

2 p.m.

Tuesday, December 3, 1991

[Chairman: Mr. Ady]

MR. CHAIRMAN: I'd like to call the committee to order. Just prior to concluding, the hon. Member for Westlock-Sturgeon introduced recommendation 41 for debate. Those wishing to speak to that motion?

The Member for Calgary-Mountain View, followed by West Yellowhead.

MR. HAWKESWORTH: Thank you, Mr. Chairman. I must observe that I think the work of the committee really suffers when a member putting forward a motion doesn't provide reasons to the committee or isn't present or able to explain a particular motion on the floor. I would like to know if this member who has put forward the motion is saying that as long as he's provided with the information requested in the motion, he and his colleagues in the Liberal caucus support this Al-Pac project. Is that what he's saying by this motion, or is he saying something more? I would be very interested in knowing if his only concern with this question is getting access to information or not. So I guess I'm at a bit of a loss to know what I might say in reply when it's not entirely clear to me what the member is getting at.

I might refer all hon. members, Mr. Chairman - and I've got copies if any member would like to have them - to an excerpt from a final prospectus issued by Crestbrook Forest Industries Ltd., dated October 29, 1991. The reason I mention this is that I think a lot of the information the hon. member is looking for is contained within this prospectus. I think it would be ironic if private investors had access to more information, better information, and more pertinent information about the Alberta Heritage Savings Trust Fund than members of the Assembly. Anyway, I won't quote at length from the document itself. I'll just make some reference to some of the information contained in it.

Recommendation 41 asks "the order of creditors to which the Alberta Heritage Savings Trust Fund claim against this debenture is subordinated." The prospectus indicates that the working capital for the construction of this project is estimated at \$1.28 billion. The source of the funds is represented by equity, \$310 million, put forward by the joint venture. The Alberta government subordinated loan in this document is indicated as \$250 million with provisions for cost overruns, and the first mortgage project loan is \$600 million U.S. or approximately \$720 million Canadian. Now, the syndicate of banks is indicated, but the individual members of the banks participating in that syndicate are not named. I don't believe they're named further on in the document either, but I don't know whether that's important.

What I think is important are a couple of highlights. First of all, there's a high ratio of debt for the financing of this project. Crestbrook, who issued the prospectus, indicates in this prospectus that its \$124 million share will be derived partly from the proceeds of the prospectus as well as utilizing its existing bank operating and term credit lines. So its equity is to some extent represented by debt as well, and we find \$720 million Canadian on top of a \$1.28 billion project. I would guess almost two-thirds of the project is financed through debt. All of it is ahead of the Alberta government's credit facility.

What I also find interesting about the debt put forward by the bank syndicate is that the first mortgage project loan is to be retired in semi-annual installments starting January 31, 1996, to be paid in full by July 31, 2003. So their loan is going to be paid off in advance of the loan to the Alberta credit facility, which I

understand is the loan from the Alberta Heritage Savings Trust Fund.

In addition, motion 41 asks for delineation of the conditions referred to in the note contained in the Heritage Savings Trust Fund financial statements, and this prospectus goes into some detail. I find it of interest that it indicates in the prospectus that for the loans being offered to the joint venture a margin is being charged for that money ranging from .625 percent to 1.375 percent per annum, whereas the Alberta government through the Heritage Savings Trust Fund is not charging any margin at all. In fact, all they're charging the joint venture is the Alberta government's 20-year borrowing rate. So there's no spread or margin on the rate from the Heritage Savings Trust Fund to either cover administration costs or cover risk. What's obvious from the prospectus is that the bank syndicate with a \$720 million loan has first call on the equity in this project which amounts to only \$310 million. Only after that is paid off would the Alberta government's heritage trust fund loan have any recourse in the event of default. So here we have the banks charging a margin for a lower risk loan than the Alberta government has and the Alberta government is not even charging any margin at all.

I might also note that it goes into some detail about the extent of the available cash flow, and that basically indicates that payment to the heritage trust fund will only commence 11 years after final completion of the pulp mill or November 30, 2006, whichever first occurs, and the interest would only begin starting December 1, 1997. Well, here we have the trust fund that's made an investment or arranged a loan, \$275 million in Heritage Savings Trust Fund assets tied up, and they won't see an interest payment for a minimum of four years. The interest is payable in 1997 or 24 months after final completion. That may occur in 1995. So here's \$275 million in assets tied up that won't get any income for a minimum of four years, and the income it gets is the province of Alberta's borrowing rate. There's no margin for risk or no acknowledgement of risk or administration costs.

I guess I would say two things in conclusion, Mr. Chairman. First of all, if it's the policy of this government to subsidize economic activity, that's something that clearly they have the ability to do, but it seems to me it's wrong to use the trust fund as a form of hidden subsidy. If you want to subsidize economic activity, why don't you loan out the trust fund as a commercial bank would loan it out? If you want to subsidize it, then do it up front through some form of grant or write a cheque of some kind. To use the trust fund in this way, in my view, is simply to provide a subsidy or benefit through the back door without really allowing the public to know about it.

2:10

Now, I can't remember the exact date when the Provincial Treasurer was here, or the Premier. I think I could readily find it. The final prospectus was issued October 29 when this information was made available to the public. I don't understand why the Provincial Treasurer or the Premier or, for that matter, the minister of economic development couldn't have simply stated here in this Assembly what was already public information through this document, this prospectus. I don't understand it. I really don't. Is this the trust fund of the province of Alberta? The Member for Lacombe earlier this morning made some comments to the Member for Westlock-Sturgeon about how it's our job as members of this committee to judge efficiency and effectiveness in the operations of the trust fund. When the Provincial Treasurer and the Premier are unable to provide information that's public anyway to members of this Assembly and this committee, I ask myself whether this government really wants us to do our job and whether

they really want the public to know what they're doing with the trust fund.

So to the Member for Edmonton-Whitemud, in terms of doing your research for you, you're welcome. I'd now be interested in hearing what the Liberal Party's position might be on this loan given the information I've presented here this afternoon.

MR. CHAIRMAN: Hon. member, I'm sure you're referring to Edmonton-Meadowlark, not Edmonton-Whitemud.

MR. HAWKESWORTH: I'm sorry; Edmonton-Meadowlark. You're quite right, Mr. Chairman. Thank you.

MR. CHAIRMAN: Others wishing to speak to the motion? The Member for Athabasca-Lac La Biche.

MR. CARDINAL: Thank you very much, Mr. Chairman. I would want to speak against this recommendation. The issue was discussed previously on October 24. In fact, when the Premier came before us, that question was brought forward. The Premier at the time indicated that the whole financial structure was on very sound principles and accounting procedures and those accounting procedures would give full disclosure to the whole financial transaction. I believe in a transaction of this nature it's only good policy to allow the company to release the information, and I believe the company has done that.

Now, we need to look at some of these transactions. It's part of the province's plan of economic diversification. The Member for Calgary-Mountain View talked about subsidization of economic activity, if it is the government's policy. I don't believe I'd call it subsidization. I think it's a fair game. I believe attracting economic activity to Alberta would be the words to use, because the same misuse has been happening in Alberta for a long time where the major centres have had more dollars and more sophistication in their organizations to attract a lot more industry than rural Alberta. In this particular case this government has a plan for all the province, and for once we are setting up industries and attracting industries, including the Alberta-Pacific project, to all parts of the province.

The other concern that was brought forward, of course, was on payments to Albertans. I think we'd be foolish as a government, and the opposition also, not to realize that the payments have already commenced. We have hundreds of Albertans working at Alberta-Pacific already. We have over 200 local people working on the site, and 100 of those are native families. They're paying taxes, some of them for the first time in their lifetime. In fact some of them for the first time in their lifetime have a permanent job. If we don't think a project like this is paying for that, we're pretty nearsighted when we start thinking that way. I've mentioned before we have close to \$23 billion of economic initiatives either under way or planned for Alberta. Those are not accidents. They're planned by this province as part of the overall economic action plan. Again I don't think we should say it's subsidizing the industries. I think it's a process where we will attract these industries away from other provinces and also encourage them to locate in Alberta where they are desperately needed.

After all, we do have other areas we also finance with certain breaks; for example, the 2 and a half billion dollars to farmers at 9 percent for 20 years. That's another form of lending process to build that particular industry. Beginning farmers, young farmers, can get loans at 6 percent. Now, that's going to assist a lot of young farmers in Alberta and also build that portion of the industry. We have a new homes program that subsidizes in one

form or another young families who, again, will settle in Alberta rather than in other parts of the country.

