a heritage trust fund together and who had interviewed a number of people. I think it's fairly complex, and I think we need something as all-encompassing as resolution 2. Therefore, I am afraid that supporting

this would detract or take away from number 2, so I have some difficulty supporting it.

MR. CHAIRMAN: The Member for Lloydminster.

MR. CHERRY: Mr. Chairman, yes, I was also interested to see what the member had to say regarding this resolution. Although from my standpoint I think he has good intentions, I guess the question I would have to ask is: is there no correspondence regarding the Alaska Permanent Fund that we could get our hands on and digest it in that way first? Then perhaps later on, if we felt it was worth while, we could entertain a one- or two-day seminar such as the member has stated in his motion. Those are the concerns I have regarding it, and perhaps he might entertain them on his wrap-up.

Thanks, Mr. Chairman.

MRS. OSTERMAN: Mr. Chairman, so that I won't also be redundant, just to say that I believe this motion is redundant in the face of the second recommendation put forward by my colleague from Calgary-Fish Creek. I'm sure there are many avenues to be explored, as has already been stated by a number of our committee members.

Thank you.

MR. MITCHELL: I would like to simply say, Mr. Chairman, that I feel, as does my colleague from Westlock-Sturgeon, that this is too narrow and in a sense detracts from resolution 2. We can accomplish in resolution 2 that which is called for in this recommendation 16. Certainly a proper, comprehensive review of the Alberta Heritage Savings Trust Fund would involve comparisons with funds such as the Alaska fund as well as Quebec's counterpart to our Heritage Savings Trust Fund, the Caisse de dépôt, which is a \$30 billion or \$35 billion pension fund which they use in much the way we should have used the Heritage Savings Trust Fund. So while I'm not opposed to it at one level, I believe it is redundant and is covered in recommendation 2.

MR. CHAIRMAN: The Member for Lacombe.

MR. MOORE: Yes, Mr. Chairman. I was just consulting with my colleague to my right, and what we were consulting I will share with the committee. We were saying that a lot of this information is available and it would be a good idea if the chairman of this committee were to gather it up and provide it to members. Anyway, what I was saying was just a suggestion that was going on between myself and my colleague to my right.

2:20

I took some interest in this Alaskan fund a couple of years ago and wrote them. They sent me a considerable amount of information; in fact, it was a package of information on the fund maybe three-quarters of an inch thick, I would say. The person I had talked to there was very, very happy to provide that, and any other information we might have wanted we could have followed up. So I think in these days when there isn't too much money around, we should be getting this information rather than putting on a seminar. The mover has said it would be an exciting exchange. No doubt it would be exciting. But information is available on a lot less costly basis by having the information mailed here, and we, in what free time we have, could

examine it and compare it with ours and possibly bring up a lot of recommendations for the next time around, and we could adopt these points for our process.

The Provincial Treasurer said when somebody had questioned him about this Alaskan fund – I don't know whether it was this last time he appeared before us or at one time when he appeared – that he was well aware of it and it was different in many aspects and was not really as similar as a lot of people would lead us to believe. So I think if we're interested in the most cost-effective way to do it, as Mr. Hawkesworth said, we would just have your office contact the Alaskan fund and provide us all with copies and full information on it.

MR. CHAIRMAN: Thank you.

The Member for Clover Bar.

MR. GESELL: Thank you, Mr. Chairman. I wanted to just make a few comments about this particular recommendation. I value information that comes forward that provides comparisons and provides new information on how we might look at the Alberta Heritage Savings Trust Fund. I don't quite agree with the Member for Lacombe that it's the chairman's responsibility to gather up this information and the initiative as presented by the Member for Calgary-Mountain View. If he wants to pursue that, I would encourage him to do that, and I would look forward to that information. Obviously, he must have some information already in order to have presented this recommendation.

I do find this recommendation to be somewhat misplaced, though, amongst the other recommendations we have relating to how moneys from the Alberta Heritage Savings Trust Fund may be invested or how we may be better stewards of the funds that exist there. I make that comment because I find that this type of suggestion, although it's valuable, might be much more appropriately made at the point in time when we as a total committee look at the investigative visits we undertake in order to become more familiar with the Heritage Savings Trust Fund, the projects we've funded, and other areas we might compare with. So although I would speak against this recommendation as one of the main recommendations from the Heritage Savings Trust Fund committee, I would encourage the member to perhaps bring this suggestion forward as a motion. As we do at the end of our considerations have deliberations on the areas we might have a look at in our investigative visits, this may form part of such an investigation and should be considered at that point in time. So I see it more appropriate in that context than it would be as a recommendation, Mr. Chairman.

Thank you.

MR. CHAIRMAN: Thank you.

The Member for Calgary-Fish Creek.

MR. PAYNE: Mr. Chairman, I'm somewhat attracted by the word "seminar". As a student of language, perhaps I should explain to the sponsoring member that the word "seminar" has two roots, "semi" and "nar," and "nar" in fact is an acronym for nebulous, airy recommendation, which makes this a half nebulous, airy recommendation.

Now, Mr. Chairman, others have quite properly spoken to the redundancy of the recommendation, and I don't wish to add to that list of speakers. However, I would like to make a comment or two with respect to the member's near mesmerization by the

Alaska Permanent Fund. Perhaps it's worth while for me to raise once again my objections to comparing the Alberta Heritage Savings Trust Fund in any way with the Alaska Permanent Fund, as I did in committee on November 1 when the Premier was our guest. I pointed out that the Alaska Permanent Fund has the mandated obligation to seek the best possible return. It's a money-maker. This morning some disdain was expressed by the NDP for such narrowly focused objectives. Certainly we are all aware of the multiple objectives of the fund here in Alberta: not just a preoccupation with the balance sheet, the bottom line, but a desire, if you will, to save for the future, to strengthen and diversify the economy and, more importantly, to improve the quality of life for Albertans. Now, those kinds of objectives would get short shrift by those trustees of the Alaska Permanent Fund, and I'm personally very pleased that our fund here in the province has a far wider mandate than the restrictive balance sheet orientation of the Alaska Permanent Fund.

There is, Mr. Chairman, one other significant difference, and that is that the Alaska Permanent Fund is administered by an independent board of trustees, trustees who, I might point out, are appointed by the government. Now, how many times have we heard the Liberal members and the NDP members stand in this House and declare their passionate affection for people who are elected and not appointed? We've heard them condemn bagmen appointed to the Senate. We've heard them condemn other government appointees. Would these government appointees be any different? Obviously, the significant difference here is that the Alberta Heritage Savings Trust Fund is administered by an investment committee and monitored by a select committee, all of whom are elected people, and if they ever fail to discharge that obligation to the complete satisfaction of the people, who own the fund, then the recourse is obvious: on election day they cast their ballot. By and large, I suspect our trustees, our constituents, certainly prefer the system being administered as it is, by this elected body rather than an appointed body. Two very important distinctions.

Needless to say, Mr. Chairman, given the definition of "seminar" and the very well spoken, articulated arguments against the redundancy of the recommendation, in light of these very significant differences, I think we would be hard pressed to draw such a comparison now or certainly in a formal mechanism like a seminar.

Needless to say, I do not support the recommendation.

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

MR. CARDINAL: Thank you very much. I would also speak against the motion, because I believe a process, as identified before by my colleagues, is in place already that does well for this fund. The presenter from Calgary-Mountain View indicated that there may be nothing coming out of a meeting. Therefore, if nothing is going to come out of a meeting, maybe we shouldn't have it.

The other suggestion the person made was to give the Alaska Permanent Fund some ideas. Now, I don't think we should be out trying to give people ideas unless they're asking for our help. Therefore, as a member of the fund, I believe if I'm interested in finding out some of the positives and some of the negatives of the Alaska Permanent Fund, it's up to me to find out what is good in their processes and, as a member of this committee, I have the opportunity, and the process is in place already, to make my motion based on my findings. Therefore, I'd say the motion is outdated and wouldn't be very effective.

