

LEGISLATIVE ASSEMBLY OF ALBERTA

Standing Committee

on

The Alberta Heritage Savings Trust Fund Act

Thursday, October 12, 1978

7:35 p.m.

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Chairman: Dr. McCrimmon

7:35 p.m.

MR. CHAIRMAN: I think perhaps we'll have to call the meeting to order. I have a memorandum here from Mr. Leitch, the Provincial Treasurer, with respect to his appearing before the committee. I'll read it to you if you like:

I've reviewed the minutes of the committee for its afternoon meeting on September 5 and discovered an inconsistency which I would like to draw to your attention.

Attached are two pages from the transcript of the committee's proceedings. The transcript indicates that my remark was, "we can't move too rapidly", referring to the decisions to move to longer term securities. Page ten, paragraph nine, of the minutes indicates that I said it would take ten to twenty years to accomplish a move to long term securities.

My reference to ten to twenty years was in the context of the type of term the long term securities would represent.

Is there any question on that? I think he was talking about 10- to 20-year term securities, more than 10 to 20 years to move into the . . . Is that agreed by the committee, that this will be accepted from Mr. Leitch?

AN HON. MEMBER: I move that the minutes be so amended.

Motion carried

MR. CHAIRMAN: I must apologize for missing the last meeting, but it was the day of my nomination meeting down in Ponoka, so I thought it was rather important to contest it . . .

MR. TAYLOR: You could hardly miss that.

MR. CHAIRMAN: . . . so I thought it was rather important that I be around.

I see that you covered Recommendation 1, and Recommendation 2 held over by Mr. Horsman. Now Mr. Horsman is down in Quebec with the delegation, so if it's agreeable to the committee, we'll hold that over to the next meeting when he will be back.

HON. MEMBERS: Agreed.

MR. CHAIRMAN: We go down to 3, it was agreed; 4, defeated; 5, agreed; 6, a recommendation by Mr. Notley, held over pending a meeting. Now I am not aware of what type of meeting this was. This was the grain handling situation.

MR. TAYLOR: It was agreed that the chairman should try to organize a meeting for 6 and 7.

MR. CHAIRMAN: And this covered the same points?

MR. TAYLOR: Yes.

MR. CHAIRMAN: Recommendations 8 and 9 were withdrawn?

MR. TAYLOR: Eight, 9 and 10.

MR. CHAIRMAN: And 10 was withdrawn.

MR. NOTLEY: If I may just interject, Mr. Chairman, there was to be a committee of Mr. Peacock, Mr. Clark, and myself to come in with an alternate motion on 8, 9, and 10.

MR. CHAIRMAN: You have presented the alternate motion, have you?

MR. NOTLEY: No, that's dealing with another one. We have not

MR. CHAIRMAN: That was on the other motion. Yes, I have that here. And you will be presenting that alternate motion, Mr. Notley?

MR. NOTLEY: Well, we'll have a meeting

MR. CHAIRMAN: Yes, between the three of you. There's Mr. Clark, Mr. Notley, and Mr. Speaker. You will be presenting an alternate motion to those three. Is that correct?

MR. NOTLEY: Mr. Peacock, Mr. Chairman, and Mr. Clark and myself.

MR. TAYLOR: Mr. Peacock felt there was need for an overall research program. They were going to try to incorporate it

MR. CHAIRMAN: And that hasn't been made up yet. All right.

AN HON. MEMBER: Fine, stalwart chaps.

MR. NOTLEY: Perhaps we could try to undertake to have it ready for the next meeting. The college try.

MR. CHAIRMAN: With respect to the forestry motion by Mr. Appleby, he won't be here this week at all of course. I don't know about next week. You understand he's had two operations, and hopefully he should be in. He got out of hospital the first of the week, I guess. So we'll hold that over. Mr. Horsman's will be held over.

And number 1, recommendation number 22, withheld and redrafted by Mr. Notley. I believe we have that redrafting. Perhaps we could go into that motion at this time. Do you all have a copy of that redrafted motion by Mr. Notley?

I think before we do that, we are required to The minutes of October 2 and 3: that was the meeting on Monday, the trip down to Airdrie on Tuesday. Have you had an opportunity to go over those minutes? Would you like to withhold reading of those minutes until

MR. CLARK: I'm sorry, Mr. Chairman, I didn't get a chance to go through them. Could you withhold that until next Tuesday?

MR. CHAIRMAN: We can. Perhaps if you would remind me on Tuesday to go over that, that will be fine.

The original recommendation by Mr. Notley, number 22:

That greater attention be applied to placing longer-term loans with other Canadian provinces from the Canada investment division.

Have you had an opportunity to go over that redrafted motion? Perhaps we could take a minute or two . . .

MR. TAYLOR: We just got it now.

MR. CHAIRMAN: . . . and read it at the present time. Everybody has a copy?

MR. TAYLOR: I think it meets the objections that were raised the other day.

MR. CHAIRMAN: I wonder, Mr. Notley, in number 1, if "active expansion of loans to other . . . provinces" could be misinterpreted "of existing loans"? Could we perhaps reword that a little better? If you understand what I mean, I'm thinking of the loan to Newfoundland, you see, and it could be read: "given to active expansion of that loan". This, I don't think, was your meaning, I'm sure. Is that correct?

MR. NOTLEY: Yes, that's true. Of new loans, or of additional loans, or active expansion of the Canada investment . . .

MR. CHAIRMAN: Of the loan program.

MR. NOTLEY: Of the loan program, sure.

MR. CHAIRMAN: Would that . . .

MR. NOTLEY: That's fine.

MR. CHAIRMAN: Would section (a) be necessary, Mr. Notley? If number 1 is carried through, would number 1(a) be necessary, because it would automatically increase it?

MR. NOTLEY: I would say that probably (a) could be met by the basic supposition that there's going to be active expansion of loans, so it could be eliminated. It just emphasizes it more, but I don't have any strong feelings, Mr. Chairman.

MR. CHAIRMAN: Well, I'm just thinking it is sort of redundant if . . .

MR. NOTLEY: If it's repetitious, I have no objection to striking that, because what we're saying is "that consideration be given to an active expansion". That really covers (a). So (b) would be (a) . . .

MR. CHAIRMAN: Is it agreeable to you that we delete section (a)?

MR. NOTLEY: Yes, that would be fine.

MR. CHAIRMAN: All right. Agreeable to the committee? So we'll make (b) as (a), and (c) as (b). Is that agreeable?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: So with those changes, what is the wish of the committee? Are you agreeable to No. 22 as amended -- I guess you would say -- by the committee?

MR. MUSGREAVE: Mr. Chairman, are we allowed debate?

MR. CHAIRMAN: We haven't taken the vote yet.

MR. MUSGREAVE: Mr. Chairman, I have a few concerns about it. First of all, what do we mean by "active expansion"? I think Mr. Notley will be able to respond to me, but what do we mean by "active expansion"? Do we go and try to say to the province of Ontario or the province of Quebec that we'll lend you money lower than what you're borrowing money for on, say, the New York markets? Or do we say we'll give them more favorable terms in methods of payment back? What do we mean by that? Are we going to run advertising campaigns in financial papers across Canada, or are we going to send briefs to the treasurers of these provinces? That's the first concern I have. We already have loans to New Brunswick and Newfoundland, and I am sure there are others under consideration. Just what is the intent there?

The second concern I have is just a question. I was under the impression the loans to New Brunswick and Newfoundland were of a 20-year nature, although I could be wrong. Does the hon. member mean longer than 20 years? That's my question.

Lastly, I certainly support (c), but I was under the impression that the loans were made on the basis that it was a straight loan to the government for them to do as they saw fit; it could either go into operations, or capital, or whatever. I just point that out. That was my understanding of the two loans that we have made to the province of New Brunswick and the province of Newfoundland.

MR. NOTLEY: Mr. Chairman, Mr. Musgreave, in a sense this is a bit of a repetition of the debate we had last week. First of all, with respect to the last point you made, that's true. I think that as we review the fund, where major decisions have been made that we agree with, I think it is appropriate for us to say so. In this particular instance, I happen to agree with that position. I don't often agree with things the government does, so don't knock it.

With respect to the 20-year question, we're really talking about the fund in total shifting to longer-term securities.

With respect to the question of the Canadian investment division, whether we're going to be -- in other words -- pushing these investments on other provinces, I would say no; but what we are saying is that right now about 2.85 per cent of the total assets of the fund are in investments under the Canada investment division. We have the authority to invest up to 20 per cent, and what we are saying is that that is an area where we should increase the investment. It doesn't mean going out and trying to compete with other lending institutes at a time when we are talking about national unity. I think there is some very strong argument for us prudently expanding that

Canadian investment section, not necessarily to the 20 per cent authorized by the legislation, but to somewhat higher than the 2.85 per cent we have now.

MR. TAYLOR: I wonder if in (b) we could make it clearer by saying "that such loans continue to be negotiated", so that it is the policy being followed now? It sounds like it's a brand new policy the way it's written.

MR. NOTLEY: That's fair enough.

MR. CHAIRMAN: In (b)?

MR. TAYLOR: Yes.

MR. CHAIRMAN: That's "loans be negotiated and continue to be . . . ". Is that what you mean?

MR. TAYLOR: Yes.

MR. CHAIRMAN: Is there any further discussion on the recommendation? Are you ready for the question?

Motion carried as amended

MR. PEACOCK: A clarification on section (c) on this . . .

MR. CHAIRMAN: Section (a) was deleted.

MR. PEACOCK: Is the amendment "that such loans be continued"?

MR. CHAIRMAN: Section (a) was deleted.

MR. PEACOCK: And (a) and (b) then. In section (b): "that such loans be continued to be negotiated".

MR. CHAIRMAN: That's in the old section (c)?

MR. MUSGREAVE: The old section (c), Mr. Chairman.

MR. CHAIRMAN: " . . . such loans be negotiated and continue to be negotiated and placed on the basis of repayment ability alone".

MR. PEACOCK: As it is now?

MR. CHAIRMAN: Yes.

MR. PEACOCK: Right.

MR. CHAIRMAN: All right, the Alberta investment division, Recommendation No. 8. Mr. Clark, Mr. Speaker:

That low interest loans be provided to municipalities wishing to finance front-end servicing of housing developments.

Mr. Speaker, would you like to speak to that?

MR. R. SPEAKER: Mr. Chairman, the reason we introduced this particular recommendation is that we recognize that one of the high costs in housing development is certainly the development of the lots and the front-end servicing. For example, information to us is that if low-interest loans could be provided, this could cut anywhere from \$6,000 to \$8,000 off a lot here in the city of Edmonton. It may also help to provide more lots for housing developments, and we feel this would be one way of providing just a good service to families -- low- and middle-income people -- here in Alberta.

MR. CHAIRMAN: Just as a thought, is it possible to do it in one case without doing it across the board?

MR. R. SPEAKER: We're talking about a provincial program. Is that what you are saying?

MR. CHAIRMAN: Yes.