So I think this government is doing the right thing, and I don't think we should call it a subsidization. We should call it an aggressive way of attracting business activity to Alberta, which in turn will create a whole lot of jobs. Not only will the jobs be created in the Athabasca area, for an example, with the Alberta-Pacific project. The city of Edmonton alone will have 50 employees with the Al-Pac project, the spin-off; \$60 million annually will come into Edmonton. Now, if that's not receiving payments for Alberta, we'd better think again. The annual payroll of Alberta-Pacific, I mention again, once it gets operating will be \$75 million a year. If that's not immediate payment to Alberta, what is? Twenty million dollars of annual purchases: is that direct, immediate payment to Alberta or not? Seven point five billion dollars generated in export sales over the next 20 years: if that's not direct payment immediately, what is? Two hundred million dollars per year in operating costs, \$547,945 per day: if that's not direct payment to Alberta, there's something wrong. Over 300 suppliers, 2,200 jobs during construction, 660 permanent jobs alone in the woodlands industry, close to 400 jobs on site once the project gets rolling, an additional 200 jobs once the paper mill gets rolling: if that's not direct payment to Alberta, we'd better think again, because I think we're doing the right thing.

Thank you.

MR. CHAIRMAN: Thank you.

The Member for Calgary-Foothills.

MRS. BLACK: Thank you, Mr. Chairman. Just a brief comment. First of all, I'd like to thank the Member for Calgary-Mountain View for providing a copy of part of the prospectus. On one comment that was made and for clarification purposes, the Premier and Provincial Treasurer appeared before this committee October 22 and 24. This prospectus was not prepared and issued until after that. It would have been inappropriate, with the prospectus pending, for comments to have been made on the financial structure before the prospectus was issued. If they had appeared before the committee after the prospectus was filed, I'm sure their comments may have been more succinct as to the financial arrangements that had been made.

The other thing I would like to comment on is that the hon. member failed to go further in the prospectus, as it states the termination options that are available to the Alberta credit facility and that would occur in the event of

such as failure to make payments when due, non performance of obligations, termination of any Pulp Sales Agreement or the FMA, abandonment of the project and final completion not occurring by November 30, 1995.

Further in the prospectus they also state that they are prepared to set up a working capital facility that

will be separately arranged by each joint venturer to finance its share of finished goods and accounts receivable in the pulp project. The Company intends to establish a \$10 million limited recourse . . . capital facility for that purpose. This facility will not be required until operations have commenced and will be secured by the Company's share of finished products inventories and of Al-Pac . . . Venture accounts receivables.

I think those are important things that should accompany any explanation of the financing in place for this project. I just wanted to clarify that, Mr. Chairman.

2:20

MR. CHAIRMAN: Thank you.

The Member for West Yellowhead.

MR. DOYLE: Thank you, Mr. Chairman. The Member for Calgary-Mountain View has brought some enlightenment on the joint venture with the Alberta heritage trust fund and the offshore people who are devastating our forests in northeastern Alberta. But the recommendation deals mainly with the subordinate debenture which was put in place by the Treasury Department to assist this company in developing their plant in Athabasca. Indeed, the people of Athabasca were a long time waiting for jobs and it's been very exciting for the people who have found those jobs, but my concern would be the long-term benefit of that area and long-term benefit to the investment of the heritage trust fund, some \$375 million.

The member from the Liberal Party who brought this recommendation forward does not make it clear whether he supports these subordinated debentures or not. We in the Official Opposition do not support these subordinated debentures which have little or no guarantee of repayment. In the event of bankruptcy, there is no recourse for returning those funds back to the Alberta heritage trust fund. The trust was put in these companies, so I hope they will be sure they don't fail any of the obligations they have in regards to this agreement such as not keeping in stride with their FMA and not providing the jobs required. I would seriously hope that if in fact this company does make a better profit sooner, the moneys will be returned to the Alberta Treasury sooner than is laid out in the subordinated debenture agreement they have. If they were to abandon the project or terminate any of the pulp sales agreements, I hope there would still be enough money left so we could pay off the loan that was given to them through the Alberta heritage trust fund and that money would be returned to the trust fund so we can accumulate interest at least on the savings.

I believe the Member for Athabasca-Lac La Biche does not agree that this is a subsidy. Well, I'm sure any farmer or any small business or anyone out there in Alberta that is seeking economic development would really be pleased to have such a sweetheart deal as this one whereby no payments have to be made - five annual installments commencing 11 years after the final completion of a project. I'm sure lots of people in Alberta would gladly accept this type of funding. We in the Official Opposition are opposed to giving to offshore people who come here and devastate our forests and lay no areas aside to protect our forests, build parks, and protect our fish and wildlife.

Thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you.

Member for Westlock-Sturgeon, do you wish to close debate?

MR. TAYLOR: Thank you, Mr. Chairman. There's a little difficulty, and not because of listening to the debate. Everybody was off debating everything except whether or not we should press for the information. Some of the backbenchers, each for their own reasons, have decided to be all for it because the Premier said it was a good deal. The opposition says they're all against it because there must be foreigners borrowing it, so it can't be good.

What I'm trying to get at here is that the information has to be made public. I've done a number of underwritings myself in a number of different countries in the world, and a subordinated debenture means exactly what it says; it's subordinated to something. If it's only subordinated to my Aunt Suzie's diamond engagement ring, that's fine. That isn't a hell of a subordination. But if it's subordinated to a whole list of bankers and others who are getting their money ahead of you, then it's quite a difference. Subordinated means just what it says: you're behind. You're

second, third, fourth, or fifth in line. That's what we're trying to find out.

I wish I could be as solid and as easy to determine this as some of the other members have, as to whether it's a good deal or not, by saying that if the Premier says so, it must be good. If the Treasurer says so, it must be good. That shows a triumph of faith over experience. Certainly they have said many other things in the past that haven't turned out well. As far as the NDP bogeyman of foreigners coming in here and picking us clean, that may be so too, although I notice some of their major labour unions are controlled out of the U.S. and tell them what to do. I'm not really worked up by either side saying, "Let's just take the credibility or noncredibility as it is on the face." I'd like to see what the paperwork is, and as we're representing citizens of Alberta, we should have at our fingertips all the data to analyze this deal. I don't see any need to keep it a secret.

MR. CHAIRMAN: Thank you.

Recommendation 42, the Member for West Yellowhead.

42. Mr. Doyle recommended that in future annual reports the government state not only the original cost of Alberta Heritage Savings Trust Fund investments but also their current market value. In the case of non publicly traded investments, including debentures, the market value will be determined by the province's Auditor General.

MR. DOYLE: Thank you, Mr. Chairman. I think this is a fair recommendation, and the people of Alberta have the right to know exactly what the investments are and what their current value is. Indeed, if we were to follow some but perhaps not all of the principles of the Alaska Permanent Fund - those statements come out monthly to all the residents of Alaska, and they know how their fund works and how it works in their best interests. We in this province do not have that right or that opportunity, and it should be established in the heritage trust fund so that the people of Alberta know exactly how the fund is working for them and not being depleted and handed out to ventures such as in the former resolution.

I leave that for the committee's debate, Mr. Chairman.

MR. CHAIRMAN: The Member for Lacombe.

MR. MOORE: Thanks, Mr. Chairman. I listened with interest to the mover's explanation of why he had that there. I think that's exactly what we're doing in the financial annual report for 1990-91. I'd like to point out to the member that if he had read it - and apparently he hasn't read it. Go to page 22 on commercial investments. It's got cost and market value listed there of all the commercial investment division. Let's go to page 48, cash and marketable securities: costs, market value for bonds, mortgage-backed securities, midterm market securities, short-term money, Treasury bills, promissory notes, bankers' acceptances. All there, cost and market value listed under separate headings. I would have thought that the mover of this would have read the financial statement and found out that what he was recommending is already being carried out.

2:30

MR. HAWKESWORTH: Well, Mr. Chairman, the Member for Lacombe makes our point precisely, quite definitely. The Provincial Treasurer picks and chooses which of the investments he's going to give a market value for. But what the motion says is that for a true picture of what the trust fund is all about, what

the Provincial Treasurer does on a discretionary basis with a few of the divisions and a few of the investments should be done for the entire schedule of investments owned by the Heritage Savings Trust Fund.