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MR. CHAIRMAN: The Member for Calgary-Mountain View, to close debate. Oh, I'm sorry, I overlooked the Member for Westlock-Sturgeon.

MR. TAYLOR: Mine is very simple. I just wanted to use that point of order, if I could, Mr. Chairman, to ask the Member for Calgary-Fish Creek whether he'd be as enthusiastic in his support of government managementship of the fund after the NDP wins the next election.

MR. CHAIRMAN: The Member for Westlock-Sturgeon deals in vast hypotheses.

The Member for Calgary-Mountain View, to close debate.

MR. HAWKESWORTH: Well, I thank the Member for Westlock-Sturgeon for his perceptive view of the future.

I can understand, Mr. Chairman, why government members wouldn't want to support this motion and wouldn't want to bring representatives of the Alaska Permanent Fund here to Alberta. I can also understand why they would find the Alaska Permanent Fund to be so threatening to them. You know, I can appreciate their sense of insecurity, that in such a seminar this government's management of the fund might very well compare very badly with what the Alaska Permanent Fund has been able to do. So I can appreciate their reluctance. If I were in their shoes, I'd be reluctant to have somebody come to town that might put me in my place.

I still would like to leave the Member for Calgary-Fish Creek with a challenge. If he feels so strongly about the Alaska Permanent Fund, why doesn't he bring representatives of that fund here to Alberta? I'm sure he can do it very diplomatically; he can be diplomatic at times. Put his argument to them and see what their response is. Maybe they have some thoughts about how accountability is maintained within the structure and the mandate of that fund that might be instructive to us here in Alberta. I have my own criticisms of the Alaska Permanent Fund, but I also recognize that I can learn from other people, especially if they have tried to do somewhat the same things that I would like to achieve. They can maybe tell me where I could do things better or where they had mistakes or where they would do things differently if they could do it over again. I mean, that's what you have people here to talk to you about. That's what such a seminar would do. I mean, if we want to take investigative visits, I think the Member for Clover Bar termed it, why would we bother if we're not willing to be open to some new ideas?

Now, what surprises me most, though, is the reaction from the two Liberal members on the committee that somehow this pre-empted another motion on the floor. Well, I just point out to those members that they might want to reconsider their position on motion 16. Because even if this committee were to adopt the motion put forward by the Member for Calgary-Fish Creek, "that a task force be set up made up of government and opposition MLAs and academic and investment community leaders," just even assuming that motion was adopted by this committee, they're kidding themselves if they think that's a guarantee that such a task force would be set up. We still have to get the government, who is very closed about their operations and very protective about their turf, about the fund, to agree to that. A task force would have to be set up by the government or by the Legislature. So us making a motion like that isn't going to guarantee that anything gets done. However, if we passed or adopted the motion on the floor, that's the committee

instructing itself to do something, and that means it would happen. So I can't believe the Liberals would be so timid as to want to back off from having the kind of a review that I'm talking about or having the kind of discussion and comparison that we're talking about.

I'd like to see what Alaska says about their fund and their objectives and their mandate. I'd like to hear the government here talk about its mandate and its structure and its objectives for the trust fund and see what comes from that. That sort of dynamic cannot come about simply by sitting and reading an annual report. I'm sure any one of us on the committee could write to the Alaska Permanent Fund, and if any member wants the address, I can get it for them and give it to them to write and get the annual reports. One can do anything. You can read annual reports – that's an easy thing to do – and that gives you a certain amount of information and a certain amount of learning, but the kind of dynamic that I'm talking about is different. I can understand why the government would be threatened by that; that doesn't surprise me. But for the Liberals to be timid about it, too, really does surprise me. I thought they would be a little more adventuresome than that.

MR. TAYLOR: We're not always as tough as you think we are. We're human.

MR. HAWKESWORTH: But you know how to predict the future.

MR. CHAIRMAN: The member has completed his concluding remarks?

I recognize the Member for Calgary-Mountain View with recommendation 17.

17. Moved by Mr. Hawkesworth:

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

MR. HAWKESWORTH: Thank you, Mr. Chairman. I'll try and be pointed and relatively brief in my comments about Vencap Equities Alberta Ltd., but it's going to be difficult. It's hard to know where to begin in terms of expressing disappointment with Vencap's inability to achieve what I think was intended for it when it was initially set up.

Well, one could sort of start by taking a look at their first interim report for June 30, 1990. It's the most recent one I'm aware of in terms of their reporting to their shareholders, where they itemize a number of investments made in American companies in order to allow them, or help them, to establish themselves here in Alberta. Now, it's fine to use venture capital to get companies up and running, but I'm surprised that we would give money to Vencap and that they would use that money to invest in American companies to assist or aid them in buying up the economy here in Alberta. It's one thing to make an investment in Canadian companies and in Alberta companies, but to use this money to assist in the foreign ownership of Alberta is, to me, not what Vencap was set up to do.

The original capitalization of Vencap, Mr. Chairman, was \$244 million, \$200 million of it from the Heritage Savings Trust Fund, which was extreme and allowed Vencap to become Canada's largest venture capital organization overnight without any adequate government controls. We see that what they've done with the bulk of that money has been just to simply invest in government issues, government bonds, government securities,

and make the bulk of their income off those kinds of investments. So obviously, to start off, Vencap had too much money and wasn't able to make proper use of it initially.

The arm's-length relationship that was originally intended to be set up – it appears that the real relationship is that of a deep pocket between Vencap and Alberta taxpayers and that there's no real accountability to the trust fund for how that money is being invested. I am quite concerned about how so much of the investment in Vencap seems to end up in the pockets of the old-boys' network in this province. I mean, I don't consider a \$14 million investment in one company to be venture capital. The fact that the Churchill Corporation has been headed by the gentleman who was the leadership campaign co-chairman in 1985 for the current Premier makes me suspect that Vencap is more a deep pocket that certain individuals have access to than a true and genuine venture capital company. We also see, for example, most recently Myrias Research Corporation, which has lost millions of dollars of taxpayers' money directly and which had a \$7 million investment in it by Vencap. Again it seems that the same companies are going to the same taxpayer through slightly different routes, either directly through loan guarantees or, in the case of Vencap, through money from the Heritage Savings Trust Fund.

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We also see from Vencap's 1989-90 annual report, Mr. Chairman, that the return to the trust fund, to the government, is a mere 2.8 percent. I mean, on one hand, we've got a company that puts most of its money into safe government securities and, on the other hand, returns 2.8 percent to the trust fund and in the meantime is making lots of investments into companies that are questionable, whose intentions in terms of businesses are questionable and aren't really in some cases genuine venture capital investments and in others appear to be nothing more than assisting in the foreign takeover of our economy.

There have been some spectacular losses in Vencap. We've seen a major change in the management of Vencap because of its track record, but there doesn't seem to be any other means of providing some accountability between the trust fund and the \$200 million of public moneys that is at its disposal.

So I've just concluded, Mr. Chairman, that the whole direction, philosophy, lack of accountability of Vencap and lack of any real, meaningful return to the Heritage Savings Trust Fund as a result of the loans made to Vencap persuade me that this has not been a success. It's simply another form of largess for a select group of companies in this province that seem to be able to get preferential treatment in their access to venture capital, and it has failed in any major way to meet its objectives or to fulfill the mandate originally envisioned for Vencap when it was set up.

MR. CHAIRMAN: The Member for Westlock-Sturgeon, followed by the Member for Lacombe.

MR. TAYLOR: Thank you, Mr. Chairman. Speaking on the hon. Member for Calgary-Mountain View's motion, I say that I certainly sympathize with him and agree with the facts he has set out. The only question is the practicality of the early repayment. I prefer a motion that was put forward last year, and I put it forward again this year. Number 25 is coming up and asks for the specific amount of \$100 million to come back. But certainly I can support the idea behind the motion here in that Vencap has really just been a transfer of heritage trust fund funds over

to an independent group that the Member for Calgary-Fish Creek just said should never have touched the fund. Somehow or another it sneaked in by calling itself Vencap, and it handles the funds the same way as if they had been left in the heritage trust fund. In other words, there's been no investment. We have another bureaucracy that was handpicked and appointed by the government, and I think we're paying them mainly for their ability in managing leadership campaigns than for looking after investing the funds.

