

LEGISLATIVE ASSEMBLY OF ALBERTA

Standing Committee

on

The Alberta Heritage Savings Trust Fund Act

Tuesday, October 17, 1978

8:00 p.m.

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Chairman: Dr. McCrimmon

8:00 p.m.

MR. CHAIRMAN: We do have a quorum. I think perhaps we should get going. According to my understanding, Mr. Appleby has withdrawn his recommendation. Perhaps Mr. Shaben -- you are the one who spoke to him -- could enlighten the committee on what transpired.

MR. SHABEN: Yes, Mr. Chairman. I spoke to Mr. Appleby this afternoon, and he had hoped to be able to come in this evening, but due to ill health he is not able to. In reviewing his recommendation he felt that because of the detail contained in this recommendation he was comfortable supporting mine and withdrawing his own in order to speed up the deliberations of the committee.

MR. CHAIRMAN: Therefore, if it's agreeable to the committee we will withdraw Mr. Appleby's recommendation. Is that agreeable?

HON. MEMBERS: Agreed.

AN HON. MEMBER: Providing Mr. Shaben answers to the whole Assembly if Mr. Appleby complains.

MR. CHAIRMAN: We have one further item. With respect to the minutes of meeting number nine, which you were given this morning, have you had an opportunity to go over those minutes? Are there any errors or omissions in the minutes? If not, would somebody move the adoption of those minutes?

Moved by Mr. Miller, seconded by Dr. Backus.

Motion carried

MR. CHAIRMAN: Gentlemen, you might check with me following through what we have to cover, and hopefully we will be able to cover this whole thing tonight.

I have recommendations under capital projects division, Nos. 8, 9, and 10 by Mr. Notley, Mr. Notley and Mr. Clark, and Mr. Speaker. These were to be redrafted as one and to be brought in this evening. That was the understanding this morning.

Under forestry we have one recommendation by Mr. Shaben; one withdrawn by Mr. Appleby.

Under the Alberta investment division we have two recommendations by Mr. Planche and a third by Mr. Shaben. We have one under redrafting by Mr. Clark, Mr. Notley, as we mentioned this morning, under the Alberta investment division.

Under procedures we have from 9 to 19 to complete. That should complete what is still outstanding as far as this committee is concerned.

Is there anything I have missed that anybody can think of? I see neither Mr. Notley nor Mr. Clark is here. Mr. Shaben, would you like to . . .

MR. HORSMAN: I'm sorry, Mr. Chairman. May I just have a clarification? You mentioned recommendations to be procedural. There were two procedural recommendations relating to the investment committee providing the Alberta Heritage trust fund with an annual report on the disposition of previous recommendations. Was that included as one of your recommendations?

MR. CHAIRMAN: We have completed the first eight.

MR. HORSMAN: This was really a procedural recommendation, however.

MR. CHAIRMAN: Yes. This is under procedural. We have completed the first eight procedural recommendations. We still have 9 through 19 to complete tonight.

MR. HORSMAN: Mr. Chairman, I don't see on my copy the two procedural recommendations, one of which I submitted, one which Mr. Clark submitted, with regard to the review by the investment committee and the report by them on the report of this committee.

MR. CHAIRMAN: Which ones do you mean?

MR. HORSMAN: The one I put before the committee was entitled "Procedural": that the Investment Committee provide the Alberta Heritage Trust Fund Standing Committee with an annual report on the disposition of the previous recommendations of the Standing Committee.

Mr. Clark submitted a subsequent resolution which says:

That every Annual Report contain all recommendations of the Heritage Fund Committee from their preceding annual report to the Legislature, along with the discussion of actions taken in accordance with those recommendations.

MR. CHAIRMAN: Are these not 8, 9, and 10 . . .

MR. HORSMAN: No, they're not, Mr. Chairman.

MR. CHAIRMAN: . . . under capital projects division? These are the ones that Mr. Notley and Mr. Clark were to regroup and bring in this evening.

MR. HORSMAN: No, Mr. Chairman. These were in the document entitled "Similar Recommendations", which we received on the first day. Some of those were dealt with under capital, and some under Alberta investment division.