I find it interesting, and as I've said already before, I welcome the initiative of the Member for Calgary-Foothills, who's brought in recommendation 12, which asks basically the same to be done for the deemed assets, for schedule 6 of the trust fund. The Member for West Yellowhead is just saying let's apply what's going on in some parts of the annual report to all the divisions and all the investments. After all, it shouldn't be that difficult, for example, to take some of the investments in the Alberta investment division – the Member for Lacombe mentioned page 22. On page 22 we find the Alberta investment division. Why doesn't the annual report show the market value of Alberta Energy Company Ltd. or Canadian Western Bank or Telus or Nova Corporation? Those are traded on the markets, so a market value is readily available.

Now, some of the investments are financial assets; therefore, there can be a market value established even if they're private companies or are not readily traded on an exchange. It's not just an academic question, but it's something that people are able to do to give value to something other than the book or the cost value that's carried in the financial statements. That's really what the Member for West Yellowhead is proposing in recommendation 42, that these things can be developed; they can be established either using the market mechanism or many of the exercises that the financial community uses to value financial assets that are not readily traded. We're just saying it would be in the best interests of the public to have an idea of what the market value of the heritage trust fund assets really is. That ought to be provided.

Now, I've made reference to it in questions when some of the ministers were here. It's part of an exercise done by the Western Centre for Economic Research in May of this year, an evaluation done by Professor Mumey at the University of Alberta. He's a professor of finance in the Faculty of Business, so he knows something about the exercises that accountants and economists go through in valuing financial assets. He's concluded that the assets of the trust fund on a market value basis are something close to \$9 billion, rather than the \$11 billion that is being reported in the financial statements, the annual report of the Heritage Savings Trust Fund. I think that's a significant difference. Whether somebody agrees with his evaluation or not – that may be open to some debate – it seems to me that it makes a big difference to the people of Alberta if the trust fund report is telling them one thing and the market value of those assets is \$2 billion less than that being reported to them. I think that's a significant public policy question, an important matter for the public to be aware of.

That's why this recommendation is in front of us. I would just ask all members of the committee, in keeping with the general thrust and philosophy behind recommendation 12 to give a market value to the deemed assets, that that also ought to be provided for all the assets, including the financial assets, of the trust fund.

MR. CHAIRMAN: Thank you.

Does the Member for West Yellowhead wish to close debate?

MR. DOYLE: Thank you, Mr. Chairman. Indeed, a good debate. Indeed, the Member for Calgary-Mountain View has covered many of the topics which I was intending to include in my summation. I just want to say to the Member for Lacombe that if he can get anything out of pages 22 and 23 as to the investments in each particular company or venture – it certainly is not there. We have from the Treasurer some other documents since we met with him

on October 22, I believe it was, of this year: the Heritage Savings Trust Fund commercial investment division as of March 31, '91, which lays out those investments and debentures that were taken out in those companies.

Mr. Chairman, my recommendation is a fair one and indeed in harmony with the one brought forward by the Member for Calgary-Foothills.

MR. CHAIRMAN: Thank you.

Recommendation 43, introduced by the Member for Calgary-Mountain View.

43. Mr. Hawkesworth recommended that the Alberta Heritage Savings Trust Fund be restructured as follows:

- (1) the current divisions of the fund be consolidated into two divisions, being
 - (a) 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
 - (b) 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;
- (2) 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;
- (3) 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, and this office would be responsible to the Legislature through the Standing Committee on the Alberta Heritage Savings Trust Fund Act and would be responsible to table an annual report with the Legislature;
- (4) 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 was benefiting 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;
- (5) 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.

MR. HAWKESWORTH: Thank you, Mr. Chairman. I won't read recommendation 43. There are five different clauses to it, but let me just summarize briefly what the intent of this motion is to do. It's to achieve a fundamental restructuring of the Heritage Savings Trust Fund. I think for a lot of Albertans and indeed for the government and for members of the Legislature there is a broad number of objectives that the trust fund has been attempting to achieve, and because of that there's been some confusion about what the trust fund really should be accomplishing. It may have been appropriate at another time in our history, when the financial

circumstances of the province were much different, but given the financial circumstances that we're in as a province now, I think we need to streamline and be clear about what the objectives of the trust fund should be. I'm proposing that they be reduced to two clear, understandable objectives.

The first would be that part of the fund, a significant part of the fund, would be used for the sole purpose of making money to transfer revenues to the General Revenue Fund, and the second purpose would be to make investments for the long-term development of the province. If you look at those two objectives, it's a simple matter of rearranging the current assets held within the fund into the two new divisions: the securities and investment division and the Alberta research and development division.

Now, another area that I think has been needing attention is to re-establish the trust notion of the heritage trust fund. I made comments about that earlier in debate, and I don't intend to repeat that today. Members who were here heard what I had to say about how I feel. We need to ensure that we pass on this remnant, I guess, of the days when we were bringing in lots of money from nonrenewable resources – pass that on to the future.

I've also had a concern for many years, Mr. Chairman, that the policy directions and objectives for the trust fund do not come from the Legislature, that they do not come from this committee, that every major decision respecting the trust fund is done by cabinet with virtually no acknowledgment of the role of the Legislature. They've done it without any input, basically, from the Legislature itself. It's something that I believe needs to be changed.

So putting these two things together, I would propose that annually when the Provincial Treasurer tables the budget papers in this Assembly along with information about the trust fund, there comes a report from the Provincial Treasurer about what the investment strategy and policy directions for the trust fund generally should be for that year. Once approved by the Legislature, that mandate is turned over to a trustee general. Every trust fund has a trustee to carry out the mandate of the person that has created that trust. That trustee general would be responsible for the day-to-day management of the fund, and along with the Auditor General and the Provincial Treasurer, the trustee general would be part of the hearings that we conduct on an annual basis in this committee. So this committee's role would change substantially too, and we would focus in with our meetings on the people who are most responsible for the overall and the day-to-day management of the trust fund.

That in essence, Mr. Chairman, is the tenor or the nature of the recommendations. We certainly would welcome public input into that restructuring to perhaps make other suggestions and refine the proposal. Fundamentally I think the time has now come to be much more efficient and effective and focused in how we view the trust fund in terms of its objectives, the role of the Legislature, the role of the MLAs, and the role of cabinet.

Thank you.

2:40

MR. CHAIRMAN: The Member for Westlock-Sturgeon.

MR. TAYLOR: Yes. Speaking on the motion, I think I'm going to take the opportunity to insert our party's stand that the fund would be better liquidated than it would be to continue. I don't think there's any doubt that if it continues, the last member speaking is on the right track in that it has to have some input from the Legislature. It has operated as an adjunct, or on the side, of the Legislature for some time, and I suppose because there was very little opposition, it was very easy to start thinking that all the

wisdom resided in what the cabinet or the Premier of the day appointed.

The thrust here, though, is that to make this a proper fund, it would have to have an enlarged bureaucracy. I believe, and the Liberal Party believes, that in this day and age we should be following some of the management practices that most corporations and most individuals are following, and that is to try to reduce their debt, which therefore increases your cash flow, which therefore allows you to get things done and build for the future, whereas you become mired when you have a big savings account and a big debt. You're using all your cash flow to hold even on your debt, pay interest, and the savings account is really not working for you. A savings account can best work for you by discharging your debt or a portion of your debt, reducing it so that you have some leftover cash flow to look after the day-to-day things that are coming in through the door.

If we are going to continue the heritage trust fund, if indeed it is the wish of this committee to continue the heritage trust fund, I think this recommendation as set out here is a good one because it takes it out of the hands of an unknown group back behind a curtain in the Treasurer's office and puts it out where it should be. If it has a public policy arm or thrust to it, it should be decided by the legislators rather than the little gnomes, not of Zurich in this case, but buried back in Treasury.

MR. CHAIRMAN: The Member for Ponoka-Rimbey.

MR. JONSON: Yes, Mr. Chairman. The first point I'd like to make in response to this recommendation is that I suppose, as we look at the current situation with respect to the fund and into the future, each member of the committee could come up with a different organizational structure which might be described as new and solving problems for the future. I think that all members of the committee are aware of a previous recommendation that was debated which recommended that there be a review with an independent look taken at the structure and purpose and so on of the fund into the future and that there would be public involvement and comment in that particular process. So I think that this is a little premature, given the possibility that that particular recommendation would pass this committee.

The second point I'd like to make, Mr. Chairman, is that while (1) under recommendation 43 may look as if it provides a major change in the structure of the fund, in my view it really does not.