MR. R. SPEAKER: Yes, I use Edmonton only as an example of a municipality.

MR. CHAIRMAN: Would you like to add "on provincial programs" to the end of that?

MR. R. SPEAKER: Sure. That would be fine.

MR. TAYLOR: Is there more than one definition of "front-end"? Exactly what is the definition of that?

MR. R. SPEAKER: As I understand it, it is sewage, water, bringing in the main line piping for those particular services.

MR. CHAIRMAN: Is there any further discussion on this?

MR. MUSGREAVE: Mr. Chairman, I have a little concern with this. You know, one of the reasons that this front-end servicing is so high is that the municipalities in effect want a high level of installation because it cuts down on their ongoing maintenance costs. You know, even in the Airdrie subdivision I was surprised to see sidewalks. There are many subdivisions in the United States that don't supply sidewalks; there's just a curb and gutter, and that's it. And you know, I get a little concerned in that one of the reasons these lots are so expensive is that you have underground lighting, you have a paved street, you have a sidewalk, you have a very high-class, high-capacity storm sewer system. These all go into doing this, and I frankly question whether we should be doing this when you take the total community who have paid for their services as they go along, or in the initial price of the lot. Rather than have to pay front-end servicing, perhaps we should think of going back to the system they used once before, and that is you spread it out over 15 or 20 years and you pay as you go. It's more convenient for the cities to do it this way. I mean, they've just got one lump sum and that's it.

I really question if we should be getting into this. The other area where I question this is: take the city of Edmonton. A former government of the province did a very wise thing, I think, in that they gave millions of dollars for a large land bank. And we now have the city of Edmonton sitting on that bank waiting until the market price is such that they can realize a huge

capital gain. I just question the wisdom of us adding more money to such arrangements.

MR. TAYLOR: In other words, what land was given to the city of Edmonton for the purpose of decreasing costs for the individual buyers -- now it doesn't appear to be doing that. It's simply being used as a revenue source for the city, and people are paying higher rates than they've ever paid before.

MR. CHAIRMAN: Does anybody else wish to add anything? Mr. Speaker.

MR. R. SPEAKER: Yes, I think we're not really talking about a land banking system here. Maybe the city of Edmonton isn't handling the land bank system as originally thought or intended. I notice at that time the idea was to accumulate land and hopefully transfer it to the city so they'd have cheap land for the housing development. But if what the hon. members have said is happening, that certainly wasn't the original intent.

But this is just a little different, where we're talking about low-interest loans to the municipalities wishing to finance front-end servicing of housing developments. What we are talking about is the actual development occurring, the land development occurring, the low-interest loans being made available, which in turn can be transferred onto the individual as a saving. And we feel that the high demand for housing at the present time certainly isn't going to allow the city to sit on land and keep it for years until inflation takes over and they can make a profit at it. I don't see that happening, as was mentioned by the hon. member.

MR. CHAIRMAN: Mr. Musgreave.

MR. MUSGREAVE: Mr. Chairman, all I was pointing out was that when we get into these financial arrangements they don't work out the way we hoped they would. Now I don't think that we should be getting into any kind of low-interest loan or arrangement, because in effect what we're saying is we've got a large sum of money in the heritage fund and we're going to dole it out as cheap as we can for this kind of thing. And there's lots of good reasons. I think the fund should not be going out at low interest. It should be going out at the current market rate.

Now if, say, the current rate is 9 per cent, and the low interest -- I don't know what you mean by low, but let's say 4 per cent, for example -- who's going to pick up the other five? It's got to be the taxpayers of Alberta, or those people to whom the heritage fund belongs. Somebody has to pay that low interest. That low interest isn't free. I just don't think the fund should be doing this kind of thing.

I agree with it in terms of irrigation and these kind of projects, that you're looking at 50, 100, 200 years before you get a capital term. But we recognize that, that there's going to be those kinds of investments.

Now if we go to a low interest loan here -- and I know there are other recommendations of a similar nature -- where do we stop? I just don't support it.

MR. DIACHUK: Mr. Chairman, to Mr. Speaker -- just a clarification. Would this be then a different arrangement, that we now fund to the Alberta Municipal Financing Corporation debentures? In other words, this would be another channel, another different interest rate that the municipalities would borrow from. Just a bit of a clarification.

MR. R. SPEAKER: It would be different in the sense that the interest rate may be fixed and lower, whereas through the Municipal Financing Corporation the interest is 1 per cent above prime -- the floating interest.

DR. BACKUS: No, the municipal corporation is 6 per cent, isn't it?

MR. R. SPEAKER: No, it's 8 per cent now.

DR. BACKUS: Eight.

MR. DIACHUK: Mr. Chairman, just after I received that clarification from Mr. Speaker, I too have some concern. Unless I was satisfied that the municipalities are not getting all the money they require to do this front-end financing -- front-end servicing -- through the program of the Alberta Municipal Financing Corporation debentures, I wonder if then we wouldn't have the difficulty of sorting out which program under a municipality falls for front-end servicing and which one doesn't.

I can see the intent, but I can also see the difficulties of trying to sort out these two different applications from every municipality, because then I could foresee every municipality making application for this type of program.

MR. TAYLOR: May I ask a question? It says: the front-end servicing of housing development provincial projects. Now if it's on a provincial project, isn't that now financed by Alberta Housing?

MR. CHAIRMAN: It is.

MR. TAYLOR: So why would we be lending money to the municipality?

MR. NOTLEY: I think, Mr. Chairman, it's a question of the interest rate, is it not? You're really talking about a program here where you have very substantial shielding beyond the shielding under the Municipal Financing Corporation at the moment, and beyond any of the programs that Alberta Housing has, for example, for acquisition of land and what have you, as I understand it.

MR. TAYLOR: Then it wouldn't be a provincial project.

MR. R. SPEAKER: No, not necessarily. I think that the Chairman in raising that question was asking whether it was just for one locality or not. It would be a program for the province -- across the province -- not necessarily a government development project.

MR. CHAIRMAN: Any further discussion? Are you ready for the question?

MR. TAYLOR: I'm a little concerned about this definition of "front-end". It can mean so many different things, and I don't favor doing everything that should be done. I agree with water and sewer and maybe lights, but this underground lighting, paved roads, and so on . . . Most of our people have waited 10, 20 years to get some of these things. And here we shove them all in, and the young people today have to pay for them all at once. They're nice, but then we complain about the high costs, and how young people can't buy homes. Why do we try to do everything? Why don't we get them a home, and then gradually get all this front-end stuff done.

It seems to me we're living too high, and we're encouraging our young people that they have to have everything before they can -- and they can't afford it. If we keep on increasing the type of thing they're going to get, no wonder they're never going to be able to buy a home, because we're making it impossible for them.

If "front-end" was defined to mean the very essential things, then I could go along with it.

MR. CHAIRMAN: Any further discussion? Are you ready for the question?

HON. MEMBERS: Question.

Motion defeated

MR. CHAIRMAN: No. 5, Recommendation No. 9, Mr. Notley:

That consideration be given to support for a consortium led by the Alberta Wheat Pool to construct a Prince Rupert terminal facility.

MR. NOTLEY: Mr. Chairman . . .

MR. CHAIRMAN: I'm just wondering. Isn't this a bit redundant? Isn't this in the process right now?

MR. NOTLEY: Well, not necessarily. What I wanted to say clearly in this resolution -- and I was thinking just from looking it over that it might be more appropriate in terms of the fund if I moved the amendment:

That consideration be given to debt capital financing for a consortium led by the Alberta Wheat Pool to construct a Prince Rupert terminal facility.

I think at this stage -- unless, Mr. Chairman, you're aware of information that has not been publicly disclosed yet -- the position is that the consortium is going ahead with it, or hoping to go ahead with it. As to whether or not the Alberta government participates in a debt capacity, to my knowledge that decision has not been made.

As a member of the committee I would just feel that it is a worthy consideration for the investment committee to take into account. Now whether that is an announcement which may or may not be made over the next few days, I'm not sure. But whether it is or it isn't, in my judgement we as a committee should be assessing its merit, and in my judgement it does have merit.

Now I would think it would be clearer if we amended it by saying: "debt capital financing" so that we're not talking about sharing equity capital, but making available . . .

MR. CHAIRMAN: Do you want to make an amendment?

MR. NOTLEY: Yes.

MR. CHAIRMAN: Put "debt capital financing" after the word "support"?

MR. NOTLEY: Yes, I would move Resolution No. 9, with the amendment: "that consideration be given to . . ." and then, instead of "support":

. . . debt capital financing for a consortium led by the Alberta Wheat Pool to construct the Prince Rupert terminal facility.

MR. MUSGREAVE: What are the added words again, Mr. Chairman?

MR. CHAIRMAN: This is as amended:

That consideration be given to support debt capital financing for a consortium led by the Alberta Wheat Pool to construct a Prince Rupert facility.

MR. DIACHUK: So "debt capital financing" is added. Is that it, Mr. Notley? That's right, the three words: "debt capital financing"?

MR. NOTLEY: Yes, that's correct.

MR. CHAIRMAN: I guess that from the Chair the only concern I have is that we're bringing this in at a time when negotiations are in progress. That's my concern, but I have nothing against the recommendation whatsoever. Would this recommendation in any way interfere with current negotiations? That's my concern.

MR. NOTLEY: I would say, Mr. Chairman, that it would be absolutely no different. The phraseology is almost exactly the same as the recommendation we passed last year with respect to the Alcan pipeline -- that consideration be given to debt capital financing to the Alcan pipeline. So this is exactly the same phraseology. I don't think it could -- because it's up to the investment committee in any event, so they can either take our sage advice and wisdom or reject it, which is another argument.

MR. MUSGREAVE: Mr. Chairman, I just have a minor hangup in the wording. I think really what you're doing is: you want to give consideration for the debt capital financing of the Prince Rupert terminal, not the consortium.

MR. CHAIRMAN: That's what's bothering me.

MR. NOTLEY: No, no, Mr. Chairman. No, I want to be very specific . . .

MR. MUSGREAVE: I'd like to hear your defence then.

MR. NOTLEY: I want to be very specific that what I am talking about here is the debt capital financing for the consortium. Now if that consortium decides that they are not going to go ahead with it, then obviously the government has to completely review the situation. But at this stage, it is the consortium led by the Alberta Wheat Pool that is in the ball game, and at some juncture there may be some other variation or permutation of different groups. But as far as I am concerned, it is the consortium that has announced they are proceeding, have done a good deal of work, are doing the feasibility work, and it's a question of whether or not as a committee we recommend that the investment committee consider debt financing to that organization.

MR. TAYLOR: What if the Alberta Wheat Pool drops out and the consortium goes ahead? Then we don't want to support it? I don't know why we want to put one company's name in there.

MR. NOTLEY: Well, the reason that I did that is because it is the Alberta Wheat Pool that is putting together the consortium, and because I think there are important differences. I would want to see the proposal of the Wheat Pool

-- which in my view is a very good one, and which is designed to make sure that all the grain companies participate in their relation to their share of the grain trade. But that is a worth-while project which I think we should encourage as an investment committee.