MR. CHAIRMAN: Well, Similar Recommendations B(1): there's one by Mr. Shaben, (a), and (b) by Mr. Appleby. Mr. Appleby has withdrawn his. Mr. Shaben's still stands.

As for section (2) of that, under highway construction, Mr. Horsman, (a) was agreed to, and Mr. Notley's was withdrawn.

MR. HORSMAN: Those, Mr. Chairman, were under the capital projects division action.

MR. TAYLOR: This is the very last page of the Similar Recommendations, but they apparently weren't carried over when these other procedural recommendations came in to us. They apparently were missed.

MR. CHAIRMAN: It was a substitute recommendation brought in on that one, I do believe. This was a substitute recommendation that we have dealt with, Mr. Horsman.

DR. BACKUS: The original thing that came in, and the last two appear as procedural. We then re-wrote it . . .

MR. CHAIRMAN: It was Section C. Was this not the one we dealt with the other night that Mr. Notley asked to bring back?

MR. TAYLOR: No. That's No. 14, 8, 9, and 10 on page 2.

MR. CHAIRMAN: I see. Then we still have one under procedural?

MR. TAYLOR: Yes. There are two under procedural on the annual report that apparently we missed before.

MR. CHAIRMAN: Perhaps we can bring them back and put them under procedural at the end.

If it's agreeable, Mr. Notley -- was he in contact with you, Mr. Clark, as far as these recommendations 8, 9, and 10 that were to . . .

MR. CLARK: Yes.

MR. CHAIRMAN: Oh, you have them. Fine.

You all have a copy? This is a combination of 8, 9, and 10. Is that correct, Mr. Clark?

The recommendation to be sponsored jointly by Mr. R. Clark, Mr. G. Notley, and Mr. R. Speaker. This is 8, 9, and 10 of your capital projects division.

That consideration be given to a major commitment of funds from the Alberta investment division for a program of first and second mortgage loans at interest rates sufficiently low to make home ownership more affordable to lower and middle income Albertans.

Mr. Clark, you're the only one here on the listing. Would you care to speak to the recommendation?

MR. CLARK: Mr. Chairman, I'm not sure your reference to 8, 9, and 10 is accurate. Mr. Chairman, I'm sorry. This is to the reference of the question of using heritage savings trust fund moneys for low interest loans, that Mr. Speaker and Mr. Notley agreed to to come back with a . . . It really deals, Mr. Chairman, with regard to a resolution under Similar Recommendations, mortgage investment. On page 7 before.

MR. TAYLOR: Number 11.

MR. CLARK: Number 11.

MR. TAYLOR: Two.

MR. CLARK: Two, I believe. Yes. Under Similar Recommendations, the one with native people's equity.

MR. CHAIRMAN: I see. Under mortgage investments, these two motions: Mr. Clark, Mr. Speaker, and Mr. Notley. That would come under Section E(2); these two motions to be re-drafted and submitted. Fine. Would you care to speak to that motion, Mr. Clark?

MR. CLARK: Not other than to read the motion which says:

That consideration be given to a major commitment of funds from the Alberta investment division for a program of first and second mortgage loans at interest rates sufficiently low to make home ownership more affordable to lower and middle income families.

MR. CHAIRMAN: Mr. Shaben.

MR. SHABEN: Just so I have an understanding of which original recommendations this is a consolidation.

MR. CHAIRMAN: It's on page 7 under Similar Recommendations, basically under subsection (2) of Section E, and it's a combination that a major commitment of funds be made from the Alberta investment division for low interest mortgage to first-time Alberta home-owners who would otherwise be unable to afford home ownership. It's by Mr. Clark and Mr. Speaker, and (b) from Mr. Notley:

That consideration be given to a major program of direct lending to Albertans for second mortgage financing at or near conventional first mortgage rates, depending on family income for the purpose of enabling greater ease of access to home ownership on the part of middle income Albertans.

We suggested they get together and bring these in as one recommendation jointly, which they have done, and you have the recommendation before you. But it has not been dealt with up until now. If anybody wishes to speak for or against . . .

Mr. Musgreave.