The Heritage Savings Trust Fund has three objectives. "To save for the future": this, of course, I acknowledge is being superseded now by the need to pay the bills of the present. Nevertheless, you can easily identify, as is the case under 1(a), the various subsections of the fund which are revenue producing. There's nothing particularly revolutionary about 1(a), nor is there with respect to 1(b), although I must say that I think the other two objectives of the fund which would serve in that particular category are a bit clearer than the Alberta research and development division, which is what 1(b) I guess would be called. Those objectives of the heritage fund simply say, "to strengthen and diversify the economy" and "to improve the quality of life." I do not see any particularly fundamental change being brought about there.

The other part of this recommendation, regarding public hearings and more public discussion of the fund, I support. I might point out that it's addressed in some other recommendations that are before the committee as well.

That would leave the point about the trustee general. I'm not, Mr. Chairman, convinced that this is going to accomplish very much except that, yes, you would have another administrative office within government. I don't recall from our debates where

the fund's financial assets have been shown as being managed contrary to the purposes of the fund. So what magic this particular official or office would bring to the management of the fund I'm not too sure.

My main reservation about this particular recommendation is that I think it is premature to what I hope will be an overall review of the future direction of the fund.

MR. CHAIRMAN: Thank you.

The Member for Calgary-Fish Creek.

MR. PAYNE: Mr. Chairman, the Member for Ponoka-Rimbey, with rare lucidity, logic, and persuasiveness, has made the points I intended to make, particularly with respect to recommendation 5, and I'm quite happy for the *Hansard* record's portrayal of his remarks to stand for the remarks I might have made.

Thank you.

MR. CHAIRMAN: Thank you.

Calgary-Foothills.

MRS. BLACK: Thank you, Mr. Chairman. Again, like my colleague from Calgary-Fish Creek, I agree with the comments from the Member for Ponoka-Rimbey; they were basically those that I would have uttered. But I'd like to make one other comment. I was surprised at the Member for Westlock-Sturgeon's comments about the official position all of a sudden now of the Liberal members, not only on this committee but in the Legislature, that their first recommendation would be to dissolve the fund, liquidate the fund entirely. We've just actually in the last two days listened to and debated 14 other recommendations that have been put forward by the two members from the Liberal Party. I'm a little surprised, now that we've got to the end of their list, that all of a sudden they really didn't mean any of those, that they wanted to liquidate the fund anyway, and those were just an exercise in futility. I'm a little surprised that their comments still hold, that they basically want to liquidate the fund. I want to say that the Member for Calgary-Mountain View has certainly come up with an interesting structure within this fund, and I think it's again premature. I would like to see us put in place the task force as recommended by the Member for Calgary-Fish Creek and have that review process first prior to looking at any further restructuring within the fund itself.

Thank you.

2:50

MR. CHAIRMAN: Thank you.

The Member for West Yellowhead.

MR. DOYLE: Thank you, Mr. Chairman. I support recommendation 43 on behalf of my colleague the Member for Calgary-Mountain View, but indeed I did listen with interest to the Member for Westlock-Sturgeon from the Liberal Party talking about liquidating the fund. Not that many hours ago we were listening to the same member saying we ought to put money into all these other projects. I have a hard time following where he's coming from. He wants to spend it on the one hand, and he wants to liquidate it on the other to pay off the debt. It's rather confusing to see what direction they might be taking. In any event, they want to get rid of whatever money is left in the heritage trust fund, whether it be worth while or whether it not be worth while.

I would like to say that it is probably not premature. The Member for Ponoka-Rimbey said the objective was to save the fund for the future, and it's now being used to pay the bills of the

present. I am not clear as to who might have changed the mandate of saving for the future and started spending the money to pay the bills of the present. Mr. Chairman, in an intense review of the Alaska Permanent Fund, some of the principles followed by them are the fact that they put out these monthly reports to all the citizens; they pay out dividends once a year; they return money to the citizens of Alaska, who indeed the heritage trust fund was set in place for. So the Alaska principle, although similar, is quite a bit different. They get greater returns on their money from wise investments, whereby we're using ours on some frivolous ventures that perhaps may not ever pay back money; indeed, many have been lost already.

Mr. Chairman, the Member for Calgary-Mountain View has come up with a structure that by putting a trustee general in place would in some way be much the same as the example of the Alaska Permanent Fund. While visiting Juneau, Alaska, with yourself and the Member for Ponoka-Rimbey, it was very clear for the people on the street, the residents of Alaska, that if any political person were to play around with the Alaska Permanent Fund, they would no longer be in office in the state of Alaska. They've handled their fund very well, and they've paid their bills besides.

So I'd hope, Mr. Chairman, that the committee would stand behind recommendation 43 from the Member for Calgary-Mountain View.

MR. CHAIRMAN: The Member for Calgary-Mountain View to sum up his recommendation.

MR. HAWKESWORTH: Thank you, Mr. Chairman. I guess there's one point I would like to emphasize more than any. It's a notion of a trust. The title of the fund has "Trust" in it, which means there are certain assumptions you have to make about the Heritage Savings Trust Fund, and that is that this has been set up to benefit somebody else. In this case a previous government, previous legislators, set aside some assets and some money for the future. Now, I think that needs to be continued. We can have a difference of opinion with the Liberals about the importance of the trust fund, but it is a trust fund. So it's important that it be organized in such a way that it allows for a consistent and long-term policy to be followed and pursued. The best way of doing that is to ensure on an annual basis that policies, the directives, the objectives of the fund are debated in the Legislature in the open, and then once those decisions have been made by the Legislature and the direction has been given, you turn over the management at an arm's length from the government. You give it to your trustee, who then reports to you at the end of the year as part of that process, sits down with the politicians and says, "Your mandate was this, your objectives were this, here's what I have done, and this is how these assets have been managed," and reports on how that has all been done.

I think the importance of this kind of structure is underlined by the Liberals saying on Monday that we should spend the trust fund and on Tuesday saying we should liquidate it and on Wednesday saying that the money should go into this other pot over here. I mean, you just cannot fulfill a long-term policy of fiduciary responsibility if you're changing your mind every 24 hours.

All I'm saying, Mr. Chairman, is – and I can get into a partisan debate about how I have disagreed with some of the investments that cabinet has made; some of that we've debated already today and in some of the recommendations. But I think that debate has to occur in the Legislative Assembly that forms the objectives and the goals of the fund. That's where the politicians have their input, and that's an appropriate place for them to have their input.

Then you give it over to an arm's-length body or person or small group of investment managers or whatever to handle it and come back and report later. That's just setting up a public fund, a public trust, the way a private individual would set up a private trust for a relative. There are numerous kinds of trusts for charities and the like that we could point to.

So I'm simply saying let's start doing for the public fund what is just common practice in private life. That's what the purpose of the motion is: to establish that kind of structure.

Thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you.

The Member for Edmonton-Beverly, recommendation 44.

44. Mr. Ewasiuk recommended that the overall investment strategy of the Alberta Heritage Savings Trust Fund be socially and environmentally responsible and meet ethical standards similar to those of ethical growth funds.

MR. EWASIUK: Thank you, Mr. Chairman. This recommendation calls in effect for a social, environmental responsibility and to meet ethical standards in investments of the heritage trust fund. When I look at all the recommendations that have been submitted from various individuals on this committee, I note that there must be at least half a dozen or perhaps more recommendations that suggest if not directly by and large indirectly the same thing this recommendation is suggesting: that our investments of the heritage trust fund must take into consideration social and environmental responsibilities when we're investing.

For example, recommendation 2 submitted by the Member for West Yellowhead talked about investing in breweries and distilleries. We talked about it during the debate on that recommendation, and I felt that while the investment part of it is a good investment – certainly one can argue that – the implications of what transpires thereafter and the moral obligation and certainly the social impact of those investments, the long-term things that happen as a result of the abuse of alcohol, I think have a social impact. What I'm suggesting in this recommendation is that we adhere to consideration of the social impact our investments have. I think, Mr. Chairman, there are ethical investment groups or ethical growth funds that are available in the country now and becoming more and more popular to the extent that in fact in 1987 the ethical growth funds topped the Toronto Stock Exchange index. And that's a few years ago. So the purpose of the motion is that when investments are made on behalf of the trust fund, consideration is given to the social implications of those investments.

I think that similarly and in parallel when you talk about social implications, you have to talk about the environmental implications as well, certainly the abuse and destruction of our environment, because some investments we've made with this fund have not only had environmental impact, they also have had social impact. I point to the pollution and destruction of our rivers and lakes, certainly to our forests, the green areas. When I look at some of the recommendations that have been brought forward, again 28 in fact would suggest that there is a need for consideration when you're making these investments.