Now if at some juncture the Wheat Pool drops out -- although I think that, with great respect, Mr. Taylor, is essentially a hypothetical question -- if it drops out, then I think the government has to look at the thing from square one, in which case they have the power to do that in any event.

MR. CHAIRMAN: Would it not be a pretty much broader recommendation if we left "the Alberta Wheat Pool". The purpose is that the committee would be in support of a Prince Rupert terminal facility. It would certainly detract from the Wheat Pool or anybody else.

MR. NOTLEY: Well, Mr. Chairman, the majority of the members of the committee are perfectly free to move an amendment. I want to make it very clear that among Wheat Pool delegates there's a very definite point of view, and that is that they are in favor of Prince Rupert -- very strongly in favor of Prince Rupert -- but they want to see the consortium, which is set up on the basis of all the grain companies participating in relationship to their share of the business. And there is a very important distinction between that and other proposals that have been made. The only point is that at this juncture it's the Wheat Pool proposal that is off and running.

Now if members of the committee wish to amend it, that's up to you, but I don't wish to change the motion.

MR. CHAIRMAN: You don't wish to amend it. I get your point.

MR. DIACHUK: Mr. Chairman, one question to Mr. Notley before I decide to move an amendment. Mr. Notley, you were saying: of all companies doing business in Alberta?

MR. NOTLEY: No, the consortium is based on the proposition of all companies that are doing business in the west, because we'd be dealing with grain -- most of it would come from Alberta, but not necessarily all of it.

MR. MUSGREAVE: Mr. Chairman, I'm sorry I raised this point. Really, all I was trying to say was that in my mind the important thing was to build the terminal; secondly, in order to do that you needed the financing; and thirdly, who puts it together. I'm quite prepared to withdraw my comments and leave it as it is. I just thought it was of real importance myself.

MR. TAYLOR: Well, I'm a little concerned about the way it's written here, because I'm not happy with what the Wheat Pool has done at this stage. The Wheat Pool has concentrated practically all of their drying and separating machinery at the coast, and they are most reluctant to build elevators, such as inland terminals or that type of thing, on the prairies. Now if they're going to follow that same procedure, I don't like it at all, and a great number of our farmers don't like it. A number of them are members of the Wheat Pool, and I'm a member of the Wheat Pool.

I object to this concentration of all our separating and demisterizing and so on in the elevators at the coast, and the terminals at the coast. I think they should be done right here. We're paying a lot of money to haul stuff to the coast that could be rejected right here, that we could get money for on

the prairies. It's going to the coast. We're paying freight on it, and it's costing the farmers of the prairies money. And when we try to get the Wheat Pool to even get interested in an inland terminal, they just put thumbs down. They say: we've got too much invested at the coast.

Now are we going to keep that up? I'd like to see the farmers of the prairies get a few breaks and have some of these things right here on the prairies. That's why I object to a consortium led by the Alberta Wheat Pool. I want to know what they're going to do in this facility at the coast. If it's going to be another Vancouver, I'm not going to be entirely happy with it.

MR. CHAIRMAN: Mr. Taylor, are you saying that you would like to see the section "led by the Alberta Wheat Pool" deleted from the motion?

MR. TAYLOR: Well, I would. I would like to see that deleted from the motion because I know the stand of the Alberta Wheat Pool right now. The head offices of the Alberta Wheat Pool are most reluctant to do anything on the prairies. They've got too much money invested at the coast, and that's the blunt facts. Unless they change their thinking entirely, we're going to have another Vancouver at Prince Rupert, and that's not going to accomplish the best thing for the prairie farmers in my view.

MR. DIACHUK: Mr. Chairman, do I gather then that Mr. Taylor has moved an amendment?

MR. TAYLOR: I was giving my thoughts on the resolution.

MR. CHAIRMAN: I see. Fine. Mr. Diachuk.

MR. DIACHUK: Well, I don't have the same concerns as Mr. Taylor, but I would like to move that Recommendation No. 9 be as follows: "that consideration be given to debt capital financing to construct a Prince Rupert terminal facility", dropping the words "for a consortium led by the Alberta Wheat Pool". Then we wouldn't have a hang-up on who's doing it, but we do get approval for consideration for the construction of a Prince Rupert terminal.

MR. NOTLEY: Mr. Chairman, I'd just like to make a couple of quick comments. First of all, I share some of the concerns Mr. Taylor has expressed about the current Vancouver facility and the fact that we are tending to ship out a lot of excess water. Even if we're shipping it at Crow rates, that does cost us money. I think I have some differences in how I would see drying done in Alberta as opposed to inland terminals, but to be fair to the Wheat Pool, and I say this in fairness to the Pool, the consortium that they are leading at this stage is not one which is completely Wheat Pool dominated; it's one that is led by the Wheat Pool. It's put together. It includes all the companies; it includes Cargill, Pioneer, the UGG. We're talking about a new facility in Prince Rupert, not trying to deal with the investments that have been made in Vancouver many, many years ago. And of course with any company, once you've made investments there is that tendency to try to prop up the investments you've got there. Sometimes you lose sight of the producers in the process. But I don't think that necessarily holds as far as Prince Rupert is concerned. I do think it's important, though, to underline that what we are talking about with the present proposal is a consortium where the Wheat Pool is one; it's the largest of the group, but all of them are participating. Of course

one of the major advantages of the Pool being the leader in this field and one of the reasons why they could develop a consortium with other grain companies is that as by far the largest elevator company in the province, it does make a good deal of sense that they be plugged very closely into any terminal construction on the West Coast.

DR. BACKUS: Mr. Chairman, I think the feeling of some members of the committee is that the desire of those members is to support the construction of the Prince Rupert terminal facility regardless of who does it. We're not against the Wheat Pool. In fact if the Wheat Pool and their consortium go ahead with the proposed program, certainly capital financing to help that consortium is I think agreeable to myself and I think other members of the committee. On the other hand, if for some reason the Wheat Pool doesn't succeed in putting it together in a satisfactory way or delays for a considerable time and some other group is prepared to go ahead with it, I still think that some of the members of the committee would be prepared to recommend consideration being given for debt capital. Therefore I would support the amendment in which one leaves out the specific people and simply recommends support for the construction of the terminal.

MR. CHAIRMAN: Are you ready for the question? We have two amendments then; first, by Mr. Notley that comes after the word "support": "debt capital financing". Are you agreed to that amendment?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: We have a second amendment by Mr. Diachuk, that the words, "led by the Alberta Wheat Pool" be deleted from the recommendation.

MR. DIACHUK: Mr. Chairman, the words starting "for a consortium".

MR. CHAIRMAN: That the words starting "for a consortium led by the Alberta Wheat Pool", be deleted from the recommendation.

Amendment carried

MR. CHAIRMAN: So here is the Recommendation No. 9 as amended:
That consideration be given to support debt capital financing to construct the Prince Rupert terminal facility.

Motion carried

MR. CHAIRMAN: No. 6, Recommendation No. 11, Mr. Notley:
That consideration be given to capital funding for completion of the Spirit River to Dawson Creek railway spur, as recommended by the Alberta government to the Hall commission, and for implementation of the Hall commission recommendation for completion of the Manning to Fort St. John railway spur.

Mr. Notley, do you have anything to say to your recommendation?

MR. NOTLEY: Mr. Chairman, I know that the reaction of most people essentially would be, hold it, surely we would get the CN to do it. We have various alternatives: we've got the railroads resources, we've got the Great Slave

Railway, we've got the NAR, and we've got the proposal in the Hall commission with respect to the CN taking over the northern routes. Unfortunately, in this day of restraint at the federal level, for us to expect any move on either of these two proposals by the CN or the NAR or any configuration that could possibly be put together is in my judgment optimistic in the extreme. Now the arguments I would advance: first of all, the Spirit River to Dawson Creek spur is a proposal of the Alberta government to the Hall commission in 1975. Originally the bed was laid for that road back about 1928 or '29, and then the Depression came along and it wasn't possible to complete it. The recommendation for a line from Manning to Fort St. John will allow us to fully utilize the Great Slave Railroad, then link to Fort St. John using the BCR to Prince George and then the CN main line to Prince Rupert. That is of some considerable significance to Peace River farmers, because we're talking about saving many miles rather than going into Edmonton, and then out on the CN main line. I don't want to bore you with geography, but the Manning area on the Great Slave is the next jump down from Fort Vermilion, which is the largest area of land that we have yet in the province to develop. In my judgment, from the last time we passed the new pioneers recommendation again, that's where most of them are going to be. There is literally several million acres of developable land; that is the finding of Mr. Justice Hall as well. I think the prospect is one that is exciting. Again I would say to members of the committee that we're not forcing the government into it; we're saying that consideration be given. But I would defend it on the basis that if we wait for the rail companies, particularly the CN, to do it, what we're in fact doing is signing an effective moratorium of many, many years. Because they just haven't shown any inclination over the last 40 years to do anything about it and the prospects that they're going to do anything in the next 10 are equally remote.

DR. BACKUS: I just sort of made a careful review of the Alberta government's recommendation to the Hall commission, and they didn't recommend either of those lines. No, they recommended the junction north of the Peace down to join up south of the Peace to Spirit River or Rycroft. The Hall commission recommended the connection between Manning and Fort St. John. But in fact the Spirit River-Dawson Creek thing I don't think, to the best of my ability on a careful review of it after I saw this motion, was recommended by either of them.

MR. NOTLEY: Well, Mr. Chairman, certainly on the question of the latter part you're right, and I say that. The recommendation from Manning to Fort St. John was a recommendation of the Hall report, not the recommendation of the Alberta government. The Alberta government's recommendation as a matter of fact was the extension or consideration of the extension of the NAR from Hines Creek to Fort St. John. As best as my memory recollects after reading the brief very carefully, it did include the Spirit River to Dawson Creek line. You see, the major argument here is that it would intergrate the rail services of Alberta into the BCR to save distance to the west coast. There is no question about that. You know there is nothing more frustrating for Peace River farmers than to have to see grain trucked all the way into Edmonton and all the way back again, an extra several hundred miles at least. But the second recommendation, Dr. Backus, was definitely the Hall one. The first one, to my knowledge, was the Alberta government's.

DR. BACKUS: I looked at it, and it wasn't. They wanted to connect it across the Peace. There was Alberta's recommendation so that, in fact, instead of shipping it all down through B.C. it would be shipped down through the ARR. They wanted to justify the ARR, and that would connect in then to your short haul through to Prince Rupert, not on the B.C. Rail but in fact straight down from the north part down through to the ARR and thus utilize or provide a great utilization of the ARR.

MR. TAYLOR: I would like to say a few words on this. When the ARR was first conceived and was being developed the intention at one time was that very serious consideration was being given to extending that to Rycroft in order to make that connection. This was when the railway actually started to build and costs started to mount. This was then cut off and it was intended for some future time.