Consequently, I think we should return it, and if this doesn't go by, I hope recommendation 25 – this is really a motion that was put forward by the hon. Member for Lacombe, but I plagiarized it, mercifully, knowing that an old dog that's been able to steal chickens from the chicken coop is always the one to be copied, and consequently I have used his motion over again this year. Vencap might have been a good idea, but unfortunately we gave them a 10-speed bicycle to start out to learn to ride with when they should have been given a tricycle.

MR. CHAIRMAN: The Member for Lacombe.

MR. MOORE: Yes, Mr. Chairman. [interjection] I should pay attention here; I admit it. The hon. Member for Westlock-Sturgeon said some very valuable remarks, and I was concentrating on that and thinking about it and letting it sink in at the time you called my name.

However, now I'm back on track. On Vencap Equities I, too, shared a concern about Vencap. The fund was put out there so that they could utilize that to provide funding to industries throughout the province and encourage their growth. We found that every year they only invested a little and kept a lot, and that's a concern, that we put that fund out there to be utilized in that way. If you'll remember when the Premier was here, I brought that to this attention. At that time, he said: that's right; when they started out they were very cautious on how they invested that money, and each year they got a little more experience and a little more confidence in the process, and right now they are doing a very adequate job. Since then I checked this out, and I found that, as a matter of fact, they are now out there playing the role that they were set out to play: to help diversify Alberta and provide the capital that was needed there. So I think to take it back now that they are presently performing a lot better than they did in their earlier years would not be appropriate. I think we should leave it there now that they are beginning to function as their mandate was and give them a chance to see if they can complete the job.

MR. CHAIRMAN: Thank you.

Does the Member for Calgary-Mountain View wish to close debate?

MR. HAWKESWORTH: Indeed, Mr. Chairman, indeed. I think the Member for Lacombe is perhaps a bit mistaken in that, you know, when we see these investments that are made by Vencap, they keep them in these funds. It's not a true venture capital company that puts money into a company and once it's up and running, it removes its equity and reinvests it someplace else. You know, what you have are larger and medium size companies that are getting very large dollar amounts and leaving out the smaller business here in Alberta. For example, the average loans are in the area of \$2 million each. I pointed out that there's \$14 million invested in Churchill Corporation, and those investments date back initially to 1986. So now that's almost five years ago that this company has had

money from Vencap, and it's been reluctant to part with its investment. It's preferring instead to give these large injections of cash over several years to favoured companies. Churchill Corporation is not the only one. Intercane, PTI, and Western Cartage & Storage are other examples of what this company has done.

2:50

Now, our estimate is that the losses, the hits, that Vencap has taken totaled close to \$26 million as of December 31, 1989, which is almost a third of its total venture investment portfolio. Recently it's written down its \$5 million investment to Renn-Vertec Inc., which is a subsidiary of Clarepine Industries Inc.

So what we've got, Mr. Chairman, is \$200 million financing from the heritage fund, or almost that amount. I think \$6 million of that has been returned to the trust fund. While it's legally structured as a loan, it actually functions as an equity investment without ownership rights. Instead of receiving the predetermined amount of interest on the loan, the government participates in all venture losses and gains. That explains why, despite most of Vencap's investments being tied up in higher yielding marketable securities, the return to the trust fund has averaged less than 4 percent per year. It's clearly an example of something that's not working, and not working quite badly.

I think it's about time that the government recognized the lack of accountability, the lack of the company being able to fulfill its mandate. Return the money and let's make better use of it, either investing it in companies that will give a reasonable market rate of return to this trust fund or in some other form of investment where we can get a market rate of return. This is just ridiculous, especially when a government such as ours is in so desperate need of cash. The trust fund, it seems to me, could be better used than in getting the 2.8 percent rate of return on \$200 million. This company fails all tests of success. Let's take the money back.

Thank you.

MR. CHAIRMAN: Thank you. That concludes discussion on recommendation 17.

We'll recognize the Member for Calgary-Fish Creek for recommendation 18.

18. Moved by Mr. Payne:

That the Alberta Heritage Savings Trust Fund establish an independent advisory board comprising a cross section of qualified Albertans with relevant expertise to periodically advise the investment committee on heritage fund investment performance and policy.

MR. PAYNE: Right up front, Mr. Chairman, I candidly admit that I submitted this recommendation as a watered-down version of my recommendation 2 in case my earlier recommendation doesn't garner majority support in committee. Now, for those members of the committee who have difficulty supporting a task force of MLAs and experts, I hope they can support the concept of an independent advisory board. I don't wish to repeat the arguments I made on November 13 with respect to my earlier recommendation. Suffice it to say that the mark of any strong and successful organization is the readiness to seek and get all the best advice available. Now, such advice, it seems to me, is crucial to the future success and responsiveness of the heritage fund to changing provincial, national, and global circumstances.

Mr. Chairman, members of the committee may recall that the Premier, in replying to comments from the Member for Three

Hills, used the phrase "a pretty reasonable recommendation" in commenting on the concept of getting what he termed "advice and expert opinion from all over Alberta and perhaps all over Canada and any other places."

Now, I'm aware that some of the government members may support the notion of seeking advice for the fund but may object to the formal mechanism of an independent advisory board. If any such members are here today, I would simply point out that an advisory board should be supported for these two fundamental reasons. Number one, its independence would increase the likelihood of getting good advice that the government may not want. When government gets advice from consultants and friends, they may not get that kind of tough advice, and that's a serious loss to the policy development process. Secondly, a slightly more formal mechanism of an advisory board would ensure regularity and consistency for the advice-giving process. When it's ad hoc and informal, it's not likely to happen regularly and consistently, notably because members of the investment committee and this select committee have overloaded desks and agendas and simply may not be able to give the process of advice gathering the attention it deserves.

I do hope I can count on support of the members for this recommendation.

MR. CHAIRMAN: Thank you.
The Member for Ponoka-Rimbey.

MR. JONSON: Yes, Mr. Chairman. I just have two points with respect to this particular recommendation. First of all, by way of introduction I would want to say that I know the direction of this particular recommendation by the Member for Calgary-Fish Creek is constructively intended, and I think there is some merit in it, but there are two reservations that I have.

First of all, I note that the member indicated that he wants to see that investments are made by the best qualified people, that the best advice is available and so forth. I wonder why, therefore, it is limited to "qualified Albertans," because I think there is information to indicate that if you really want the very best people, the most experienced, the people with the best outlook with respect to Canadian markets and so forth, you should not be limited by what still might be a fairly small expert group of people in this particular field.

The other subpoint under number one, under my first consideration, is that I note that he said with some emphasis that we should be reassured that it's not friends of the government that we're hiring or that we're involving here. It would seem to me that the chance of such people not being "friends," either symbolically or actually, would be enhanced or increased by the accessing of advice beyond Alberta's borders.

However, my second point is that information which some committee members were provided with would indicate that when you really look over the Alberta investment community – and this is not to in any way downplay the ability of many people in the private sector – within Treasury we probably have some of the best qualified people, both academically and experience-wise, in the province to deal with investments of this type. Therefore, if that is correct, I think you'd have to then balance or consider how this in fact would work out. If your most experienced, your most qualified people are already doing the investing and then, given that it's going to be limited to the Alberta investment community, you have others that may not have quite the same experience advising them, it might be a little bit awkward as to who should rule the day if there happened to be confrontations or disputes.

In any case, Mr. Chairman, I do not doubt the constructive nature or intent of the resolution, but I just wanted to express a couple of reservations that I have about it. Thank you.

3:00

MR. CHAIRMAN: Does the Member for Calgary-Fish Creek wish to close debate?