The suggestion that there be a review of the procedures and policies of the fund I think also is relevant. I'm saying basically the same thing in this recommendation: that when we have these reviews, there will be public input. I'm convinced that during that process we would have spokespeople coming before a hearing and talking about our social impact and environmental impact relative to the investment of this fund. So I believe it's a recommendation

that is in concert with at least half a dozen, perhaps more, recommendations already before us. I believe this recommendation also simply reinforces and underlines the recommendations that already have been brought before us. I would therefore urge support for this recommendation, Mr. Chairman.

3:00

MR. CHAIRMAN: The Member for Westlock-Sturgeon.

MR. TAYLOR: Thank you, Mr. Chairman. I'd like to support the recommendation also in that I think it is incumbent upon any public fund to try to give if not leadership at least not negative messages to the public at large. I think the fund even recognizes it now to a limited reaction. I'm sure there'd be quite an outcry. Even the fund wouldn't suggest buying shares in a French armament factory or Israeli tank construction, or for that matter maybe even in South Africa; there's been a little bit of variation there. I think there's always a moral message that the government has to heed, and I think the last member touched on it very well.

I keep hearing the members immediately behind me in the Official Opposition worrying about the Liberals recommending or suggesting improvements on some motions after they've suggested the disbanding of the fund. I know it was first brought to light by Calgary-Foothills, and knowing what a wit she is and how much fun she was having, I'm sure she was pulling my leg. I didn't think anyone in their right mind would actually think that once one of your motions didn't pass, you wouldn't be allowed to discuss the other. But she has been so clever that the whole ND Party is now following her, saying: well, gee whiz, the Liberals can't possibly vote on any other motions if the first one wasn't . . . I think you should run for leadership in that party; you've been able to get ahead of them so fast.

MR. CHAIRMAN: Hon. member, please get back to the recommendation.

MR. TAYLOR: What I wanted to get at was that it may well be that the members immediately behind me are not aware we'd prefaced the motion for dissolving the thing by saying that if the motion did not pass, we wanted to vote on the other ones. But the chairman deduced that, wouldn't let that stay on there. So consequently the motion has to stand on its own.

It's not unusual at all in a parliamentary system – we have first reading, second reading, and third reading – to get out there and try to amend a motion, try to change things, because if the majority is going ahead, the best thing you can do is get onto the side of the freight and try to move it a little bit either to the right or to the left. But apparently my friends down there think that once you've had your motion defeated – and they are, I'm sure, anticipating that I'm defeated. After all, it could pass, and then everybody could go home early; we wouldn't have to worry about the other motions. But even if it were to pass, even if this committee were to pass that the fund should be dissolved, I'm not too sure cabinet would pay that much attention to it.

In conclusion, then, I want to support the last member's motion very wholeheartedly and say that he's on the right track.

MRS. OSTERMAN: Hopefully the Official Opposition and the other opposition can straighten out their philosophical bents outside the committee. We remain confused, and so we'll leave it at that.

Mr. Chairman, I wanted to say . . .

MR. TAYLOR: You know the confusion when two people are in a coalition.

MRS. OSTERMAN: Yeah.

Mr. Chairman, I wanted to say that by and large I think I could support this motion absolutely. I think that every single person in this province should make their investment according to their sense of social responsibility and environmental responsibility. It is when you take collectively the will of all Albertans and say that somehow you're going to measure what is environmentally responsible and socially responsible, I think, that you get into trouble.

We have extensive environmental legislation coming forward to be debated. When this Legislature finally adopts that legislation, which probably has had more public input than any legislation practically in the history of this province, I think one could say that the will of Albertans has been expressed through that legislation about what it is that Albertans would like to see in terms of the definition of "environmentally responsible," and as long as industry meets those important requirements, I do not for the life of me understand what it is that we would be doing setting up another body to continually test Albertans - at great expense, I might add - about what it is they believe is environmentally responsible. I think it certainly moves us to examine that kind of legislation on a timely basis. It has been a number of years, of course, since there was new environmental legislation, and that's why the enormous effort in the light of changing times today to seek the opinions of the public.

The other part is the socially responsible area. If I were to spend weeks in my own constituency, leave alone the whole province, to examine the social conscience of each individual, I'm afraid I would not come up with a definition that would meet the kind of test we would require to define "socially responsible." There has been a number of things that have evolved over time, and the hon. member has mentioned one of them. It has to do with potentially the production of armaments, for instance, or weapons of war. It seems as if the public has a growing aversion to that, and that may be measurable, Mr. Chairman, but I believe that in terms of a public definition of socially responsible investment, it is totally unworkable, and that if we as a committee are going to be seeking that kind of constant input, it would absolutely tie the hands of the investors. I would say that as long as firms are meeting the requirements of the law in this province and there has not been an outcry about certain firms, we have to leave those kinds of investments in the hands of the people who understand the business best and are required to seek the best return on that investment.

So, Mr. Chairman, I cannot support the motion in terms of the public intent of it. I would certainly support the motion in a narrow way if it were to speak to the individuals in this province, which of course is completely outside the heritage fund.

MR. CHAIRMAN: Thank you.

The Member for West Yellowhead.

3:10

MR. DOYLE: Thank you, Mr. Chairman. Indeed, I listened carefully to the Member for Three Hills. Although she would like to support some socially and environmentally protective things, I don't understand why she could not support recommendation 44 brought forward by the Member for Edmonton-Beverly.

Mr. Chairman, I think it's time in our lives that we realize the environment has changed. The views on the environment of many have changed, and in fact the views of people that would or would not invest in things that would protect the environment have changed. The Member for Edmonton-Beverly brought forward the liquor companies, for instance, that we're investing in. We have

nothing against those liquor companies, for sure, but the substance they produce is a substance that has affected social behaviour and disrupted families and broken up many homes throughout the years. At the same time, we are taking some \$6 million from the heritage trust fund to support a program for drug and alcohol abuse. At the same time, we are funding AADAC through occupational health and safety programs and AADAC in general. In fact, AADAC is one of the best projects going, especially in rural Alberta where they address the needs of those people who have had alcohol and drug problems. But now we have built in another body to readdress these things and at the same time removed some funds from AADAC.

Mr. Chairman, there are many companies in Alberta that are very environmentally friendly, and as the Member for Edmonton-Beverly said, the Toronto Stock Exchange has proved that in years past. Indeed, the investments in these liquor companies have been of benefit to the heritage trust fund, but the substance they produce is of no help to the citizens of Alberta.

So, Mr. Chairman, I would stand behind resolution 44 on behalf of my colleague from Edmonton-Beverly.

MR. CHAIRMAN: The Member for Ponoka-Rimbey.

MR. JONSON: Yes, Mr. Chairman. I'd just like to make a few comments on this particular recommendation. First of all, I would like to indicate that I agree with the remark made by the Member for West Yellowhead with respect to debate on the previous recommendation, and that is that certainly there is a great deal of public support indicated by Alaskans in the Alaska fund and the method by which it is invested. Very clearly, the direction for the investment of the assets of the Alaska fund is to maximize the rate of monetary return and to avoid any muddying of the waters or interference in that direction by getting into trying to accomplish certain social objectives, environmental objectives, et cetera, et cetera, through the direction of that money. Certainly there is an effort made to leave the people who are in charge of that fund independent in their actions to pursue that goal.

Another observation I'd like to make is that in recommendation 43(1)(a), the Member for Calgary-Mountain View I think was emphasizing that there'd be a division of the fund where the objective would be to earn a market rate of return, and later on he talked about the need for independence in managing the fund in that direction. Now a member of the same political party wants to start managing, limiting, and directing the way in which investment could be made. I find that somewhat in conflict, particularly given that the academic, at least, definition of an ethical fund is one where the direction or the driving force behind investments is for other than rate of return or financial considerations.

I think that as legislators, Mr. Chairman, we have to look at the direction that investment goes from the point of view of making sure we have our social policy clearly in place and our environmental legislation in place so there is not going to be abuse of the environment in the course of investments being made. Certainly there is a place for certain specialized types of investment funds, but in the private sector the situation is quite different. A group of people, a company trying to attract funds, will set up their own rules, and then it'll be up to individual investors to decide if they choose to take their money to that location and invest it. But that is not the situation in investment being directed by government. I think, Mr. Chairman, there would be a great deal of difficulty in agreeing on what our ethical and social direction would be. I hope one day there will be a clear agreement on environmental standards, but in terms of ethical and social policy and direction, that

is not likely to be the case. There are going to be differences of views on that.