The other thing I think will come in time -- I also agree with Mr. Notley that if we wait for the CNR to do it we're going to wait an awful long time, because the CNR would never have built the ARR unless it was financed by the Alberta government. The CNR had nothing to lose, and they showed that through some of their construction when they ignored recommendations from our highway engineers, who had a good knowledge of that country and paid for it later. So I agree with Mr. Notley in that respect. But I don't like to vote for this, because the third thing is that it involves two provinces. Are we going to build the section in British Columbia as well in these two particular things -- Fort St. John and Dawson Creek. That is pretty heavy construction over there. I'm not so sure there shouldn't be some contribution there from the province of British Columbia, because it is going to help to revitalize their investment in their railroad. But I don't know what the costs would be, and I don't like to vote for something that I have no idea what I know some of the ground is pretty rough, and it's going to be pretty expensive. So I would much rather see a feasibility study carried out so we know what we're voting on before we start giving support to this. It's all right for the Hall commission to make these recommendations; they were recommending this to the federal government, who should be interested in all provinces and interprovincial railways. But we are making a recommendation to one provincial government and it involves expenditures to two province, one province over which this provincial government has no jurisdiction whatsoever. So I can't support this the way it is. However, I would like to see, and I think it would be a logical expenditure, carrying out a feasibility study on what it would cost the Alberta government to do this within our own boundaries.

MR. NOTLEY: Personally, you know I think that is a good suggestion. As a matter of fact we're going to talk about a recommendation to the investment committee. That's the obvious place to start. Fair enough, the proposal is to bring them to the committee for discussion. But I certainly would have no objection at all to asking that a provincial government commission a feasibility study.

MR. PEACOCK: I'd certainly support what Mr. Taylor has commented on in regard to doing a feasibility report first. I'm appreciative of what the hon. Member for Spirit River-Fairview is saying; that we have to have quicker access into the west coast than coming all the way through Edmonton on our grain cars. However, through an experience with this government of looking at what the ARR did and what it was committed for in capital costs in its original concept,

and what we ended up with, I would say we have to be very, very cautious and we certainly do have to look at a feasibility and understand what costs we're looking at at the present day before we even entertain making any recommendation to this government or any other government. I'd also caution members of this commission also on something that has been alluded to: that we're talking about two provinces. But we're talking about two jurisdictions of railroads in which crossovers and all the fees and all the problems of that which is incurred in moving into a different system, whether it be the BCR or the Canadian National, is a great consideration to be given before we make any decision of this nature. So while I am sympathetic about this part of the country being opened up to a more direct route for our bulk commodity shipments to the coast, I think our responsible response to this kind of recommendation would be that we would highly recommend that the government of Alberta do a feasibility study first.

MR. CHAIRMAN: Would somebody like to so move that consideration be given to a feasibility study for completion of the Spirit River . . .

MR. NOTLEY: A feasibility study be commissioned with regard to and then put in . . . Right. Mr. Chairman, you know, I think that is a good suggestion, and we would obviously include the Rycroft to Grande Prairie link as well.

The point I'd make, and it's a good point that Mr. Peacock raised, is that there are difficulties. When I made my first set of comments, one of the difficulties we have that is quite tricky is that there is no such thing as a Crow rate on the BCR. So that is one of the things we would have to look at. Because even if it is 250 or 300 miles on the BCR, if we don't have the Crow rate then it becomes a much more tricky situation. So that's another one of the considerations and it sort of confirms the need for a feasibility.

MR. CHAIRMAN: If we word this amendment "That consideration be given to commissioning a feasibility study . . . " and then carry on "for completion of the Spirit River . . . ".

DR. BACKUS: Mr. Chairman, I would like to maybe generalize more the consideration of the rail links within the area, because I think I'd certainly like to see something that would stimulate the ARR rather than something that is going to in fact take traffic away from it.

MR. NOTLEY: Mr. Chairman, really we're talking about three alternatives at this stage. Why don't we talk about all three, because any sensible feasibility study would deal with all three. It would deal with the ARR, deal with the Dawson Creek link, and deal with the Hall commission recommendations.

MR. CHAIRMAN: Now how are we going to work this?

DR. BACKUS: That's B.C. too.

MR. CHAIRMAN: That consideration be given to commissioning a feasibility study for completion of the Spirit River to Dawson Creek railway spur and Manning-Fort St. John railway spur, and what else?

DR. BACKUS: And a connection across the Peace River at Fairview.

MR. PEACOCK: What we are literally saying is opening up that whole area with rail services into a connection on an interchange with the BCR and CNR.

MR. TAYLOR: As I see it, Mr. Chairman, the feasibility study would study the costs of taking the railway from Spirit River to Dawson Creek, from Rycroft down to Grande Prairie -- well, across the Peace River, Fairview, the Moncton Pass and Manning to Fort St. John -- and then ascertain also the benefits that would accrue from each of these. So then we would be in a position to say, well, let's do this one first, this one second, or not do this one at all.

MR. NOTLEY: Sure.

MR. CHAIRMAN: Let's see how we can word it.

MR. TAYLOR: Could we leave it in the hands of Mr. Notley and Dr. Backus?

MR. CHAIRMAN: Could you bring that back? Would that be agreeable to the committee?

MR. NOTLEY: I think Dr. Backus and I represent the ridings of Grande Prairie and Spirit River-Fairview.

MR. CHAIRMAN: Would that be agreeable to you Mr. Notley, that you bring this back and reword it as the committee has expressed their wishes.

MR. DIACHUCK: Mr. Chairman, in co-operation with Dr. Backus.

MR. CHAIRMAN: Well, in co-operation and conjunction with Dr. Backus.

MR. PEACOCK: Mr. Chairman, may I suggest that the committee of two not overlook the fact that the feasibility might include the construction of a road within another province also.

MR. CHAIRMAN: Are you agreed to that?

MR. NOTLEY: Mr. Chairman I would move that we proceed. I think that much of the spirit of this was contained more explicitly in Resolution No. 4, and so I would suggest we go on to No. 8.

MR. CHAIRMAN: Would you like to withdraw No. 7? Is it agreeable to the committee?

NON. MEMBERS: Agreed.

MR. CHAIRMAN: Recommendation No. 18:

That consideration be given to acquiring ownership of private power companies operating in Alberta, having particular regard to recapturing corporate income tax revenues which may otherwise be confiscated by the federal government.

MR. TAYLOR: I'd rather change the federal government myself.

MR. NOTLEY: That's your option. I have a sneaking suspicion that I may have difficulty getting this resolution through. However, in light of the rules of the committee that one should put forward your proposals, I'm so doing and

advancing the arguments that were advanced last year that have been in my judgment essentially unchanged. The whole question of the major argument in my view is the large amounts of money and large amounts of capital that at the present time are divided in a rather generous way between equity and debt, where the companies receive approximately 15 per cent on equity, and that, in my judgment . . . Well, the latest figures I have are somewhere in the neighborhood of \$700 million. The difference between 10 per cent and 15 per cent between debt and equity rates on that kind of money is very substantial. That sort of difference over the next 10 years when one considers the very substantial investments required in the utilities industry -- if 50 per cent of it is going to be raised in the form of equity capital and we continue the PUB policy of allowing a pass through of 15 per cent, that's very expensive money and I would say that, as I see it, that's a very strong reason why we should have public ownership.

The arguments were presented last year about the arguments against public ownership, but representing a constituency with people on both sides of the border, I see how B.C. Hydro operates and I must confess it has the plusses and minuses of a big company. It's no less efficient than Alberta Power and no more efficient, but I think the major argument for the public power move is it has much more to do with how we use capital, when we're not only considering the amount of capital today that's in the utilities industry but, even more important, the amount of capital that will be required to meet our energy needs over the next decade.

MR. CHAIRMAN: I recall the discussions last year. I think we've actually covered -- I don't think there's been too much change in the basic principles of any of the parties here and I think, perhaps, that we could vote on it. I think everybody is pretty well familiar with this subject.

MR. MUSGREAVE: Mr. Chairman, I do have some concern with it. I would like to bring it back again in another area, and that is this. You know, this year we are faced with giving \$50 million a year to the federal government. That's what it's costing us, I understand, in rebates that they're taking away from us. In 20 years that's \$1 billion that they are going to take out of this province that they are not taking out of the other nine provinces.

I was the one who made the motion last year about consideration of involving ourselves with the financing of the power requirements of the province, and since then I was fortunate enough to have a short discussion with the chairman of the board of Calgary Power. There is a real concern about finding future money for the development of power generation and all the rest and distribution and everything else in the province, and I think that while we let this go this year, I'm almost convinced that we should be recommending similarly to what we just did with the railways, that there should be an investigation made as to how we consider the future power ownership in this province, particularly in view of what the federal government has done to us.

MR. CHAIRMAN: I think that perhaps Mr. Taylor's original suggestion might be funded.

MR. MUSGREAVE: Well, I agree with that too.

MR. CHAIRMAN: Are you ready for the question?

Motion defeated

MR. CHAIRMAN: No. 9. Recommendation No. 19:

That consideration be given to increased direct lending to Alberta small business, co-ops and farmers through an expansion and decentralization of the activities of the Agricultural Development Corporation and Alberta Opportunity Company, and the incorporation of these two funds under the ambit of the Alberta heritage savings trust fund.

MR. NOTLEY: We saw today the increase in both the AOC and the ADC. The major principle contained in this recommendation is that the two corporations come under the ambit of the heritage trust fund investment committee. Since one of the major objectives of the heritage trust fund is to promote the diversification of the Alberta economy and since we are going to see substantial capital requirements, it may well be capital requirements in excess of the \$200 million for ADC and the \$150 million now to the AOC. My view is that there is a good deal of merit in bringing the two, the corporation and the company, under the ambit of the fund and considering both of them as part of our investment portfolio under the Alberta Investment division. As I say, both of them should meet the criteria of diversifying the economy.

MR. CHAIRMAN: Is there any discussion on that? Are you ready for the question?

MR. R. SPEAKER: I have a couple of questions, Mr. Chairman. Number one is with regards to the actual interest rates that are being charged to young farmers, small businesses, and supposedly co-ops. I'm not sure if they are eligible for loans or grants, but the interest rate of 11.25 percent and 11.5 percent for young farmers, or any farmer trying to expand his farm, or small business, is just unbelievable. And we've had in this House in the last two days both the Premier and others stating that agriculture and industrial development, the energy development, are the backbone of this province, but at the same time here we charge these people the highest interest rates.

Whereas, as mentioned by my colleague today in the House, Syncrude gets preferred rates, New Brunswick and Newfoundland get preferred rates through the heritage trust fund. So I think what we have to do is look at the activities of these two particular corporations and maybe bring them under the heritage savings and trust fund: one, so that we can do something with the interest rate; and two, rather than maybe amalgamate them, or change them, I would rather as a mechanism for delivery of services see us work a little closer to the treasury branches as they are established and the expertise that is involved in those treasury branches, but using some of the heritage trust fund money as a source of funds in the treasury branches.