MR. MUSGREAVE: Mr. Chairman, we do have a system of providing low interest loans related to the income of people for the first home ownership program now, and, you know, where do you stop on this sort of thing? I assume the original motion was "lower and middle income Albertans". Now, are these people who have one home but they want to get a bigger one, but they need a second mortgage so they're going to provide second mortgage funds for them to move to a bigger one? Because I think those people who are starting out and need a home are helped by many diverse programs, and I just question the wisdom of this.

The other reason I question the wisdom of it is there's no talk of what the interest rates would be. You know, some person may be able to afford 9 per cent, but somebody else wants a rate of 3. I would go for the 3, you know, if I was having to buy the money. It's just too vague for it to be endorsed in the way it is.

MR. DIACHUK: Mr. Chairman, I also noticed that in the redraft they left out what I thought was a good point in (a) of the original resolution, that these funds be made from the Alberta investment division for low interest mortgages to "first time" Alberta home-owners. That to me is important.

MR. TAYLOR: That's the point I was going to raise too.

MR. SHABEN: Mr. Chairman, just a question on this recommendation. It relates to The Alberta Heritage Savings Trust Fund Act, and the Alberta investment division, which I am sure is the division that this would be applicable to. Under the act, the responsibility of the investment committee is to return a reasonable return to the fund. My understanding of the system, and there are some \$700 million in mortgages including the subsidized starter home ownership mortgages -- the debentures are held by the fund and the interest subsidy is in the general revenue of the province, in the departmental estimates. So the question, Mr. Chairman, I'm asking is: would this be contrary to the intent of the act?

MR. CLARK: Could I just ask Mr. Diachuk? We're doing a little bit of caucusing here. After "affordable" on the last line, if we struck that out, and then said "to first time Alberta home-owners".

MR. DIACHUK: That's what I drafted [inaudible]

MR. CLARK: You're a very wise man.

MR. CHAIRMAN: ". . . more affordable to first time . . ." You wish to make an amendment there, Mr. Clark?

MR. CLARK: Yes. ". . . to first time Alberta home-owners", Mr. Chairman. Is that better?

MR. CHAIRMAN: I'll read out to you the recommendation as amended:

That consideration be given to a major commitment of funds from the Alberta investment division for a program of first and second mortgage loans at interest rates sufficiently low to make home ownership more affordable to first time Alberta home-owners to lower and middle income Albertans.

MR. CLARK: Just after "home-owners" you stop, Mr. Chairman. I'm sorry.

MR. TAYLOR: Cross out "lower and middle income Albertans".

MR. CHAIRMAN: Right. ". . . to first time Alberta home-owners." You want the last wiped out.

MR. DIACHUK: One question, Mr. Chairman. I wonder if any thought should be given -- and it's just something I'm raising -- to Alberta residents or certain residency requirements, or do we permit people to come in here from other parts of Canada and even other parts of the world and qualify for this?

MR. HORSMAN: On that point, Mr. Chairman, it seems to me that we can't get too involved in the details of laying out the program. I mean really that's something that would have to be done by Alberta Home Mortgage Corporation. Really I have no trouble in supporting this motion, because we're doing it already and it seems to me a bit redundant, but certainly if it endorses and supports the program already under way, then perhaps it would encourage the department to consider additional programs along this line. I think it

certainly fits with government policy and certainly with the intent of all parties of the Legislature.

MR. PLANCHE: On that point, I wasn't aware that we were making second mortgage loans. The Alberta Home Mortgage Corporation making second mortgage loans?

MR. TAYLOR: I don't think so.

MR. CHAIRMAN: Mr. Taylor.

MR. TAYLOR: Mr. Chairman, I don't think Alberta Housing or mortgage company is making second mortgage loans, but I endorse this resolution because young people today are having a terrifically hard time to get a home. And anything we can do to get more of our young people located in a home, the more stable the situation is going to be. It's the most important thing to a young couple to own their own home, in my view.

MR. CHAIRMAN: Any further discussion on the recommendation? If not, are you ready for the question on the . . .

MR. PLANCHE: No, Mr. Chairman, I'm not. If the object of the thing here is to get rates sufficiently low to make home ownership more affordable on a first house basis, why do you have to have a second mortgage at all? If you want to give consideration to getting a first mortgage that's sufficiently low, why don't we say that and vote on it. Why are we [inaudible] it with two mortgages?