I'd just like to conclude with one example, Mr. Chairman. In the United States - I'm not sure about those that operate in Canada - there are companies that have shares in the public market which operate private day cares. They are well-run corporations. They offer a reasonable rate of return. They seem to be fulfilling their objectives. Certainly they have customers that are satisfied with their product. But I wonder if that would be a socially responsible investment or if we could come to agreement on that. It's a matter, I think, that there are different social points of view in terms of political and social policy, and that kind of restriction, one way or another, shouldn't enter into our commercial investments.

MR. CHAIRMAN: Thank you.

The Member for West Yellowhead.

MR. DOYLE: Thank you, Mr. Chairman. In brief, I'd like to question this environmental Act that's coming forward, because we've been waiting for two sittings of the Legislature to bring this legislation forward. Many developments have taken place in the meantime. The government invested money from the heritage trust fund in it while court cases are still on to protect the environment. So the Official Opposition is indeed waiting. We have some trust that the government will bring forth the environmental legislation that they promised to bring forth in the last sitting of the Legislature. If they can't bring it forward, perhaps they should call an election, and when we in the Official Opposition form the government, we'll bring legislation forward to protect the environment.

Thank you.

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

MR. CARDINAL: Thank you very much. Although I think the intentions of motion 44 are good, I would have to speak against it because, number one, it's not detailed enough and doesn't explain enough as to what the total intentions are. If these issues are not clarified in detail, it could be pretty detrimental for the social and economic development and maintenance of the economy of our province and a certain standard of living.

I believe Alberta itself is a leader and is well known as a leader in environmental management. In fact, Alberta was the first province in Canada, I understand, that had a freestanding environmental department. When you look at the present effluent levels - for example, for pulp mills, AOX levels: the federal standard on that is 2.5 kilograms per air-dried tonne, while Alberta is at 1.5. For example, the Alberta-Pacific project is .35 kilograms per air-dried tonne. So I feel in Alberta we are very responsible in environmental management. Sometimes I feel it's the processes that are in place that are not really dealing with some of the issues. You look at other jurisdictions, for an example. If you are going to set up socially and environmentally responsible ethical standards, then they should be standard across the provinces, because what happens in B.C. and Ontario, for example with pulp mills, affects Alberta.

AN HON. MEMBER: They've already built them.

3:20

MR. CARDINAL: Exactly, and you guys haven't done a darn thing about them. In Ontario they have 25 pulp mills and eight of them are bleached kraft, and there's nothing, I understand, done to

them to improve them so far. Now, we have the same problem in B.C., and hopefully in the near future we'll see some moves to clean those up so we can continue with our high standards in Alberta.

Anyway, I feel the recommendation deals with two different areas, "socially and environmentally responsible," and with the existing environmental legislation we have, the new legislation that's proposed, and the standards that are in place right now, I feel Alberta is in a good position to be able to compete socially and economically across Canada. We are doing that by attracting industries to this province who will create jobs and in turn take people off welfare and put them back to active employment and self-sufficiency. Environmentally we have the highest standards. So what better can you ask for? I think Alberta is set up very well.

Thank you very much.

MR. CHAIRMAN: The Member for Edmonton-Beverly to close debate.

MR. EWASIUK: Thank you, Mr. Chairman. I want to just make a few comments relative to some of the points that were made by the members of the committee.

First of all, in my opinion, I'm not sure how one can identify that there was a contradiction between this particular recommendation as compared to the one that was just made by the Member for Calgary-Mountain View. I think the Member for Calgary-Mountain View talked about a trustee general that would be responsible for the investment of the fund as directed by the Legislature, and the Legislature would establish the mandate, the criteria, and so on as to how investments would be made. Certainly if this Legislature had a political will to introduce social and environmental standards and ethics, then I'm quite sure that the trustee general would be obligated to follow the direction given to him by the Legislature. So I really don't see any particular contradiction in those two resolutions.

The Member for Athabasca-Lac La Biche suggests that we have a past history in terms of, particularly, environmental protection that has been good. I'm not going to get into a discussion as to whether it has been or not, but I certainly hesitate to simply sit back and rely on the laurels, that we're okay, Jack, and we'll just keep going as we are, status quo. I think we have to continue to look at our environmental standards, the impact that's occurring in the province. We are becoming gradually more and more industrialized, and that of course suggests that there is going to be more and more abuse of the environment, so I think we must be continually vigilant, ensuring that this heritage trust fund is not going to invest moneys or advance moneys, or whatever it does, to companies who historically do not have a history of environmental friendliness. I think we should not provide funding to that type of company.

Also, I think we can make comparisons to other provinces and suggest that they are much worse off than we are. Again, I don't accept that as a comparison. I simply think our prerogative, our concerns, have to be within the boundaries of this province. We maintain, in fact, that we have proper environmental standards, that we have proper social considerations, and I think we continue to have to improve on them.

Mr. Chairman, just to conclude, I want to give you and perhaps the members an indication of what one could consider to be an ethical investment or how you identify a company as being ethical. I would say companies that have, first of all, head offices that are registered in Canada and whose shares will be traded on a Canadian stock exchange, companies that encourage progressive

industrial relations with all members of their staff and employees, companies that regularly conduct business in or with any country that provides racial equality within its political boundaries, and energy companies or utilities whose major sources of revenue are from nonnuclear forms: those are four areas I think we would be looking at in terms of ethics. But I'm sure there are others, and if we put our collective heads together, we could determine what those are.

So, Mr. Chairman, if we are going to consider the trust fund as being something for the future, for future generations, then I think in conjunction with maintaining its financial viability, we also should be considering its ethical and moral responsibility to future generations as well. Therefore, again I suggest that the motion is a proper one and should be supported.

MR. CHAIRMAN: Thank you.

The Member for Edmonton-Beverly, recommendation 45.

45. Mr. Ewasiuk recommended that no further expenditures be made through the capital projects division, that that division be phased out, no longer reported as deemed assets of the Alberta Heritage Savings Trust Fund, and that outstanding commitments for future budget years be made through the General Revenue Fund and the Capital Fund.

MR. EWASIUK: Thank you, Mr. Chairman. When one looks in our report on the capital projects division, one can't argue with the investments that have been made. You know, I think the investments that have been made are acceptable and needed to be made, but I don't feel that they really should have been made from the heritage trust fund. I think if we're going to invest in these types of projects, then they should be capitalized through our capital budget and brought forward to the Legislature again for discussion and debate.

It is with those comments, Mr. Chairman, that I believe this will make the fund a much more viable one. Again, any decisions made on capital projects, which are mostly important, are made through the Legislature rather than through Executive Council and/or the Treasurer, who thinks that he owns the heritage trust fund.

MR. CHAIRMAN: The Member for Westlock-Sturgeon.

MR. TAYLOR: Thank you. Here, too, I want to support the Member for Edmonton-Beverly. It's a large step in the direction of our hope that the heritage trust fund would be dissolved. If you dissolve the capital budget portion, we've come a long way.

I might add, too, that in dissolving the heritage trust fund, some people think, well, we'd lose our scholarship funds. That's not so. Those funds have already been transferred to a foundation. You cannot sell scholarships and whatever setups we have where we've set money aside already. Those things can't be sold. The only thing we're talking about when we're talking about selling the heritage trust fund are shares and assets, not foundations that have had money transferred to them which are operating under the committee. Those would still be there.

In conclusion, I think the Member for Edmonton-Beverly has a very sound motion, and I welcome it for two reasons. Not only is it sound, but obviously it wasn't vetted by the powers that be in his caucus. I like that show of independence, Mr. Chairman.

MR. CHAIRMAN: The Member for Clover Bar.

MR. GESELL: Thank you very much, Mr. Chairman. I'd like to make some general comments on this particular recommendation

and deal with two items specifically: the valuation portion of deemed assets; and the second part, to discuss a little bit how this recommendation might impact on the overall intent of the Heritage Savings Trust Fund.

Let me say, first of all, that in comparing this particular motion to others that have been made – recommendation 31 comes to mind – I find this motion more onerous, more restrictive than even 31. Because of that, I believe that I can't support it. It has some serious flaws in it that I'm going to try to bring forward in further discussion here.

The merits of this particular situation the way I see it – maybe let me start with recommendation 31. Recommendation 31 basically talked about deemed assets and, I think, referred to the inclusion of those deemed assets in a line on page 41 in the balance sheet. I do not believe that recommendation 31 contemplated a complete elimination of deemed assets. For instance, in that discussion I believe that schedule 6 would still appear somewhere, but it would be footnoted and subservient, really, to the balance sheet. What this particular motion proposes is the complete elimination of the reference on page 41 but also the complete elimination of pages 55 and 56 of the annual report, which detail those investments. I believe that is very inappropriate.