MR. CHAIRMAN: Well, as far as the interest rates and so on, that's not the recommendation here now. The recommendation is to move the Agricultural Development Corporation and the Alberta heritage trust fund under the Alberta heritage savings trust fund. Now that's the point in question as far as the recommendation is concerned.

MR. PEACOCK: I can be sympathetic with some of the problems that are being recommended by the two gentlemen at the end of the table here. Let me suggest that the Alberta Opportunity Company that's directed to small business has that flexibility built into it now that it can relate its interest rates in

accordance with the activities, whether it be the geographic area, the market impact, or conditions as what is suggested here, whatever you mean by small business.

As far as the farmers are concerned in regards to the purchasing of equipment or the purchasing of capital costs of land, we would be I think extending it or should be extending it to everybody in the province of Alberta -- of this sort of thing of buying a house. This is what we are getting into now. We're in the same thing in mortgages in the city. We're in the same thing in mortgages in regards to factories in the communities and the in the towns as well as the metropolitan areas. The whole problem of the market place would be destroyed with such an approach that we would take to supposedly boost up the sensitivity of specific areas of business.

Finally, I would say this that from my experience within the organization of what government is doing, I can't find where you would get sufficient qualified people to identify who is deserving of these kinds of loans without going through a whole organization that has been trained and developed, such as the institutions that are in place today, such as the banking systems and the trust companies, the mortgage companies, the insurance companies, et cetera; and they are a highly qualified trained people to identify within the system we've operated that's given us the highest standard of living in the world in Alberta. We're attempting to destroy that by superimposing on it a bureaucratic government funding system of setting up an organization that will neither have the expertise, the understanding, or the definition of what the private sector is all about. I think it's just shocking that we'd even discuss this at this meeting, as far as I'm concerned.

MR. CHAIRMAN: Well, I think we could get into an argument on this, but the recommendation is basically to move the Agricultural Development Corporation and the Alberta Opportunity Company under the ambit of the Alberta heritage savings and trust fund.

MR. NOTLEY: Right, that's the principle.

MR. CHAIRMAN: This is what the recommendation is.

MR. TAYLOR: Well, Mr. Chairman, I agree that we should be putting more money in the hands of AOC and ADC, but it's being done today under the budget in a regular way and we have a surplus in the budget. So I really can't see what we're going to gain by moving it under the Alberta heritage savings trust fund. The main thing is to get more money there so they can do a better job and a bigger job, and that is now being done. We have bills before us that are going to do that I believe. I've just scanned the bill, but it appears that way. So I really don't see any purpose in changing. If we put the money in the Alberta heritage trust fund, we simply add more restrictions to what they have right now.

MR. NOTLEY: Mr. Chairman, I'm not quite sure that that follows. I think the basic principal here is not whether we do away with them and get out of the bureaucratic nightmare that Mr. Peacock was telling us about, which is kind of funny because I distinctly recall him in 1972 introducing the Alberta Opportunity Company. I supported him at the time, but since this is a question of whether it should come under the heritage fund or the normal operations of government, I think that we're talking about the criteria. You see, the criteria in the Alberta investment division is not diversification of

the province and high return, it is "or". In other words diversification can be a reasonable substitute.

I just want to say one other thing, and this is just apropos something Mr. Speaker raised. This isn't necessarily going to be solved by just bringing it under the heritage fund, but we have an incredible anomaly here. If you want to set up a small grocery store in rural Alberta, you can get just a first rate deal from the Alberta Opportunity Company. You can get an interest rate, I believe, of 7.25 percent and that's just excellent. But the problem is if you want to move from operating a grocery store so you get your loan from the AOC and you want to go into something that is dealing with agriculture. It might be a small plant of one kind or another. You have to go to ADC and you don't get 7.25 percent. You have to pay 11.25 that Mr. Speaker is talking about. You know, one of the hopes that I have here is that by bringing it under the heritage trust fund, what we're talking about is that we want to use these two agencies very definitely as instruments to help facilitate diversification in the province. It may well be that some of these anomalies -- it's nobody's fault, but they are there -- some of these anomalies that just don't make any sense can be straightened out.

MR. CHAIRMAN: I think we're getting into the mechanics of the situation more than the principals. I think the recommendation with regard to the principal was to move it or not to move it.

MR. R. SPEAKER: That is the reason. One of the reasons we feel like coming under the use of the Alberta heritage savings trust fund is that we can adjust the interest rates. That's the reason for supporting this kind of move.

MR. TAYLOR: Well, that's determined to be so if we change the act. Whether it comes under the Alberta heritage, we would still have to change the act.

MR. PEACOCK: If the instrument is there in the Alberta Opportunity Company, as the Member for Spirit River-Fairview suggests, and isn't there for the ADC, then surely that's something that we can direct within the House and make those changes. I'm sensitive to what he's saying in that regard, but I can't see where an instrument is in place that's sensitive to small business and has had four years experience in this area and an Agricultural Development Corporation that's had an equal period of time and is sensitive to the agricultural and farm activities within the province, that we should at this time move away from those but rather improve what we have in place. If there are some areas there, I think that's the time to do that, and not clutter up the heritage fund and what we're talking about here about bringing in and superimposing another set of legislation in order to accomplish what's already there.

MR. R. SPEAKER: I can agree with Mr. Peacock. The biggest concern I know I have is that we've got to bring some consistency.

Let me raise just another one. The housing is financed under the heritage trust fund at the present time -- housing for farmers. If you want to add to your home at the present time, you get your loan. It's a floating interest rate, and I know personally what the interest rate is. It's 11.25 percent for a farm home -- to build your farm home or to add onto your farm home -- 11.25 percent. Whereas in the city, or through the heritage trust fund monies made available, you can get a lower interest rate. You're not eligible for it on the farm.

MR. CHAIRMAN: Isn't that the act, Mr. Speaker. I think we're getting away from the actual recommendations.

MR. R. SPEAKER: Right, but I'm saying there are inconsistencies. Maybe if we try to bring it together, we recommend -- but I don't think we should bring it together one way or the other. You know, we know the differences and maybe this is one way . . .

MR. CHAIRMAN: I know what you're speaking about, but it's not the recommendation we're speaking of here, really.

MR. R. SPEAKER: Well, partly I'm saying we're getting the savings trust fund involved; we'll get some consistency involved. That's what I'm saying.

MR. CHAIRMAN: Are you ready for the question?

Motion defeated

MR. CHAIRMAN: Would you like a break now for coffee for five minutes? There's coffee outside.

Coffee break

MR. CHAIRMAN: We have completed No. 9. Would you like to go back to No. 6 while it's fresh in our minds? They have the recommendation here. I'll read it to you:

. . . that a comprehensive feasibility study be commissioned to examine the cost benefits, interprovincial implications, and freight rate considerations of the following railroad proposals in northwest Alberta: Spirit River, Dawson Creek, Fairview, Rycroft, Manning, Fort St. John, Monkman Pass, Fox Creek, and Valleyview.

Is that what the committee had in mind?

Motion carried unanimously

MR. TAYLOR: I think the doctor should write in English, though.

MR. CHAIRMAN: Yes. You can have the whole thing.

MR. TAYLOR: Will we get a typewritten copy of that?

MR. CHAIRMAN: Yes.

MR. NOTLEY: A feasibility study be commissioned to examine the cost benefits, the interprovincial implications, and the freight rate considerations of the following railroads, and then . . . That's what it says. Then it identifies the four railroads.

MR. TAYLOR: Good. Excellent.

MR. CHAIRMAN: Very good.

Recommendation No. 20, Mr. Notley:

That consideration be given to investment in the development of industries that supply growing resource industries in the province,

e.g., coal mining equipment, forestry equipment, oil sands machinery, et cetera.

MR. NOTLEY: There are really two principles here; that is, moving into something that has begun in the province, but encouraging it, and that is developing industries in Alberta that are supplying equipment to some of the major resource industries.

The other of course -- and I think that I should draw that clearly to the committee's attention -- is that "consideration be given to investment in . . .", and that means in fact that "consideration be given to equity investment in . . .". Not necessarily would that always be the case, but the implication is very clear. I don't want to mislead you on that, that we look at investment in some of these opportunities.

MR. CHAIRMAN: Is there any discussion?

DR. BACKUS: I think, to make it very clear, we should add the words "in Alberta" after "industries", which you added verbally but isn't shown here. This could suggest we invest in development of industries in Ontario, which supply the growing resource ones in the province.

MR. NOTLEY: That's fine.

MR. TAYLOR: Mr. Chairman, Dr. Bowman mentioned some of these when he was speaking to us the other day, and I hope the "et cetera" also means oil well equipment and that type of thing.

MR. NOTLEY: It's just that if you start going in . . . You can use several examples, but if you start elaborating on all of them, you'd have 10 pages.

MR. TAYLOR: Agreed.

MR. MILLER: I have a bit of concern with an equity position of the Alberta government in these industries, particularly in regard to some of these that are already in business. If we as a government were to go into an equity position with other companies, it would be a kind of dicey situation, in my opinion.

MR. NOTLEY: The resolution is worded the way it is so that those who are opposed to equity, who just want debenture, could consider supporting it. I personally think in some instances we should be looking at equity. What it says, is "given to investment". You ask me for my personal view on it. I think there are times and occasions when equity participation is entirely appropriate. But the resolution is worded "investment" deliberately. When I introduced it, however, I did think it only fair that I outline to the committee my own bias.

MR. MUSGREAVE: I'm a little concerned. Are we talking about the kind of investments, for example, that we had on the east coast in the Bricklin auto manufacturing plant or Claretone industry or the heavy water plant? Are those the kinds of things we're talking about?

MR. NOTLEY: Mr. Chairman, I would hope it would be closer to Simpson Timber, for example, where we have an equity investment, as opposed to the Bricklin.

No. What I'm saying is: there's a substantial area here of subsidiary industries that we should be encouraging, because we have some of the major boom projects, and we should be encouraging as much as we can industries and supplies to those projects.

Secondly, the type of investment really is something that the investment committee would have to decide. I happen to think that there are times that joint ventures are very workable. On the other hand, the Premier indicated to the committee that the general philosophy of the government was not in favor of equity investment, that they preferred debt capital. Fair enough. That's why I didn't specifically say equity capital. But we do have examples where, for example, the Alberta Energy Company is participating. Suffield is another case in point.

MR. CHAIRMAN: Any further comments.

MR. MUSGREAVE: Mr. Chairman, again I have a concern. Some of the items mentioned here . . . Oil sands machinery -- a lot of it was built in Germany. Now do we say to the German company, we want you to come and establish a company in Alberta and we're going to fund it? Is this what we're after? Or are we going to go to established industries? How do we get involved with them if they don't want to involve us and if we haven't any opportunities? Do we then create the opportunities so we can be involved? Is this what we're suggesting?