MR. PAYNE: I'm not sure how to interpret the very short speaking list, Mr. Chairman. I don't know whether it means the members aren't supportive and don't want to offend me or all the bases were covered by the Member for Ponoka-Rimbey. If it's the latter, then let me speak to Ponoka-Rimbey's two bases, because it certainly wasn't a home run; he didn't make it to third.

I appreciate his acknowledgement of the constructive intent. My intent was most certainly constructive. I like my job and don't want to get fired. But speaking to his two reservations, he said, first, that by identifying the fact that the advisory board should be made up of qualified Albertans, he felt that was too limited. Well, I don't believe that's necessarily a limitation, because the advisory board would, of course, be free to consult with other information, advisory, or consultive sources worldwide.

Secondly, I was puzzled by his reference to the qualified staff in Treasury. I do recognize that there are qualified staff in Treasury, but I do hope he's not suggesting that senior civil servants don't need or want outside, independent advice.

Mr. Chairman, those were the only two questions or criticisms raised in debate today, so on the assumption that I have now addressed the two reservations raised by the Member for Ponoka-Rimbey, I trust I can now count on the support of the committee for this recommendation when it comes to the voting stage.

Thank you.

MR. CHAIRMAN: Thank you.

I'll now recognize the Member for Edmonton-Centre for recommendation 19.

19. Moved by Rev. Roberts:

That the Alberta Heritage Savings Trust Fund be restructured as follows:

- (a) the current various divisions of the fund be consolidated into two divisions, being
 - (i) the securities and investment division, which would hold the assets currently held in the commercial investment division, the Canada investment division, and cash and marketable securities and would earn market rates of return for the purpose of revenue transfers to the General Revenue Fund, and
 - (ii) the Alberta research and development division, which would hold the assets currently held in the Alberta investment division and in the various research funds of the capital projects division and would be directed to long-term research and development programs in human and natural resources as an investment to benefit future generations of Albertans;
- (b) no further expenditures be made through the capital projects division, that division be phased out, no longer reported as deemed assets of the Heritage Savings Trust Fund, and outstanding commitments for future

- budget years be made through the General Revenue Fund and the Capital Fund;
- (c) annually the Provincial Treasurer present to the Legislative Assembly for its approval the policy directions and objectives and the budget for the fund's two divisions;
 - (d) the overall investment strategy be socially and environmentally responsible and meet ethical standards similar to those of ethical growth funds;
 - (e) a legislative office be created called the trustee general, whose office would have trust and fiduciary responsibilities for the management of all financial assets of the fund to ensure all investments were managed in accordance with the policies provided by the Legislature, with this office to be responsible to the Legislature through the Standing Committee on the Alberta Heritage Savings Trust Fund Act and responsible to table an annual report with the Legislature;
 - (f) the Standing Committee on the Alberta Heritage Savings Trust Fund Act would hold annual hearings with the Provincial Treasurer, the trustee general, and the Auditor General to ensure the fund benefited the people of the province of Alberta, and the committee would be empowered to call all such witnesses as it wished to appear at these hearings; and
 - (g) a broad series of meetings and public hearings be held to receive further input on this proposal to increase the effectiveness and accountability of the fund.

REV. ROBERTS: Thanks, Mr. Chairman. In fact, I even have a handout. I know people have a hard time reading back there and might like at least something to look at of structure here. Doodle away.

Thank you, Mr. Chairman. We're pleased to be able to come to this point in the discussion of recommendations, because many of the recommendations, you know, hit at little bits of the trust fund here and little bits of the trust fund there and try to take a kind of piecemeal approach to either improving it or sucking more of the assets out of it or whatever. We in our caucus have been tempted to do that to some degree as well but also feel very strongly that this whole process of the select standing committee and what we've been doing in these hearings is most frustrating in terms of not being able to get at some of the real meat of the matter. Hence, the trust fund overall lacks what we would like to see as a much better sense of being effective and accountable, and in fact there needs to be a far greater sense of public awareness, public participation in the workings of the fund and its management. So to meet those frustrations and to give our own caucus a sense of going out to the people whom we're going to talk to over the next couple of years moving up to the next election, we want to hear from them their responses to some restructuring of the management of the fund that we think would in fact improve the effectiveness and accountability of it.

The Heritage Savings Trust Fund needs to be restructured to fit the needs of Albertans in the 1990s. As we've heard, it was set up back in the '70s when there was all kinds of resource revenue, and the Lougheed legacy and now the Getty legacy are soon to be over. There's going to be a new day in the '90s and a new way of looking at the Heritage Savings Trust Fund, and we want in this recommendation to at least put forward some alternatives. It's not exhaustive or fully detailed before you, but it does provide a framework for some, I think, important and

necessary new directions. I don't, of course, expect the status quo government members in this committee to agree to support this, but it's a serious matter for us New Democrats to provide alternatives and get public input on this most important part of the economic strength of the government and of this province, being the trust fund.

I should also say, just in introduction to this, that though not entirely reflecting the resolution, one of the things I think we have to really get a much better handle on is how we need not only better management of the investment and the assets of Treasury but also much better management of the debt of this province. They are really two sides of the same 12 billion-dollar coin, and if we can in fact better improve the management of our investments and better improve the management of our debt, then we will save Albertans millions upon millions of dollars and be far better stewards overall.

That having been said, I just would like to run through the nature of this restructure proposal that you have before you and that we are putting out for public discussion. The first is basically to return to the sense of it being a heritage and a savings trust fund. I know there are all kinds of things in the statute about its different purposes and what it was set up to accomplish. Let's just be clear about that and have a consolidation of the various divisions of the fund into two. We don't need the commercial division and the Canadian investment division and all the rest. We are saying to amalgamate and to consolidate the various divisions into two, one being a savings division, which we're entitling the securities and investment division, and the other being a trust division, or the research and development division.

You can see from the handout before you and from how it's worded the kinds of divisions which we would consolidate into these two very clear, easy to understand, accessible for people divisions of the fund and their purposes. Of course, the purpose of the securities and investment division is to get good market rates of return on those investments. It is there to make money off of money. That's the way of the world. That's what we need to put to work and to do it effectively with the various financial assets as we have them, not, as I said this morning, though, to just be capitalist greedy pigs out for windfall profits from every bit of the stock market manipulation that we can. It would certainly be within set guidelines, but its prime focus would be to get a commercial or market rate of return on those investments and, of course, to be able to supplement the General Revenue Fund as a result of that, as well as to inflation-proof some of those investments.

The other division would be the research and development division. A number of the concerns, which we've already talked about, and a variety of different reasons already – but to consolidate them into one, which is to say that certain money, certain assets of the fund would go into Alberta Crown corporations, would go into a research secretariat under which a number of different research efforts would flow, including the heritage medical foundation, environment research, any kinds of research that we deem to be in the long-term interests of the human and the natural resources of this province. We want to do effectiveness audits on how that money proceeds. We're not expecting high rates of return from that, but we do want not just to be out making money; we want to diversify and strengthen the Alberta economy primarily through research and development of our human and natural resources.

We would, in the second part of the recommendation, phase out the capital projects division. In phasing that out, we would say that these political projects would no longer be able to be at

the whim of a government to say, "Oh, well; we'll get a couple of hundred million here, a couple million there at election time and set up nice projects and tangible things out of the capital projects division." No; these kinds of projects must compete eyeball to eyeball, toe to toe with other projects through the General Revenue Fund resources. To have this sort of special set of moneys for the capital projects division - I mean, even the Auditor General, in terms of them being only deemed assets . . . It would clear up that auditing problem and would, I think, be much more effective in terms of, again, the accountability of capital projects if they flow from the Capital Fund of the province, not this now almost anachronistic division that we spend most of our time on but really should be part and parcel of the General Revenue Fund.