3:30

Let me get on to the first argument, with respect to valuation of the deemed assets. We've had discussions in this House, and the views that have been presented on those deemed assets have tended to be extreme on either side. Perhaps there's the extreme view on one side that one should include all of the expenditures that have been made, or the investments, if I may appropriately call them that. That's one point of view. On the other hand, we get the view that we should delete all of them. Well, I would borrow a phrase that the Member for Calgary-Mountain View used. I believe it was that one should be guided to some degree by common practice in private life. Well, if I look at reality in this particular instance, I think my view would be somewhere in between those two extremes. There are some assets there that have retained value; some other ones may not. Similar to private practice in private life, where assets are depreciated over time, that principle could be used here as well.

Let me use a particular example that appears on page 56, and that's the individual line service. It's listed as a deemed asset. There's no question in my mind that it provided value to Albertans. It provided a definite benefit, but it also purchased some relays, switches, digital equipment that in fact is being sold as an asset through some of the share offering. I have a motion to that effect that has been discussed.

MR. JONSON: We're taking care of it.

MR. GESELL: I believe that, yes. Thank you. Very well, as well.

If those assets are sold – and that \$218 million that is listed in the annual report will rise to some \$225 million, as the minister has indicated, once the total individual line service is dealt with – and if that \$225 million does not come back into the Heritage Savings Trust Fund, then I might agree with the debate that that money may no longer be recoverable, even though it has provided a definite benefit to Albertans. Maybe in that particular instance one might need to look at and maybe get an independent evaluation of whether that should be still in the deemed assets or should be excluded.

Now, we've had a number of motions that we've debated here – number 1, right at the start, my motion; number 12; number 42

– that talk about determining what value there actually is and then making a decision, on the basis of that determination, whether that should be included as a deemed asset or not. I think that's a more sensible way of proceeding rather than just saying: "Well, we'll just throw it all out. We'll ignore all of that. It isn't important. It has no value." I don't accept that argument at all. In some instances, to put a value on some of these investments is very difficult. Certainly the input costs can be easily measured, and that's what's been done. It is much more difficult – I would say extremely difficult – in certain instances to quantify the results or the outputs that those investments have generated, but I think it's necessary to do that in order to achieve a foundation from which proper decisions can be made.

Now, let me go on, Mr. Chairman, to the overall impact it might have to the Heritage Savings Trust Fund, and I refer members to page 5 of the annual report. What the member is proposing to do in a roundabout way, if I understand the motion correctly, is to do away with the third objective that this Heritage Savings Trust Fund has – that's 3, "to improve the quality of life in Alberta," – because if you really look at the capital project investments, that is the division that deals with quality of life aspects. You can look at them on page 55, where they're individually listed.

I would ask the Member for Edmonton-Beverly to tell me if those quality of life investments – and he's just in the previous motion talked about social and environmental concerns. Well, this is the division that provides for that third objective – that quality of life, those social and environmental concerns – and here he is proposing to throw it out completely. Look at the recreation and parks division, the urban parks and the Capital City park under public works: a tremendous benefit to the people of the city of Edmonton and the region surrounding it. But the member basically says that quality of life investment we shouldn't take from the Heritage Savings Trust Fund, we should fund it under the General Revenue Fund. Well, the purpose of setting up this fund, Mr. Chairman, was to provide for that quality of life.

So the member is really attacking the third principle of this Heritage Savings Trust Fund in this particular motion, and I have grave difficulty with that, Mr. Chairman. I cannot support that at all. Thank you.

MR. CHAIRMAN: Thank you.

The Member for Calgary-Mountain View.

MR. HAWKESWORTH: Thank you, Mr. Chairman. I'll make my comments brief because as we've previously debated on another motion the question of reporting the deemed assets of the trust fund, I don't intend to dwell anymore on that particular point.

But the whole question of whether there should be future expenditures made through the capital projects division I think is a very important question. It comes back to the point I made earlier about how I think the time has now come to focus clearly what it is that the Heritage Savings Trust Fund's job really is. I mean, I think it's confusing to a lot of people when they see the Heritage Savings Trust Fund financing the construction of a hospital, for example, in the interests of improving the quality of life in Alberta. Obviously, building hospitals can in many ways do that, but the department of hospitals also builds hospitals that improve the quality of life in Alberta. The Department of Education spends money that helps improve the quality of life. Agriculture: there are various programs there to improve rural life that are presently being funded out of the General Revenue Fund.

To say that the capital projects division in the heritage trust fund should also be improving the quality of life in Alberta says to me, "Look, if things are happening in one part of government spending

and then in another part of government spending, why don't you simply amalgamate them and do them in one way or through one fund?" What we're saying here, as I understand the member's motion, is, "Look, when you're proposing to spend money, whether it be on irrigation or whether it be on renewable energy research, put that into the general mill of government expenditures, generally speaking." If it comes up as a very high priority, then by all means proceed with them. No one's suggesting that some of these projects be canceled or eliminated. All we're saying is transfer the responsibility for those projects out of the Heritage Savings Trust Fund and into the General Revenue Fund or the Capital Fund, whichever is the most appropriate. That would leave the fund two clear and unambiguous objectives: either to diversify the economy or to provide funding for the General Revenue Fund.

3:40

You know, I see a number of recommendations here again this year calling for further expenditures under the capital projects division. I think the hon. Member for Clover Bar has three or four of them on the paper here. Now, I'm not suggesting that there's anything wrong with any of those objectives for that spending or that they're not worthy projects. What I think is being suggested here is: let's not further deplete the financial resources, the financial assets of the Heritage Savings Trust Fund to pursue that kind of spending. Let's leave the spending under the General Revenue Fund and let them compete for the General Revenue Fund dollar with all the other demands being put on government, and let's keep the financial assets of the trust fund as much as possible, as much as we can, intact and not further deplete them through spending under the capital projects division.

MR. CHAIRMAN: The Member for Edmonton-Beverly to close debate.

MR. EWASIUK: Well, thank you, Mr. Chairman. I think the Member for Calgary-Mountain View has certainly addressed the issue quite well.

MR. CHAIRMAN: Thank you. [interjection] Oh, I'm sorry; I thought you were finished. Go ahead. I'm sorry.

MR. EWASIUK: I make reference to the Member for Clover Bar, who suggests that parks and rec and those kinds of things improve the quality of life, and one certainly can't argue with that. As I stated in my opening comments, Mr. Chairman, the projects that are listed under the capital projects division certainly are acceptable and important projects, and we're pleased that we have them. I think the point to be made is: should the money have been spent from the heritage trust fund under this capital projects division? I'm simply suggesting it should not; it should be part and package of the overall spending of the government through either the general revenue or the capital budget.

Then to have some of these investments singled out as being deemed assets: they can be sold; they're worth X dollars. Well, certainly you can't sell the telephone lines and the things that were bought. I think they're there, and they're providing service to the people, but they're not for sale, the hospitals and so on. So while I think that up to this point we're not arguing with the way the fund was spent, we're simply saying that it's inappropriate spending money from the fund when it really should be done by the various departments of the government.

MR. CHAIRMAN: Thank you.

The member for Westlock . . . West Yellowhead, recommendation 46.

46. Mr. Doyle recommended that the Standing Committee on the Alberta Heritage Savings Trust Fund Act urge the government to fund the following project via the Alberta occupational health and safety heritage grant program: development of a comprehensive yet cost-effective method of ensuring that fuel sold in Alberta for use in motor vehicles is free of toxic contaminants in order to prevent the recurrence of public safety hazards such as the Hinton tainted diesel fuel incident and to enable the source of any such contamination to be quickly and easily determined.

MR. DOYLE: Thank you, Mr. Chairman. I know the hour is getting late, but I still represent the riding of West Yellowhead.

My recommendation is to prevent such a thing that happened two years ago in Hinton when dangerous fuel was hauled on the highway without a permit and somehow ended up in a tank in the Hinton Husky service station. Over a hundred people were contaminated with that fuel. Some are in serious health presently, and nothing has been found to say where that fuel came from, how it got in the tank, or in fact how many of these people got contaminated by these dangerous goods.