MR. NOTLEY: Mr. Chairman, what I was saying is this: we could get into all sorts of combinations and permutations. We could be here all night, and if we worried about the details, we wouldn't pass a single resolution. Nevertheless, I think the question is a fair one.

I think that when you mention the case of oil sands and equipment that is produced in Germany, it may well be that if we're looking at one oil sands plant, we're going to have to bring in the equipment from Germany. But it may also be the case that over a period of time, with the projects that are being considered, more of that equipment could be produced in our own country and in Alberta. To the extent that is possible, surely that is desirable.

This resolution isn't designed to try to lock us in to buying equipment in Alberta if it's not economic to do it, but it certainly suggests very clearly that these are some of the areas where we do have business opportunities that we should be seizing and supporting.

MR. TAYLOR: I'd like to give another illustration of the way I understand this. At the present time it's very difficult to find men to go down into the bosom of the earth to mine coal. If our coal comes up to the place we expect it to in the next few years, we're going to have to get a lot of machinery, such as a Joy loader, which replaces something like 20 men in unloading the coal. That isn't made in Canada, but the industry could buy that and the government could supply the money to the industry.

I think that's going to permit the mining of coal much cheaper than it is today, particularly when you can't find the manpower to go down into the earth to dig coal like we used to a few years ago.

So I think this is a good resolution. I think it has enough scope and flexibility to help our industries in Alberta. If we don't manufacture a machine such as a Joy loader in Canada, well let's buy it from where we can get it. But let's get it if it's modern technology.

MR. PEACOCK: Mr. Chairman, I'd like to support this recommendation, too. I think we could get hung up all night on how we define "invest", and I hope we'll take the free enterprisers' concept of this of supporting it with capital debt rather than equity.

MR. R. SPEAKER: I just want to register on the record that I'm not in favor of equity investment, but certainly where we can promote an industry through the enterprise system and somebody else runs it, if government out of the management of it, I'm for it. In that light, I'd support the resolution.

MR. CHAIRMAN: Did you want to change that.

MR. PEACOCK: Mr. Chairman, I think it can be left that way, because it gives a flexibility as suggested, and I would agree with Mr. Taylor that we're looking in the technology of forest equipment, oil sands machinery, and mining equipment, whether it go in relation to flooding and other forms of technology in relation to mining, at tremendous breakthroughs and terrific capital costs. I think this is a very, very important recommendation to make by the committee, and so I would endorse it as it stands.

MR. CHAIRMAN: Are you ready for the question?

HON. MEMBERS: Question.

Motion carried

MR. CHAIRMAN: No. 11, Recommendation No. 21, Mr. Notley:

That greater priority be given to Alberta investments in the manufacturing and renewable resource development and processing sectors.

Mr. Notley, do you have anything to say to your recommendation?

MR. NOTLEY: Mr. Chairman, the emphasis here is that while there are important investments to be made in the non-renewable resource field -- I think most of us would be willing to admit that -- nevertheless it's my contention that we have to slowly but surely begin to shift our emphasis. That doesn't mean shifting everything overnight, but it does mean establishing a greater recognition for the renewable resource development; for example, here we look at the entire food industry, we look at the forest industry. One of the most obvious areas, in my judgement, of expansion of industrial opportunity in Alberta is the 150,000 square miles of forests that we have. And I think we all realize some of the impediments that exist, some of those the Premier remarked about yesterday, but I think they can be overcome. And I see us giving some priority to shifting.

Now manufacturing, of course, can include not only areas of renewable resources, but areas that serve non-renewable resources.

The processing -- the same is true. Processing can mean everything from upgrading a renewable resource to upgrading a non-renewable resource.

MR. CHAIRMAN: Any further discussion?

MR. PEACOCK: Mr. Chairman, we have in place in the Alberta Energy Company a vehicle for taking care of this very area, in my opinion. I think it's just a little redundant. We've already made our moves in this area in regards to the

forest industry. We've certainly done it in the agriculture area, and I just don't see any reason for this particular recommendation.

MR. CHAIRMAN: Any further comments? Are you ready for the question?

HON. MEMBERS: Question.

Motion defeated

MR. CHAIRMAN: Turn over the page. Section (e), Mr. Clark and Mr. Speaker. Now is this all one recommendation, Mr. Speaker?

MR. R. SPEAKER: Yes, I think the intent is that low-interest loans be made available to native individuals and groups who want to start their own business; and along with that, in the program, we're saying that it should include the mechanism for counselling of applicants.

MR. CHAIRMAN: I mean sections (a) and (b), 1(a) and 1(b); 1 is by Mr. Clark and Mr. Speaker, and (b) is by Mr. Notley. Is this all one basic recommendation? This is my question.

MR. R. SPEAKER: I'm sorry, Mr. Chairman.

MR. NOTLEY: They are similar, I think.

MR. R. SPEAKER: Right.

MR. CHAIRMAN: They are similar. Would you like to read them over and see if they can be co-ordinated into one?

MR. NOTLEY: Mr. Chairman, I think there's probably one, the only additional concept, because . . . I'm sorry, Ray, under (b) here, that should be: provide equity and debt financing. The only difference between (a) and (b) is the recognition that there may be some need for equity financing in mine. But the basic concept is that we're going to have to look at almost a separate fund -- and we're getting back to the proposal that the minister looked at several years ago and decided against -- an equity fund for native people, and I think that's really getting right back where we are for investment purposes. So to really facilitate discussion, I'll drop (b) and we can go ahead with (a), if I'm permitted to do that, because the basic principle . . .

MR. CHAIRMAN: They are very similar.

MR. NOTLEY: The basic principle is contained in (a).

MR. CHAIRMAN: You're prepared to drop (b), Mr. Notley? All right, we're speaking on 1(a):

That an active effort be made to extend loans to native individuals and groups wishing to establish their own business enterprises. Such effort should include solicitation of applications and counselling of applicants in the techniques of commercial feasibility study.
Is there any discussion?

MR. TAYLOR: Mr. Chairman, I don't really like the wording of this. It looks like we should make an active effort to go out and make loans. It seems to me, unless there's some desire on the part of the people who want to borrow the money, that there's not going to be much initiative in that business, and it's not going to be very successful. I agree with making loans to native individuals who show the desire to get into business, to establish themselves, or establish an industry; but for us to go out and tell them to do it and make enough active effort to extend loans to them, I think that's the wrong procedure. You know, they're going to get pretty discouraged.

MR. SPEAKER: Mr. Taylor makes a good point that maybe the wording . . . That wasn't the intent of the motion, and Mr. Taylor makes the point well. I certainly agree with him.

MR. CHAIRMAN: Perhaps we could change that. Have you any suggestions? That consideration be given to extension of loans to native individuals. Would that bring it to what you had in mind, Mr. Speaker?

MR. SPEAKER: Agreed.

MR. TAYLOR: Making loans to native individual groups.

MR. CHAIRMAN: Consideration be given. Is that what you . . .

MR. SPEAKER: Yes. Agreed.

MR. PEACOCK: Well I'm very sensitive to what Mr. Speaker and Mr. Clark have recommended here. I think we're doing a poor job with the native people in many ways, or at least in our inter-relationship in regard to their commercial activities as well as their social activities. I'm not sure that this is the proper vehicle to present this. I think it's a broader question than that. We've done it with DREE grants, we've attempted in many, many ways. This isn't something new. It's been done. Regardless of how the wording might be, I believe there is enough sensitivity within the institutions of funding today -- whether they be at provincial or federal levels -- that are available to native people, providing there is the initiative at the grass roots and there is sufficient support to evidence that those loans are going to be reasonably justified. I think -- and I could be just a little off on the limb here -- but it seems to me that this is not the vehicle at this time and place without we, once again, understand really what we want to do with the native people, than set up some kind of fund -- whether it's imposed upon them or whether it's requested from them.

I suppose to conclude what I'm attempting to say on a very, very difficult subject, I don't think this is getting at the root problem of what I'm sure Mr. Clark and Mr. Speaker are trying to do in regards to having the native people integrate and be part of our so called society.

MR. NOTLEY: There's no question that we're dealing with a very difficult subject. I agree with Mr. Taylor when he says that we shouldn't run around chasing after people with loan applications, to get them to fill out loan applications they might not otherwise engage in.

But I think in answer to Mr. Peacock, the basic problem that native people who are interested in getting into some kind of commercial venture find is that it is very difficult to get credit from the normal lending institutions. I've talked to enough people in the Metis Association, the Indian Association, and various native organizations in this province, some of whom have been lucky enough to beg, borrow, and steal the kind of capital needed to get started and become very successful. But you know, if we're going to allow people who, right now, have a tough time borrowing money, if we're going to allow them a piece of the action so to speak, we're going to have to have programs like this where the risk factor may, to be quite honest, be considerably higher than it would be with the average businessman walking into the Alberta Opportunity Company office. And you may say, in a sense, that that is discrimination in reverse. And I suppose it is. I suppose it's a form of affirmative action. But it's very much like Native Outreach. Native Outreach has done just a fantastic job in this province of making it possible for native people who would otherwise not be employed to get into the labor force. And that's a form of affirmative action, it's a form almost of reverse discrimination. The whole deal with Syncrude, where an arrangement was struck between the people from Outreach and Syncrude. Syncrude, in my view, is to be complimented on good corporate citizenship, because there are an awful lot of native who were employed on that project.

What we're saying here -- at least I don't want to speak for Mr. Speaker, but certainly what I was getting at and I'm sure what Mr. Speaker and Mr. Clark were getting at -- is that if young native people, or native people period, are going to be able to get into the private sector, it just isn't good enough to say: go to the bank, go to AOC, go to the normal lending institutions. Because the yardsticks that these lending institutions have to use are just frequently so stringent that it is impossible to get projects under way; whereas the native equity fund that was being discussed -- the Metis Association was talking about it; there was dialogue between the government and the association; the Indian Association was involved as well, if I'm not mistaken -- would not throw around money carelessly. But the conditions would not be as stringent and the risk factor that we would accept -- if we propose a resolution like this, we'd have to realize what we're proposing -- the risk factor would be greater. But I think the rewards, the success, would also be worth taking the risk. But there is a risk.

MR. CHAIRMAN: Mr. Notley, the only consideration we have: machinery set up in the AOC -- and this recommendation comes under the Alberta heritage trust fund. Would we be duplicating our efforts if we set up another separate set of machinery when we have one set of machinery set up that isn't under the Alberta heritage trust fund? In other words, does this belong under the Alberta heritage trust fund? I guess this is the point I'm trying to get across.

MR. NOTLEY: I think basically one option would be to have it administered as a fund. But I think the point has to be made very carefully that with a fund of this nature the risk factor will be much greater, therefore we can't apply the normal rules. If, you know, Dr. Joe Blow comes into the AOC and wants to borrow \$200,000 to build a medical clinic, we're going to, from the AOC, quite rightly demand

rather more stringent conditions than someone under the native equity fund. I think we've got to remember what we're doing here. We're not going to get to first base if we demand the normal commercial terms; because if we do, nobody is going to qualify, or very few people will qualify. I don't want to do all the speaking on this resolution, but I've heard the concern expressed by so many people, particularly by those who are in businesses as natives, that getting credit is a major problem. Therefore to say, let's use the AOC, it seems to me if we use the AOC as it is, we have to apply the guidelines of the AOC. And if we apply the guidelines of the AOC, however the more stringent and fair we are on the application of the guidelines, the less likely we are to have people covered under them.