The third part of the recommendation, to provide for a much greater sense of accountability: this just wouldn't all be done in the offices of the Provincial Treasurer and outlining what he may to us as a committee. No; this would be a matter that the Provincial Treasurer, having of course debated in the government caucus and in cabinet and with all the resources of government, basically would present in a sense the budget, the policy, the investment strategy, what the intent and goal would be for the trust fund for a particular year. He would present that fully in the Legislature, as he does, of course, with the General Revenue Fund budget. It needs to be a clear, open statement of the kind of investment strategy that government would want to have adopted, together with the debt management strategy that they would want adopted, but it would be part of the full public disclosure and debate that the legislative process needs to have and needs to bring to bear upon this part of our provincial wealth.

3:10

Then the fourth part is that after and during that legislative process we'd want due regard paid to how the funds would be invested to meet certain ethical standards and be environmentally responsible in ways that make sense for us as Albertans in the '90s.

Then we have said that we would want to create what we'd call a trustee general so that the day-to-day operating, the management, of the fund would be the responsibility, again, not of Treasury - and here is, in a sense, why we didn't respond to the Member for Calgary-Fish Creek's proposal just prior - but of a trustee general with a lot of industry experts and people who know money markets and could be the advisers he'd be presenting. He could contract out with them, but he would basically be the one to manage the fund given the certain policy of the government as sanctioned by the legislative process. That day-to-day operating, management, would be done through his legislative office, which we would like to see function similar to how the Auditor General, the Ombudsman, the Chief Electoral Officer function. They would be responsible to the Legislature, in a sense, but would be at arm's length and could work and manage the fund to meet the mandates of government, of the Legislature, and would do so with the best possible investment brokers, industry experts, and with certain performance guarantees in terms of how you would report on the performance of the fund.

That reporting performance would be increased insofar as the trustee general would also have a mandate to publicize and be responsible for working with the people of Alberta as one of the other people who could put ads in the paper in terms of how the fund is performing, where the investments are and be far more open and public about the nature of the fund. It's not just one

of a number of offices of the Provincial Treasurer. It would be a separate, distinct person who would make those performance reports and have meetings with the public of Alberta in terms of his mandate and role.

Then we have proposed that our select standing committee would then be in a very good position to have annual meetings with the Provincial Treasurer, with the Auditor General, but particularly with the trustee general, to see how in fact the policy, the investment strategy, the accountability, the effectiveness, all of these things, are working to actually benefit the people of the province of Alberta and that we as a trust fund committee would have much better information, be a much more integral part of the process, have people who would be advocates for the fund and not try to sort of secretly hide it away. We could work to ensure and increase the effectiveness and accountability and this sense of public participation. There could be a much greater role for us as a committee instead of just calling before us for a couple of hours ministers who have \$200,000 out of some division of the capital projects division; instead, to really get at the meat of the matter and be able to do so with some of the major, key players, but we ourselves would be much more effective stewards of the fund and how it was performing.

Then finally, Mr. Chairman, as I say, this isn't comprehensive; it's not detailed. We'd like to fill it in a lot more, but it is, I think, from our sense a way to provide new directions and a new framework for the fund and its operation. This doesn't provide all the answers. I'm eager to have input from others on the committee. But we would by virtue of this recommendation, this new framework, take it itself out for public meetings and hearings to say: "Here's how we would like to see it restructured. What is your response? How can we fine-tune it or refine it to get some other ways to ensure the effectiveness and accountability which we want to have in the fund?" That is open to public debate and input, so we would have, in a sense, public hearings on this proposal itself.

I don't want to take any more time. I'd like to hear from folks, their sense about it. I know it's a radical departure from what has been the practice in terms of how the fund was set up under Premier Lougheed and how the status quo is maintaining it now. It may well be far too radical for some people's tastes, but it is the time, we feel, for some radical restructuring, particularly if we can demonstrate with and for Albertans that the Heritage Savings Trust Fund can be made to be much more effective and accountable to them.

Thank you very much.

MR. CHAIRMAN: The Member for Westlock-Sturgeon, followed by Calgary-Foothills.

MR. TAYLOR: Thank you, Mr. Chairman. In general, although long and wordy, I support the concept, though I would suggest that maybe it isn't as radical as my NDP friend would like to think, although telling the NDP they're not radical is like telling a movie actress she has no sex appeal. They like to think they're radical whether they are or not.

There's certainly a maturing of the heritage trust fund, and anything I get from reading, from the public, from the parties, and everything else is to try to change the management somewhat. I think what's clearly coming through is that there's a feeling that a portion of the fund should be savings or investments, or whatever you want to call it, with the highest possible return to help the future generations, to help balance the budget. That's essentially a partly social, partly diversification

part, and I think what's coming through, too, is that the social diversification part maybe, as the Member for Calgary-Fish Creek said, should be under politicians. But I think there's a driving trend, too, to say that the savings part might be better managed outside the government on a competitive basis.

Certainly savings funds or sinking funds of large corporations, some of them as big as Alberta, use a competitive method of getting rates of return back by farming out chunks of capital to the different funds, and then six months later you look at the year's return and those management firms that have given the biggest rate of return get more money to invest the following year, and we just keep a competitive system going. I think the Member for Edmonton-Centre's flow chart is quite all right except that I might want to add that the savings portion have an independent board to run it, although the income from it would flow back. That way I think he would be getting the best benefits of the trust or public portion of the plan under politicians and the best benefits of savings under the free-enterprise, aggressive return.

So I congratulate the Member for Edmonton-Centre for a step in the right direction in sensing what's out there, and I didn't want to hurt his feelings by saying he wasn't radical. Instead, I will hurt his feelings even more and say he is economically sensible.

MR. CHAIRMAN: The Member for Calgary-Foothills.

MRS. BLACK: Thank you, Mr. Chairman. I think the Member for Edmonton-Centre definitely has put a lot of thought into this, but I'm not too sure where he's coming from when I go through the various points within it.

Basically like point 4: "that the overall investment strategy be socially and environmentally responsible and meet ethical standards." When you look at the investments that have taken place under the capital projects, et cetera - clinical research buildings, for advanced education, Farming for the Future, irrigation projects, Alberta oil sands technology, occupational health and safety research and education, applied cancer research, Walter C. Mackenzie health services, municipal recreation/tourism areas, urban park development, et cetera - gosh, I don't know how much more socially or environmentally responsible a fund could possibly be. You've covered areas from research in applied cancer through development of urban parks, and the spectrum is so broad that I think you've got a tremendous overall social and environmental consciousness within the fund. The fund isn't zeroing in in one area in particular; it's trying to be broad and socially and environmentally conscious. I don't know how you could improve on that.

3:20

Number 5, when you look at creating another level of bureaucracy in a trustee general "whose office would have trust and fiduciary responsibilities for the management of all financial assets," well, we've got a bureaucracy in place now that through the audit process from the Auditor General is held responsible to do that very thing. I don't know that you would want to create another level of bureaucracy to do a function that is already functionally being performed and functionally being audited. Any shortcomings or discrepancies come out as exceptions and recommendations in the Auditor General's report on an annual basis, so I don't know why in heaven's name you'd add another level of bureaucracy in there. I think that had the Auditor General not felt there were responsible decisions made for investments and for the assets of this fund, he certainly

would have reported that in his note to the financial statement. He is an auditor, and an auditor would disclose discrepancies within the financial basis of this fund. It's called disclosure on a financial statement.

Now, certainly each year he has talked about the reporting of the deemed assets. There has been consistency within this report on the deemed assets, and they have been isolated so they're crystal clear. There's a difference of opinion on that. But I don't know why we would take away, really, I would think, the role of the Auditor General by again putting in place a trustee general, and I don't know why we would take away the responsibilities of the Provincial Treasurer and Treasury Department by putting in place, again, a trustee general. I think we're adding a level of bureaucracy that's totally not necessary.