Mr. Chairman, we fund projects, and we see that they can find black boxes from aircraft regardless of whether they be in the Arctic or under the ocean. They can find out who has caused some of these horrendous safety hazards to the public, but when it comes to diesel fuel that was contaminated by some culprit or culprits, there's no answer to the mystery. I would hope that it's not due to the fact that the particular company that sold the fuel is one of the major contributors to the party of the existing government.

Mr. Chairman, to stick to my resolution, surely in this day and age when we can find answers and resolves to safety and other aspects of safe working environments through the occupational health and safety heritage grant program, we certainly should be able to fund a program where they could identify whether there is a contaminant in the fuel. Whether certain tests be done at the supplier's, at the refinery, or at the point of delivery, I think it's only fair that with the many millions of dollars that have been spent through the Alberta occupational health and safety heritage program, they should use some of these funds to make sure this occurrence does not happen again. It has caused many people very poor health. It has caused many families to have serious financial and personal difficulties due to certain things that have happened to the people. In fact, one wife is in a mental institution because of the deterioration of her husband, and other people cannot work in the work force today. In fact, teenagers have also been affected.

So, Mr. Chairman, I would like to see funds from the Alberta occupational health and safety heritage program go to some comprehensive program that is cost-effective but should surely be able to see that this occurrence will never happen again in Alberta or anyplace else in the world.

MR. CHAIRMAN: Thank you.
The Member for Wainwright.

MR. FISCHER: Thank you, Mr. Chairman. I would like to vote against this recommendation when it comes along, and one of the big reasons will be that the WCB is already doing everything it can possibly do to try and prevent these kinds of accidents from happening. Now, I don't know why you would want to then

contribute some funds from this occupational health education program into that and help justify it. I realize that those kinds of accidents are serious, and certainly we don't want it to ever happen again, but I don't see how you could develop a cost-effective method from this particular program when we don't even know how it was contaminated to begin with. When we mention about checking your fuel at the refineries or even checking at the point of delivery, you still leave a lot of doubt on where it was contaminated. Maybe it was contaminated after that. No one would know for sure. To have more government inspectors running around checking our fuels on an incident that has happened once in many, many years - certainly there isn't anybody in that business that would deliberately do that, and to prevent an accident from happening, I'm not sure that you can develop a cost-effective method of doing that. I think there are an awful lot of things that have to be determined before you would go into trying to solve that particular issue.

As I mentioned, WCB after every accident does do quite an elaborate investigation, and then they make recommendations on how to prevent that from happening again. If you use the WCB has an example, certainly when they start making the recommendations, the cost effectiveness goes right out of it. On that basis I would not support this recommendation.

3:50

MR. CHAIRMAN: Thank you.
Edmonton-Beverly.

MR. EWASIUK: Thank you, Mr. Chairman. I, of course, rise to support the recommendation. I think there really is a comprehensive yet cost-effective method that can be introduced. I'm not sure the WCB is the body responsible or the occupational health and safety group. Nevertheless, it seems to me that the sampling of products is carried out quite extensively in industry throughout the province and, obviously, throughout the country. It seems to me that so long as there are comprehensive specs as to the quality of fuel - that is, when it's loaded, it is inspected; when it's off-loaded, it is inspected - then I think that so long as the specs are established, that means an effective, comprehensive method and would certainly make some move towards the resolution of identifying whether the contamination was initiated at the refinery, whether it was because of the people transporting the product, that the tanker was contaminated, or in fact that there was contamination after delivery. By establishing a proper and regular method of sampling, I guess the effectiveness would be: what are we looking for when we sample the product? I think those have to be established, and I'm sure that our energy and refining industries must have those methods available. I think it would be a rather simple process, and it's certainly something that should be pursued, because the seriousness of the incident in Hinton can't be overstated, the impact it's had on so many people. I think this problem needs to be addressed. Whether it's the WCB or whether it's Occupational Health and Safety or whoever does it, it needs to be done, and it needs to be done soon.

MR. CHAIRMAN: The Member for West Yellowhead to close debate.

MR. DOYLE: Thank you, Mr. Chairman. I appreciate the opinion brought forward by my colleague the Member for Edmonton-Beverly. The Member for Wainwright seems to have some difficulty that the WCB might have spent too much time on this issue. Well, they're in the field of supplying good compensation to people and making sure that through the Occupational Health and Safety program there's good safety for everyone.

Indeed, my resolution should receive the approval of all members of this committee. It's not that we're harping on the fact that this has happened; we want to make very sure that it does not happen again. The people that were contaminated, their families, the people that were involved with it have very serious concerns as to the way the government handled this particular issue. Regardless of whether they handled it properly the last time, we do not want to see it happen again. We don't want to see anybody contaminated through such an environment. Whoever the people were who did it, those people should be caught, and the dollars should be put behind it to make sure that nobody is ever contaminated and put in such a situation as these people that were contaminated have been put in.

Mr. Chairman, in view of the hour I will limit my debate to asking the members of this committee to support resolution 46 to protect the environment and the workplace of the people of Alberta.

MR. CHAIRMAN: Thank you.

The Member for Westlock-Sturgeon, recommendation 47.

47. Mr. Taylor recommended that the Alberta Heritage Savings Trust Fund scholarship committee, in reviewing its mandate for the future, study the possibility of and give an estimate for the cost of awarding every student from a family whose income is beneath the poverty line free tuition in postsecondary institutions for which they have qualified, the purpose being that it is as big an achievement to graduate from secondary schools if one comes from poverty as it is to achieve high scholastic marks if one comes from a family above the poverty line.

MR. TAYLOR: Thank you, Mr. Chairman. This is actually almost the same as my recommendation 35, so the same words I would have used there will be used here. I'm not trusting the recollection of the committee that much; they can always read *Hansard*. I would like to point out, though, that the pitfalls in number 35 that the Member for Ponoka-Rimbey so eloquently pointed out are not present in this motion, so it would be quite free for him to be able to vote for that. It's been structured to accomplish what he wanted.

That's all I have to say.

MR. CHAIRMAN: Members wishing to speak to that recommendation? The Member for Three Hills.

MRS. OSTERMAN: You can read my comments in *Hansard* with respect to the motion that was just mentioned, and they apply to this one as well.

MR. CHAIRMAN: Thank you.

Does the member wish to close debate?

MR. TAYLOR: Well, I wish to close it by closing it.

MR. CHAIRMAN: Thank you.

The Member for Westlock-Sturgeon, recommendation 48.

48. Mr. Taylor recommended that all research being presently done by the department of Occupational Health and Safety with heritage trust funds be transferred to AADAC and that the minister request Executive Council to also transfer drug and substance abuse research to AADAC council.

MR. TAYLOR: Number 48 is also very similar to number 30. I think it's a better motion than number 30 in that it in effect says, "Let's get the government research on alcoholism and drug and substance abuse all into one pot, not have it in three different departments as we now have it." I think it's inefficient. I think that one department can do it, and the one group that I'm saying can do it is AADAC.

MR. CHAIRMAN: Thank you.

The Member for Calgary-Foothills.

MRS. BLACK: Thank you, Mr. Chairman. Very briefly, as the member rightly said that this motion was basically dealt with before, I think a co-ordinated effort of services is very important, and that in fact is what's in the legislation of the Family Life and Substance Abuse Foundation that was established in the Legislature last spring. It already is in co-ordination with AADAC and other departments associated with it. I think that is already in place and doesn't need to be reinvented. So I don't think it's appropriate to go through it. It's already there.

MR. CHAIRMAN: Thank you.

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

MR. TAYLOR: I'm sorry. I didn't quite understand the point that the member was driving at. I know she can be very involved and oblique. I don't think I would be able to find out in two minutes anyhow, so I will close debate.

MR. CHAIRMAN: Thank you.

Hon. members of the committee, that concludes the debate on 48 recommendations. The Chair wishes to thank the members and to commend them for the expeditious way in which we've dealt with the recommendations.

Our next meeting will be December 10. It was originally scheduled for 10 o'clock. There's been some discussion that in view of the fact that we will only be taking time to vote that day, we could perhaps move the time to begin at 11 a.m., and it would serve members better because it would not break up the morning so much. Is there a motion to that effect?

MR. MOORE: I so move.

MR. CHAIRMAN: The Member for Lacombe so moves. All in favour?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Any opposed? Thank you.

The Chair would accept a motion from the Member for Calgary-Foothills.

MRS. BLACK: I move that we adjourn, Mr. Chairman.

MR. CHAIRMAN: Thank you. All in favour? The committee stands adjourned until 11 a.m. December 10.

[The committee adjourned at 3:59 p.m.]