MR. CHAIRMAN: I don't think you got my point. Do you have to set up a separate machinery when we already have one set up? This is what I'm getting at.

MR. NOTLEY: No.

MR. CHAIRMAN: If it was brought under the AOC, it wouldn't come under the Alberta heritage savings trust fund. This is what I'm getting at. Is this in order? Are we recommending something duplicating something we already have, and we can use the machinery we already have, and we can use the machinery we already have by branching out on that arrangement? In other words, when one set isn't under the Alberta heritage savings trust fund, are we setting up a duplicate organization to serve the native people under the Alberta heritage savings trust fund? This is the point I'm bringing up.

MR. TAYLOR: Mr. Chairman, I think the ideal situation would be where every Canadian was going to be treated exactly the same way. And if they wanted to borrow money, there is no discrimination whatsoever. That would be an ideal situation. But to be practical, I know very well that if Chief Shot on Two Sides goes in to get some money from a bank, he's at a disadvantage because he is an Indian, not because of something he's done, but because of the record of many Indians in the past. I don't like that and I frankly don't know how we're going to -- the Indians themselves are going to have to do a lot of things to overcome that bad reputation that they have of starting something and letting it fizz out.

But I don't think that today we can say an Indian has an equal chance with the white man in getting into business and establishing himself and borrowing money. The odd few have. They've built up an excellent reputation, but generally the fact that he's an Indian puts at least one strike on him, maybe two. I think there's going to have to be something special. I don't like the idea of soliciting, and I don't like the idea of trying to urge them to go into business. I think it's a case of education, and then trying to meet their own desires.

We have a relatively large number of these Indians now who are getting through high school, who are going through technical school. I've just been delighted by what I've seen at Old Sun College in regard to welding and motor mechanics. Those lads are just excellent at it. I think the next step, once they get a journeyman certificate, unless they can then have an equal chance of going into business with someone someplace,

they're going to drift back to the reserve, and they're going to drift back to the old way of life of going back on welfare and not getting up in the morning and so on.

So I really think there has to be some special encouragement, and I would like to see a resolution along that line which would be specifically aimed at natives, whether they're Metis or full-blooded Indians. I don't know exactly how to word it. I know what I'd like to see, but it's difficult to set up a program like that. I think that's what this is aiming at, but I frankly couldn't support the wording the way it is now.

DR. BACKUS: Mr. Chairman, it would seem to me -- and I agree with Mr. Taylor and Mr. Notley -- that there is a need for some special approach to this problem. However, this seems to be a current problem of the present government, and I think the very criteria Mr. Notley stated, that this is a high risk investment, would rule it out of the heritage trust fund. We're talking about a fund that has been put aside for future Albertans somewhere down the line, and now we're saying, let's use up a portion of it to try to solve the present problem of the native people.

I would certainly like to see some debate on this when the AOC act is open later on in the Legislature, if this is the direction that people feel something like that should go. But I feel that this is using the heritage trust fund rather in the same way as a lot of people are trying to recommend its use involving it in education, and it's certainly my feeling that the heritage trust fund should not be used to augment the present universities' funding; that that's the responsibility of our ongoing budget. It's not the responsibility of the heritage trust fund to be spent in high-risk investments which are really primarily a native educational program.

MR. CHAIRMAN: In other words, you're in favor of the recommendation but you feel it should come out of general revenue rather than the heritage trust fund. Is that correct?

DR. BACKUS: You're right. I'm in favor of the principle, but not as a recommendation for spending out of the heritage trust fund.

MR. CHAIRMAN: Any further discussion on that? Are you ready for the question?

HON. MEMBERS: Question.

Motion defeated

MR. CHAIRMAN: Second section of Section (e), mortgage investment. We have two: (a), Mr. Clark and Mr. Speaker:

That a major commitment of funds be made from the Alberta investment division for low interest mortgages to first-time Alberta home-owners who would otherwise be unable to afford home-ownership.

Section (b):

That consideration be given to a major program of direct lending to Alberta for second mortgage financing at or near conventional first mortgage rates, dependent on family income, for the purpose of

enabling greater ease of access to home-ownership on the part of middle-income Albertans.

Those are very similar. Would either one of you like to amalgamate, or is it all one?

MR. NOTLEY: I'll withdraw (b), Mr. Chairman. We'll change "for a low interest first and second mortgages", then that covers both of them.

MR. R. SPEAKER: Right.

MR. CHAIRMAN: "For a low interest first . . ."

MR. R. SPEAKER: And second mortgages.

MR. CHAIRMAN:

. . . and second mortgages to first-time Alberta home-owners who would otherwise be unable to afford home-ownership.
Are both of you agreeable?

MR. NOTLEY: Agreed.

MR. R. SPEAKER: Agreed.

MR. CHAIRMAN: . . . and withdraw (b). That's agreeable, Mr. Notley?

MR. NOTLEY: Agreed.

MR. CHAIRMAN: All right, we'll concern ourselves with Section (a). Mr. Speaker, do you have anything to say to the recommendation?

MR. R. SPEAKER: Mr. Chairman, I think the recommendation is fairly straightforward and self-explanatory. I raised the concerns earlier about high interest rates and young people trying to meet the demands of today. They just can't do it, and this is one way that we can help them, through this type of a mechanism, in getting shelter.

MR. CHAIRMAN: Mr. Miller.

MR. MILLER: Yes, I'm a bit confused about the need for a second mortgage, if there wasn't enough money put forward in the first mortgage. Why would you need a second?

MR. NOTLEY: I'm not quite sure what you're getting at.

MR. MILLER: Well, you're talking about a first mortgage and a second mortgage. If there was enough money made available in a first mortgage, why would you need a second mortgage?

MR. NOTLEY: Well, that would be true if there were always enough money made available. But the problem is that, you know, second mortgages are a fact of life in the home market these days, and I think that if we're going to make home-ownership accessible to people, we could have a reasonable first mortgage. But they have to go around and pay somebody 16 or 18 per cent for a second mortgage, then that's going to put it beyond their reach. So if the

day ever comes when we have, you know, almost total financing for first mortgages that may be fine, but that just isn't the case all the time, even with our direct lending program from Alberta Housing.

MR. CHAIRMAN: Mr. Diachuk.

MR. DIACHUK: I can also see an additional purpose for second mortgages, and that is this would permit young people to buy existing homes -- not new homes -- that have a first mortgage on it that cannot be paid off because it's got conditions; that is to say, to be for so many years. And that is where the second mortgage would come in to help them pick up an older home or a home in a district that has some potential for investment.

MR. NOTLEY: If it's a 7 per cent first mortgage, you don't want to pay that off if it's got 15 years left to go.

MR. CHAIRMAN: Dr. Backus.

DR. BACKUS: Mr. Chairman, it would seem that at least the first mortgage aspect of it is already in the Alberta Home Mortgage Corporation, which is being financed through the Alberta investment division, and the interest on that is tied to the income of the individual. On the whole, I would rather see (b) put forward, which is primarily directed towards second mortgages, and leave the Alberta Home Mortgage Corporation handling the first mortgage as it does at present, with the interest rate tied to income.

Now whether it is the feeling that that interest rate tied to the income is not low enough, is something that I think is quite a separate argument. But to have something already in place that's going and working and is in fact tied to income, and suggest that we institute a further fund in this area that's going to even have a lower interest rate, seems to me to be sort of not resolving a problem, but rather introducing further funds and complicating the situation.

I would, however, agree with the (b) proposal here that second mortgage financing is at present not being carried out by the Alberta Home Mortgage Corporation, and this is something that is very much a factor in the purchasing of a home. They don't have the down payment, or they have a very small part of the down payment, and therefore have to take out second mortgages -- or, as Mr. Diachuk says, there is a first mortgage still running that is probably at 6 per cent or something like that that they would like to hang on to if they could get a second mortgage at a reasonable rate that would be tied to their income.

If we are going to vote on the first motion, I'd have to vote against it because I think it's already being done, but I wouldn't like to miss out the concept of a second mortgage, which I think is really the only thing that's different from what's going on already.

MR. NOTLEY: Mr. Chairman, I had offered to withdraw it because I thought that we could probably combine the two of them. I'm not entirely sure that the resolution as it reads -- I think in the sense it is the first and second mortgages. One could argue that. It's just a confirmation of what we have in terms of first mortgages and we're adding the second mortgages. But I have no particular objection to resurrecting (b) if that's simpler and expedites the committee. I agreed to withdraw it to see if we can get the show on the road.

MR. CHAIRMAN: Fine. Mr. Diachuk.

MR. DIACHUK: Mr. Chairman, I think if we could agree in committee here that we would like to see the first time Alberta home-ownership applied to resolution (b), I think that would be the secret to it. If we could agree, then we could possibly agree on the wording that would encompass what the thinking is in (b) portion.

MR. NOTLEY: Take "the first time Alberta home-owners" for . . .

MR. DIACHUK: That's right. Basically . . .

MR. NOTLEY: . . . and putting it on after "depending on family income".

MR. DIACHUK: Yes. That can be drafted out, Mr. Chairman. That's the way I would like to see it. Because I'd like to tie it to first time home-owners.

MR. CHAIRMAN: Any further discussion on this?

MR. MUSGREAVE: Mr. Chairman, I'm confused. I want to talk on both of these. Now, are we talking on one or a combination?

MR. DIACHUK: We're back to both of them.

MR. CHAIRMAN: We're back to both of them, but it's just between -- I think it's between -- the two people who recommended the motion. Now it appears that there's quite a bit of concern over (a).

MR. R. SPEAKER: I think, Mr. Chairman, that one way of handling it is sort of as we have done before. Let's hear the discussion, and then maybe, say if Mr. Musgreave and someone else has a different opinion, we could redraft and bring it up at the first of the next meeting.

MR. CHAIRMAN: Well, that's what I was trying to get to. Is there any further discussion on these motions, then?

MR. MUSGREAVE: Well, Mr. Chairman, on motion (a) I think, as Dr. Backus pointed out, there are already sufficient funds in place and programs through Alberta Housing to achieve exactly what this is concerned with here. So I would vote against (a) because we are already doing that. We're giving low interest mortgages tied to income for the first time home purchasers, with a top limit of -- what -- \$52,000 on the purchase of the home.

MR. CHAIRMAN: Would you gentlemen like to have a run at redrafting?

MR. NOTLEY: Sure. Why don't Mr. Speaker and I redraft (a) and (b), bring back a . . .

MR. CHAIRMAN: Is that agreeable to the committee that they . . .

MR. NOTLEY: . . . combination of the two of them to the meeting next week.