I think the process in number 6 of calling the ministers and the various departments, the people from Alberta Opportunity Company, the people from Alberta Mortgage and Housing Corporation, et cetera, that accompany the ministers to the presentations, has been very beneficial, and I think in all fairness that the departments have been very open to answer questions with regards to the investments within the fund. In fact, in many cases if they haven't got the answer at their fingertips, they've made every effort to get back to the various members on the committee with the answer at a later date. So I think again we're trying to add something to a fund that's already there and is covered. Certainly, between the Auditor General appearing before the fund, the Provincial Treasurer appearing before the fund, the various ministers who receive funding from this fund, plus department heads or corporate heads that accompany them, I don't know who else you would have come as witnesses before the committee to answer questions.

I read the recommendation as maybe a form almost of frustration from the hon. member, that maybe in fact a little more pre-time needs to be spent on analyzing the makeup of the fund and the control mechanisms within the fund and within the legislation before the hearings actually start, so he has a better feel before he comes to the hearings.

Thank you.

MR. MITCHELL: Mr. Chairman, I want to say that I, too, feel a certain degree of support for this initiative, in part because it follows very closely a proposal that the Liberal caucus made as much as three years ago. In fact, we don't want to suggest that the Rev. Mr. Roberts read that document, but if he did, he made an effort to adhere to the proposals in that document.

What we wanted to achieve and which would be approached in this proposal is a clear delineation of what the Heritage Savings Trust Fund should be achieving through the establishment of two funds within the fund. On the one hand, we felt there should be a fund that does real investing for real earnings for real income. That would appear to be accounted for in Edmonton-Centre's securities and investment division proposal. The second side of the fund would be one that would promote diversification. In doing so, one of the things that it would undertake, of course, would be research and development, the kinds of initiatives that are contemplated by the proposal presented to us by the Member for Edmonton-Centre. For that reason this proposal, we believe and I believe, has some value.

Where I would offer that the proposal could be strengthened is in the manner in which it is proposed to be managed by the Member for Edmonton-Centre. There appears to be no structured opportunity in his diagram and in his written text for outside, business-based investment advice, which would be of particular importance to the securities investment division side

but which would also have an important application for the research and development division. That is to say, the Member for Edmonton-Centre has made a proposal which sees government and the political process with the overriding hand for the administration and investment management of this money. That, it seems to me, is one of the fundamental failings of the current Heritage Savings Trust Fund. In fact, the government construed it as being somehow at arm's length, somehow designed to undertake proper investment for the future, but what happened is that by and large it merely became an extension of the General Revenue Fund and, therefore, an extension for the political initiatives of the government of the day.

Contrast that to the management of the Caisse de dépôt in Quebec. There you have an independently appointed, private-sector management team, the president or the seniormost member of which is appointed for a 10-year period and stays there with the security that he or she can be removed only by a two-thirds vote of the Legislature. That's very critical in establishing distance from political wind. If a fund of this nature is to work, then it must be established with that kind of distance.

Unfortunately, this particular proposal doesn't involve or include that element. It is, therefore, with some reluctance that I would support it owing to its statement about the division of the heritage trust fund into two subfunds which would be focused on what we believe to be two very important initiatives for the fund, real investment on the one hand and a research and development component on the other which would have a broader and a longer term view. With those things in mind, but with some reluctance, I would support this recommendation.

MR. CHAIRMAN: Does the Member for Lacombe wish to speak on this recommendation?

MR. MOORE: Yes, I do. Just a few comments on this one. The Member for Calgary-Foothills covered it very well. You know, you're recommending cutting the structure down from five divisions to two divisions, and that has merit. Any time that you can consolidate five groups into two, there should be evident savings and more effective decision-making. However, when we look at our various divisions that we broke out in the financial statement, the opposition parties in this House have great difficulty following it when we break it out into five divisions and clearly identify item by item what has transpired in the year before of the heritage trust fund. But when you bring it all into two divisions, you certainly have a more difficult time finding the various items that you're looking at. So I would think it would confuse them further if we were to go that route.

3:30

I found item 2 sort of a paradox, Mr. Chairman. In item 2 they say that "no further expenditures be made through the capital projects division, that division be phased out" and any funds required should come from the General Revenue Fund from hereon in. But just yesterday on recommendation 4 when I said that perhaps - perhaps - the mobile unit they talked about from the Alberta Children's hospital be funded from the general fund, there was a look of horror over on that side saying, "You know we can't do that; this is what the heritage trust fund's for basically." I find that sort of paradoxical, that they would say do away with it, do it out of general funds, but they think these sorts of things should go through.

The Auditor General I think plays a major role. I don't see where he plays a major role in the structure that was presented to us in this motion. I think he played a very credible role in

fulfilling the mandate of protecting the fund and looking at how the investments are handled, much better than creating another bureaucratic office called the trustee general.

We go to item 6. There's another one I have a little difficulty with. "The Standing Committee on the Alberta Heritage Savings Trust Fund Act would hold annual hearings with the Provincial Treasurer." Let's stop at that point. This is great. The media does this and the opposition does. They only go partly through the recommendation. I'm going to do it this time. "Would hold annual hearings with the Provincial Treasurer": Mr. Chairman, you tried that this year. It was an excellent idea. It was brought to us by the opposition. You noted the attendance. Were there three members of this wonderful committee there? Weren't there just three? I think there were. We all know who they were. They were there. They recommended it. Did they show up? No. Why would we start recommending . . . We do with all these wonderful meetings. It looks good on paper, but when they don't want to participate, they're doing it just because it looks good, I have great difficulty with that.

The other thing is on number 7, the "broad series of meetings and public hearings." I think what we're saying when we bring this recommendation 7 out is that this committee cannot do its job; this committee isn't capable of fulfilling the mandate given it by the Legislature. That may be what the mover thinks; it's not what I think. I think we've got very capable people on this committee - Mr. Chairman, I must say that includes the Member for Edmonton-Meadowlark even though he isn't listening - very capable ones that have input. Sometimes I disagree with some of it, but that's all right. We're very capable of looking after this without going to public hearings to get "further input on this proposal to increase the effectiveness and accountability of the fund." We're already doing that. It's unfortunate the mover hasn't taken note of all the expertise he has sitting around him and the input we put into this.

MR. CHAIRMAN: Does the Member for Edmonton-Centre wish to close debate?

REV. ROBERTS: Certainly. Thank you, Mr. Chairman and members. I appreciate the thoughtful comments from members all around. As I said, we're still working on this; we need more details and more thinking through of it. What you've managed to raise today has been helpful to begin that process.

Let me respond to a few points that have been raised, not in a defensive fashion but just a way to think through some of these things a bit more strongly. I, in fact, was just in discussion yesterday with some people who are also very expert in the investment field and in the money market and in money management. They, too, suggested that some portions of the fund under the investment and securities division could well be bid out to some major houses who do this, with performance guarantees, for billions of dollars of assets on a regular basis. I mean, it's their business. Particularly Templeton's was cited as one who does so with some very environmentally and socially responsible kinds of criteria. That's not to say that Morgan's and others and the rest in the field don't do that as well, but I do like the idea from the Member for Westlock-Sturgeon about getting some of the best people out there.

I'm surprised that people on this government caucus . . . I mean, they're willing to privatize everything, aren't they? Willing to privatize right down the line, but when it comes down in a sense to privatizing money management for the province, all of a sudden that has to be done by the Provincial Treasurer and his cronies. You might think it's surprising from a social democrat,

but it's not surprising to me to say that there are some people who have expertise in certain fields, particularly in the fields of investment banking and portfolios and money management, and let them do it. I want to set down some policy and some guidelines for what we get, but it's their business. It's their work. They've got the resources to do it on a 24-hour-a-day basis. Let them do it if they can provide the performance guarantees that we want and abide by our policies and guidelines.

That gets into the second point. If this trustee general were to do that kind of contracting out of certain portions of the fund to these private houses, that would not create another level of bureaucracy, hon. members. In fact, it would be reducing the kind of bureaucracy that we have in Treasury now and would enable getting people in to manage our money who are pros at it. Again, to hear Calgary-Foothills saying that this really just sets up another level of bureaucracy - and by the way, it's already audited by the Auditor General. I mean, I'm not an auditor, an accountant, but my understanding is that auditors only say that these documents present fairly the facts. Certainly our Auditor General is able to give testament, too, that the financial statements represent fairly the facts in the world according to Garp.

What we're talking about here: as elected people, as stewards of the public purse, we want some performance measures, some performance reporting. We want to know in the annual report when it says "the rate of return on amortized costs . . ." I wish the Treasurer were back in here, because I want to ask him some more questions about that. That seems to be one of the few performance measures and indicators reported in the whole document. I think there needs to be plenty more, and it's not a matter for the auditor to do that. It's a matter for the owners of the funds to get that kind of performance report out on a regular basis and to ensure that there are certain measurements by which you can compare. So it really sets up an independent fiduciary kind of responsibility, not just keeping things in house so that we can think that we're doing well and nobody's really asking any questions about it anyway and that's the way it goes. No, we want far more accountability of it and far clearer rates of return and performance measures, not just the fact that they present fairly what's going on. We do agree with that.

Members should know that we in the New Democrat caucus are serious about taking this out to the people of Alberta. I mean, whether or not this committee's going to do it or other caucuses have done or think they've done it, we are serious about engaging in a very serious debate with the people of Alberta over the next couple of years precisely about the fund and precisely along the lines of this framework. I think there are many serious questions which Albertans have, and I want to be about the business of getting those views, getting their sense and their response to a number of key questions. One of the most central ones is: what do we do in a province where we do have these \$10 billion, \$11 billion worth of assets on the one hand but a \$10 billion, \$11 billion accumulated debt on the other?

Now, I thought the Liberal position, as I heard Mr. Decore outline it, was that we should just liquidate the fund to pay down the accumulated debt. I'd be interested to hear what other Liberal position there is; there might be a few of them. But I thought that was the position, and in fact that's the view of a lot of Albertans. They say, "Why are we paying interest on the debt on this side and trying to keep up the trust fund on the other side?" I think that's faulty thinking, and I have argued vociferously against that kind of instant write-down of the accumulated

debt by liquidating the fund. I think it would be madness to do that, but it's certainly a view that many people have out there, and I thought it was articulated by the leader of the Liberal Party.

3:40

But, no, I think we need to look much more closely at what can be termed as debt/equity relationship, or the relationship between our investment on the one side and our debts on the other, to do far, far better management of both and hence have far more on the bottom line so to speak. I think that's a central question. I think Albertans would like to engage in that kind of discussion, to have more public participation with respect to the fund and how it proceeds. I think Albertans would eat it up. Often people just say: "By the way, what's going on with the Heritage Savings Trust Fund? What's in it? What's it being used for?" There is a great lack of knowledge and awareness out there and yet a great need that people have to know. Far better if we're serious about taking it to them, saying, "Here are some of our ideas for improving the overall management of the fund and how it can better work for you and for your children."

If members of the government caucus in their status quo kind of fashion just want to ho hum their way through the next little while with the trust fund, then so be it. We're serious about getting comment, getting input, and getting people aware of the fund and how it can be improved, particularly on the lines of effectiveness and accountability.

I thank you for the discussion on it today.

MR. CHAIRMAN: Thank you. I'd recognize the Member for Westlock-Sturgeon with recommendation 20.

20. Moved by Mr. Taylor:

That the Alberta Heritage Savings Trust Fund liquidate its equity position in Syncrude and that the resulting proceeds be used to pay down a portion of our provincial government debt.

MR. TAYLOR: Thank you, Mr. Chairman. My recommendation 20 is relatively simple. It's a case of selling equity in Syncrude which is listed in the annual report as being \$519 million, and it's making a profit. Also, with the price of oil today we would be in very good times to sell producing properties. I feel that the \$500 million or \$700 million that we may realize from this would be much better spent in paying down our debt than in leaving it in Syncrude with the Exxon people and returning cash flow in the future. I think I am speaking for some of the backbenchers of the government I know. They feel the less government investment the better, if private enterprise can look after it.

I wanted to take a minute to answer bleakly the charge from the Member for Edmonton-Centre that they couldn't understand liquidating the heritage trust fund to pay down debt. Well, that's a fairly basic principle that's operated both domestically and in business today.

REV. ROBERTS: Not entirely.

MR. TAYLOR: Well, if you have an asset, a savings account that's yielding you 10 percent, and you have a mortgage or a loan that you're paying 12 or 14 percent for, it just makes common sense to take your savings to pay down your debt. Unfortunately, that's the way the modern world works: you get less return on your investment than you pay to borrow.

Consequently, those investments that are returning good income can be sold for a good price, and it can knock down our debt. Our debt is something that is not only costing us somewhere in the 12, 14 percent range, but also we're saddling our children with it. So it has a double thing. There is the economic good sense of balancing the books by getting rid of an asset to reduce your debt. If you get rid of assets to go out and buy a new car or a bigger engagement ring or to get shed of the old wife or to buy something else, it's not a good investment, but when you're using it to pay down a debt, it is a good investment.

Consequently, I turn this around to some practical extent in this thing, Mr. Chairman. We have something. We have a large lump of cash in Syncrude. We're talking about financing OLSO and other projects. The NDP may want to keep it until the Second Coming, but as far as I'm concerned, it's a good time to get rid of it. The price of crude is up high. Most people forecast that crude'll be up, down, up, down over the next 10 years. Now it's at a fairly good price. We should be getting rid of it, and we should instruct the heritage trust fund to do so.

MR. JONSON: Mr. Chairman, I agree with the hon. Member for Westlock-Sturgeon in that we should be looking to liquidate our equity position in Syncrude. I imagine that various sources of advice should be taken, but certainly the hon. member has experience in the oil business, and it would appear that this is a good time to do so. However, I'm somewhat confused, or at least I'm asking the question: what is meant by the second part of the recommendation? It says: "that the resulting proceeds be used to pay down a portion of our provincial government debt." Does that mean the total to be realized from the sale be in effect taken out of the fund and applied to the debt? Or does it mean that portion which might be considered a profit over what was originally invested in the fund be taken out and used to pay down the debt?

In either case I think the consideration should be there that if the money that would result from such a sale can be invested at a rate of return which is higher than the average of the interest that we are paying on the debt, then I think it would make more sense to retain it in the Heritage Savings Trust Fund. If the reverse is true, then I think the comments of the hon. member are certainly relevant. I just raise my concern about what would in fact happen with the funds if the action put forth in the first part of the recommendation were carried through. It would seem to me that the first step certainly should be to return all proceeds from such a sale to the fund, and then, with good information and due consideration, the further actions that might take place with respect to that money should be considered.

MR. CHAIRMAN: Thank you.

The Member for Wainwright.

MR. FISCHER: Thank you very much, Mr. Chairman. I don't think that I could support this resolution the way it's worded. I like the idea, and it is a conservative philosophy that we shouldn't hang onto things forever, even though once in a while we do get into . . . The direction to put those proceeds and target those proceeds is a little bit restrictive.

But the other thing that I should say: the selling of Syncrude is not an easy move to make, mainly because if you put it up for sale just immediately – some of the other partners would like to sell out, and it seems to me that it is taking away a lot of comfort that some of the other partners that are staying in would have. For the amount of dollars that they have invested

in that project, they don't get the kind of returns they do if they had it invested in conventional oil. Some of those oil companies would like to take their money out of it. I do know that this past year a couple of them have put their shares up for sale and would like to get out. Now, if government does that now, with the timing of it, and here you've got three of the eight partners wanting to sell out, it does put it on a little shaky ground.

The other thing is, of course, when do you do that? Is it right to sell out when the price is low or it is high? We certainly have with the net profits gotten some good dollars back. We will soon get as much as our original investment back again. So it really isn't hurting us.