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Fine. Now, what did you do last Monday on the capital projects division -- how far did you get? I think that's been completed, has it not? Yes, the ones that are absent, we have . . . Are you prepared to go -- can we get rid of some of the procedural recommendations this time?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Have you got the procedural recommendations?

MR. NOTLEY: No, I don't have those.

MR. CHAIRMAN: The first one. If you'd like, I'll read it out. This is recommended by Mr. Notley:

That the Select Standing Committee on the Heritage Savings Trust Fund recommend the Alberta Heritage Savings Trust Fund Act be amended to require prior legislative appropriation before any investment decision is implemented by the Investment Committee.

Mr. Musgreave.

MR. MUSGREAVE: Mr. Chairman, was that not the point that I think the Member from Buffalo was also making in the House, and that we debated at great length? Do you recall that, or not?

MR. CHAIRMAN: It has been debated in the House, yes.

MR. NOTLEY: Oh, yes.

MR. MUSGREAVE: You're making the same arguments?

MR. NOTLEY: That's right. I think the arguments, if I may say so, were rather well put by opposition members two years ago, and in the interests of expediting business, I just simply stand on the persuasive arguments, but not quite persuasive enough, that we presented two years ago.

SOME HON. MEMBERS: Question.

MR. CHAIRMAN: Would all those in favor of the procedural Recommendation No. 1 by Mr. Notley, please raise their right hand. Those against, please raise their right hand.

Motion defeated

MR. CHAIRMAN: Number 2:

That the Committee recommend a new preamble to the Alberta Heritage Savings Trust Fund Act which establishes the goals of the fund as: to enhance the value of revenues received by the people of Alberta from the development of non-renewable resources, to enhance the quality of life for present and future generations, to reduce external control over Alberta economy, to develop a more stable economy base for the future.

That's recommended by Mr. Notley.

MR. NOTLEY: Just speaking on Recommendation No. 2: the preamble is designed to set out clearly the goals as I see them, the important goals for the fund.

The goals that we've talked about -- of diversification and a fair return -- have been discussed, but diversification is covered under "develop a more stable economy base for the future". I suppose the two areas that are new in this preamble would be to place some emphasis on the general improvement of the quality of life and to see that as one of the goals of the fund. The second is to begin the process -- again not overnight -- but to begin the process of reducing external control of the Alberta economy. I know that's a debate that involves a number of important philosophical differences. But again it's my view that with this very large fund at our disposal and the accumulated surplus of the province as well -- we're going to have very close to \$7 billion; much of this kind of debate will be reiterated in the House in any event. But in fairness to members of the committee, I'm proposing it here as a formal proposition to be discussed by this committee. But I think that with that kind of capital available, we should be looking seriously at not buying back the past but at least making very sure that unless there are no other options available at all the development of new industries be under Canadian and Alberta control.

MR. CHAIRMAN: Any discussion on this recommendation? Dr. Backus.

DR. BACKUS: Surely it's the function of the 70 per cent of the non-renewable resource fund to enhance the quality of life for the present generations. I think perhaps in our effort to enhance the quality of life for future generations we may also be enhancing the quality of life for present, but I don't feel that one of the purposes of the heritage trust fund is to enhance the quality of life for present generations. I can't altogether agree with the third one unless one sort of reckons that this was an opportunity to subscribe to the PC campaign fund federally. I think this would indicate a very definite attitude that we are opposed to foreign investment in this province, and I think that is definitely a philosophical concept that I can't accept. And I think one and four are already in the goals of the fund.

MR. CHAIRMAN: Personally I'm a little hesitant about three, to put it in print as an objective. We may all think so, but should it be in print as an objective of the heritage savings trust fund -- which I gather this is what the recommendation is, that it be laid down in the act basically to reduce federal control over Alberta, that that's what the act should state. Now this is basically what it says here.

MR. NOTLEY: Not quite, Mr. Chairman. When I say "reduce external control over the Alberta economy", I really wasn't referring to those nasty federal people. I was referring to the non-resident ownership of much of our industry. Perhaps in an effort to not come in with the rhetoric of the CIC or something of that nature and alienate Mr. Peacock permanently, I misled you into thinking that we were talking about the feds, but really it has no connection. It's . . .

MR. CHAIRMAN: If I'm confused, it might confuse other people. That's the only thing I'm saying.

MR. NOTLEY: Mr. Chairman, I was just wondering what our time for adjournment is because . . .

MR. CHAIRMAN: Well, I'd like to get through a few of these if we could go for a short time.

MR. R. SPEAKER: Mr. Chairman, I'd kind of like to . . . Mr. Clark has raised these on page 2 and it would be preferable if we could say adjourn at 10. He won't be back; I thought he would be back in time for that but if we could set up the schedule for . . .

MR. CHAIRMAN: Well perhaps if we could complete 2 and 3 then we can adjourn, if that's agreeable to the committee.

MR. TAYLOR: Mr. Chairman, a preamble is just window dressing anyway. It has no legislative authority; nothing mandatory about it. I really think the preamble normally clutters up the act. Let the act say what it is supposed to do without having the window dressing first to show what it is supposed to do. If the act doesn't do that, let's change the act.

MR. CHAIRMAN: Mr. Peacock, did you have a . . .

MR. PEACOCK: Yes, Mr. Chairman, I was going to support what Mr. Taylor was saying. And my preamble is that frankly I thought this committee was here to address itself to the actual activity of where to place funds. The goals of this fund and how the fund came about is knowledgeable to all of us; that it was accrued through the efforts of the technology and investment of, as our friend from Spirit River stated, absentee ownership as well as present ownership and a conglomerate of peoples, kinds, nationalities, et cetera. The benefit of all that technology and all that effort and all that investment is being spread by us as a committee of Albertans to Albertans for the benefit of Albertans today, tomorrow and the day after. Surely as a goal, surely as a goal that that farsightedness of this present government to set this fund of a non-renewable resource, to diversify and afford in a capital way the opportunity for future Albertans to enjoy a diversification of its activities -- economic as well as to some degree social -- what it has accrued from the efforts of these people in the present for the future is enough of a goal. And that we can spend and go around in circles, as Mr. Taylor has suggested, for now until the end of the next session. But I do believe that we're all elected here to assure that we are affording Albertans in the present the optimum of opportunity and the best of our abilities to legislate and to place these revenues in a way that are going to do exactly what the act lays out. That is to diversify our economy so that when these depleting resources from which these revenues were accrued have ceased to afford this kind of revenue, there will be economic activities in place that would have replaced it. Surely that's sufficient goal for us to direct ourself to at this time, conscious of course that in the search for that quantity and that opportunity, that we are certainly going to enhance our quality. That's the reason why we have the capital fund in which we relate to parks, in which we relate to irrigation and all those capital fund investments that do not require return to the fund or to the activities of the fund except in the quality of the Albertan's way of life.

So, Mr. Chairman, in conclusion I would say that the act sufficiently defines at the present time the goals and the way of life; that we can disburse with all these procedural recommendations and I would so recommend.

MR. CHAIRMAN: Any further comments with respect to Recommendation 2?

Would all those in favor of Recommendation 2 please raise their right hands?

Motion defeated

MR. CHAIRMAN: Recommendation 3, Mr. Notley:

. . . that consideration be given to amending the Alberta Heritage Savings Trust Fund Act to establish a new division of the Fund called the Human Resources Division, into which the Legislative Assembly may transfer all or part of the interest from the Fund's investments. The purpose of the Human Resources Division will be to finance innovative human resource programs which are beyond the scope of normal government programs and which are designed to make people more self-reliant.

Mr. Notley, do you have anything to say to this recommendation?

MR. NOTLEY: Yes. We have three divisions at the moment. This would in fact be a fourth division, where we would take, depending on the decision of the Legislature every year, either all or part of the interest from the fund and put it into a human resources division, based on the supposition that human resources investment, just as investment in other areas, is the sort of thing we should be looking at for the future.

I've suggested a number of things which would not necessarily come under existing programs. We've talked about capital projects, for example, which would not normally be financed under the capital division of the government, coming under the heritage trust fund -- the irrigation program, which might not be financed for many years, for example. I think we can apply the same concept to certain human resources projects.

I think, for example, of the concept of whether we should have compulsory education for the handicapped. Perhaps you might want to run an experiment in a given county or school division, and that's not something that would be financed from the department, but it would be a program on a pilot project basis.

I'm sorry the Member for Medicine Hat-Redcliff isn't here. But just across the border, long before medicare came into Saskatchewan, the model for medicare was developed in the Swift Current health unit, where for about 10 or 12 years there was a health insurance scheme which became the basis of medicare, and it was financed as an experiment. Ordinarily we would not finance that sort of thing in Alberta under existing government services, but this kind of division would allow us to do it.

Another example -- I don't want to get into a discussion of whether a guaranteed annual income is a good or a bad thing. But the Manitoba government had a pilot project in a relatively small area, where in fact they had a guaranteed annual income, and much to their surprise they found that people were attracted into the work force and that the dependency was reduced. But that's an aside I don't intend to get into.

We had an example in our own province 40 years ago. The old farmers' government had commissioned a study in the county of Flagstaff, a health insurance scheme, which then was carried on by the local municipality for many years.

The point I'm making is that there are a number of these projects which we couldn't really expect to be funded from the normal expenditures of the Department of Social Services and Community Health or any other department of government, where in fact we may want to do substantial feasibility studies or even have pilot projects for undertaking a major provincial scheme.

Denticare is another one. The question of denticare was mentioned in this committee when the Premier was here. It may well be that it might make sense to have a pilot project on denticare before a province-wide scheme were commissioned.

That's the philosophy, basically, behind taking a part of the interest, all or part of the interest -- and I say "the interest" deliberately, because I think the earnings from the fund, applying part of that to human resources research, is not an unreasonable proposition and one which would allow us to look into some of these areas.

Now I know that at the present time many assume that the Proposition 13 mentality is, we don't want any of these programs. The fact of the matter is that some of these programs may be coming in any event, and we'd better be doing some researching, careful evaluation before we get into them. This kind of division would allow us to do that. Or, for that matter, other kinds of projects I haven't mentioned here could be anticipated as well.

So that's the basic objective of the proposal, Mr. Chairman.

MR. CHAIRMAN: Any further discussion on the recommendation?

Would all those in favor of Recommendation 3 proposed by Mr. Notley raise their right hands.

Motion defeated

MR. CHAIRMAN: With respect to Tuesday morning, is it 9 o'clock to 12 o'clock? Is that agreeable? And from 8:30 Wednesday morning till 10. Is the committee agreed to those . . .

MR. TAYLOR: I'd much rather it be till 9:45.

MR. CHAIRMAN: We'll break it off, realizing you have to be in here and you have a committee, Mr. Taylor.

Could somebody make a motion that we adjourn?

MR. TAYLOR: I so move.

MR. CHAIRMAN: Till Tuesday morning at 9 o'clock, gentlemen. Thank you.

The meeting adjourned at 10:10 p.m.