3:50

The other item that I think is really important that we have to think about is the proposed expansion of Syncrude as well as the OSLO project. Now, the OSLO project is still the same companies that are in Syncrude, and whichever one we do, I believe – and I'm only guessing – they would like to see government come in there and have the comfort of government. When I say "the comfort," it's there because after you make your agreement, they don't want different things changed on them, and if government is in there as an equity partner, they're an awful lot closer, so they can have some say into that part of it, and they're affected by it, of course. I guess when I say "change" – when the royalty structure originally changed, a lot of the oil companies haven't really gotten over that change yet. It is important to us that we develop those oil sands. I'm sure everyone here knows the importance of it as the shakiness of the world oil price and the supply and so on shows up more and more all the time. So I think that we have to handle very carefully the selling out of this. It just can't be put up for sale and you're gone the next day and still have the thing going well.

The other thing that might be a factor in it as well: they've got 6,000 employees up there. I do know that every time there's any kind of announcement that we're going to sell out, it kind of goes right through that whole program up there. The employees are a little bit nervous with that kind of thing. They also like the comfort of the government in there. Now, I do agree that there's a timing when we should get out, and we have to find that timing. I would like to see it probably – and I'm just guessing – as a new project comes on. Whether it's that expansion or whether it was the OSLO one, I believe it would be nice if we could shift at that particular time. Maybe that's just my own feeling about it, but we do have to be careful with that. So for those reasons I don't think that I can support this and say, "We're going to sell out; we're going to put that money back into paying off the deficit."

Thank you.

MR. CHAIRMAN: The Member for Edmonton-Centre.

REV. ROBERTS: Mr. Chairman, I don't want to add too much more, and I appreciated the comments from Wainwright and Ponoka-Rimbey. I would be eager to hear the Member for Westlock-Sturgeon's responses to the many more complicated and finer points involved in this liquidation than what seems to be presented by this resolution. I just want to again add a further question. In Westlock-Sturgeon's opening remark back to my recommendation, he seemed to be putting forth a position that we should not only sell our equity position in Syncrude but in everything else in the heritage trust fund in order to pay down our provincial debt in the aggregate. If he's saying we should – I wish I could get a clear Liberal position on this – is this

recommendation with regard to Syncrude also the position with regard to the whole fund, where in fact it could be argued that we're not making a rate of return on the fund's assets as much as we are paying interest on the debt that we are carrying? So just that as a sort of tail end not just to the particular but to the general question about debt and equity.

MR. CHAIRMAN: Thank you.

Does the Member for Westlock-Sturgeon wish to close debate?

MR. TAYLOR: Thank you very much, Mr. Chairman. I will try to answer the questions the best I can because they're all very valid points. Maybe I'll start from the last and go to the first.

Edmonton-Centre mentioned the Liberal position of liquidating the heritage trust fund and paying down debt. Well, I would point out to the member that we only have 25 percent or 30 percent of the heritage trust fund that is liquefiable. Most of the heritage trust fund is composed of debt to our own Crown corporations, so we couldn't liquidate that; there's nobody around to buy that. In other words, that's an internal debt that's within our part here. So we're only talking about the liquid assets that you would find in the notes, page 37 on in the annual report, and then again we would only talk about the assets that we could liquidate comfortably and for a decent price, whatever the cash market is.

That comes then again to the hon. Member for Ponoka-Rimbey's statement. He says there's no sense in liquidating Syncrude, paying down debt if we can invest and get more money than we could by paying off the debt. Well, of course that's true. There's no question about it. There's no sense in walking downhill if you can slide downhill. But the point is that very rarely in the financial terms of world economics do you get a chance to amass money to get more return on than what you're paying in interest. That means that somebody made a stupid mistake somewhere; some banker is lending you money at 12 percent but giving you 14 percent on your deposit. Now, you might be lucky enough to find one of those bankers, but they don't happen. Just the way the nature is, there's a 2 to 3 percent spread at any time in society between what you can deposit money for and what you pay if you want to borrow it. That's why bankers are bankers. They lend you money and charge you for it. So consequently there's never any case unless you're very, very fortunate and have discovered somebody that's got a bunch of money from Colombia or somewhere that's trying to hide it, that is willing to give it to you at cheaper than what you could get for a deposit. It very rarely happens.

In fact, I would remind the Member for Ponoka-Rimbey that the last two years the Treasurer has gotten up a couple of times in the House and bragged - what the opposition said; the government said "elucidated" - the point that he was able to sell half a billion dollars' worth of bonds to the public. Well, that's borrowing money. Those borrowings were at 13 and 14 percent and some at 12. What you would do if you've liquidated Syncrude is pick those debts that are liquefiable that are costing you a lot. Now, the money that you borrowed say eight years ago that you've got locked in at 8 or 9 percent you wouldn't pay down, because right now you can get 10, 11 percent in a bank. You would only pay down those debts that are costing you more than what you can receive. Unfortunately, the way the world is planned, you could borrow money at 4 percent in 1890; the general borrowing today is 12, 14 percent. In general, there's a

curve up. Now and again you can get a little spike and do well.

The Member for Ponoka-Rimbey made a very good point, but it just goes without saying that if you can invest money for more than what you're paying, then that's what you do. But the point is that we have some high debts, I'm sure, that we've paid out. Secondly, as I already mentioned to the Member for Edmonton-Centre, we don't have that much we can liquidate. He wanted to know the Liberal position. We don't have \$14 billion. It's all owing each other. We only have a few billion dollars that we can liquidate, and instead of clipping our 12 percent coupon, we should be paying off our debt.

The next point. The Member for Wainwright makes a very good point that the oil companies like to see us in there. Well, certainly. I used to do many deals around the world, and I'd love to get in with government because it's like moving in with the landlady's daughter. You get the best bed in the house and the first pork chop always. But that doesn't mean that the landlady's daughter got a good deal, and this is what we are: we're the landlady's daughter. Certainly corporations want us as partners, because we can run interference for them and help them pollute a little more.

MR. FISCHER: It's up to you to see that the landlady's daughter gets a good deal. I don't like that at all.

MR. TAYLOR: You don't like the analogy? All right then, move in with the landlady's son. I mean, it doesn't matter to me. Nowadays it's all up and up, but the point is that whoever the landlady is . . .

MR. FISCHER: Give them a good deal.

MR. TAYLOR: Give them a good deal. Well, what I was trying to do . . .

MR. CHAIRMAN: Order.

4:00

MR. TAYLOR: I don't know who the Member for Wainwright wants to move in with.

Nevertheless, the fact of the matter is that finding out that governments like you as partners is like finding out the banks charge interest. I mean, they love you as partners; they'll keep you as partners forever because that's the way of getting us.

So I'd like to go on, too, and say that as long as we retain an interest in Syncrude, we set ourselves up for conflicts of interest, because we are then in the business of seeing, maybe, that OSLO doesn't compete too much or maybe that another project doesn't. I think our position in this House should be to kick-start things that get under way. But now when we've got a good price and a good chance to get out of it, let's get out of it and use our dollar again to help diversify or build on. If we stay in the packing business or in the oil business or in the transportation business or in whatever, we then have a vested interest in trying to kill the competition. That's the other reason I want to get out.

MR. CHAIRMAN: Thank you, hon. member. That concludes the discussion on recommendation 20.

The Chair does have one order of business that he'd like to bring before the committee. Tomorrow is the MLA luncheon at the AAMD and C convention. Many of the members have

brought to the attention of the Chair that they would like to attend. Would the committee be interested in changing the hours of our meeting tomorrow afternoon slightly, to convene from 2:30 to 4:30 to accommodate rural members who would like to attend that convention luncheon? [interjection] There's a guest speaker, which takes time. The convention is at the Convention Centre, which is nearly 30 minutes over and 30 minutes back. The committee would have difficulty, for members who wanted to attend, getting back for 2 o'clock. If there's objection to that, the Chair would like to hear it.

HON. MEMBERS: Agreed.

MR. CHAIRMAN: The committee has agreed.

Then the Chair will entertain a motion for adjournment from the Member for Clover Bar. The committee stands adjourned until 10 a.m. tomorrow and will convene again at 2:30 in the afternoon.

[The committee adjourned at 4:03 p.m.]