MR. TAYLOR: Why don't we say "and/or", because there may be occasions where a second mortgage is necessary, and advantageous.

MR. CLARK: Even I would trust the cabinet to work out the arrangements so that they wouldn't be falling over each other under arrangements like that.

MR. HORSMAN: Mr. Chairman, on that point, as Mr. Taylor said, I don't think that we're encouraging necessarily an extensive program of second mortgage lending, and I think the act spells out that there should be a reasonable return or profit to the trust fund. But there are occasions, and I have observed many of them, when a second mortgage is very desirable in order to retain a low-interest first mortgage on existing property, rather than to require a pay-out of a low-interest first mortgage, and to thereby require a higher interest rate to apply to the whole mortgage borrowing. So taken in that context, I would think that this would be a desirable program.

MR. CHAIRMAN: Any further discussion?

MR. MILLER: Mr. Chairman, about second mortgages, and the government becoming involved with second mortgages: I go along and concur with the first mortgage and perhaps a subsidized interest, but second mortgages are a different ball game, and they cause me some concern. I would think that a first mortgage, yes, but a second mortgage -- I have reservations about that.

MR. DIACHUK: Well, Mr. Chairman, Mr. Horsman has pointed out there are times when the people may want to buy a resale home, and it has a very attractive first mortgage which is an advantage for the purchasers to retain that, and

then also there are some mortgages that you can't pay out; there are conditions on the mortgage that you can't pay out, and that would prevent the people from purchasing the home that they want. So that is why the second mortgage loans would be a good program to move into; those too.

MR. TAYLOR: Mr. Chairman, I'd suggest you only take a second mortgage when it's to your advantage to do so. So why do we want to worry about whether it's first, or first and/or a second? It seems to me that we should give every advantage to the young couple, asnd if it's more advantageous to have a second mortgage, surely the people who are going to take it are thinking about it. They don't want to mortgage themselves any more than necessary.

Amendment carried

Motion as amended carried

MR. CHAIRMAN: Now we have the capital projects division. Do you have that one ready, Mr. Clark?

MR. CLARK: Yes. I should say, Mr. Chairman, this is the one with regard to the whole idea of research and so on that Mr. Notley, Mr. Peacock, and I were to get together. It was rather a strange combination to start with, and we really weren't able to get together with Mr. Peacock today. So the names on here are really Mr. Speaker, myself, and Mr. Notley. Mr. Peacock was not involved in this plot.

MR. CHAIRMAN: Do you have copies that we could have a look at, Mr. Clark? This is 8, 9, and 10, under capital projects division, Section A.

I'll read you the recommndation, sponsored jointly by Mr. Clark, Mr. Notley, and Mr. Speaker. This covers 8, 9, and 10 of A, capital projects division.

That increased funding be given to research into the technology of renewable resource development and the strategy of moving the Alberta economy away from dependence on resource extraction toward increased use of renewable resources with emphasis on the devlopment of technology appropriate to Alberta conditions and markets.

I think we've spent quite a bit of time discussing these the other night, if I recall correctly. I think, unless I am mistaken, that it was pretty well agreed that it was just the wording that we were . . . Have you any problem with the wording of the recommendation?

If not, are you ready for the question?

Motion carried

MR. CHAIRMAN: We have the motion by Mr. Appleby withdrawn.

If we would like to go to your motion under Similar Recommendations under forestry, Mr. Shaben. Page 3.

Recommend the establishment of a ten-year reforestation, conservation, and reclamation project. The project should include the consolidation of existing related programs, including reforestation, fire fighting, opportunity corps, environmental reclamation projects and some federal make-work projects (if possible). The project should aim at the establishment of 25-30 units throughout the Province with 10-15 persons per unit. The

units should be located in centres of relatively high unemployment and near regions requiring the services outlined above.
Mr. Shaben, would you like to speak to your recommendation?

MR. SHABEN: Some brief comments, Mr. Chairman.

There is first of all a need in the province for reforestation. Presently there are timber lands that are being harvested. The quota holders are required to reforest the lands. However, in the past there has been activity, forest fires and so on, where the land has not been properly reforested. So there is a need to undertake a fairly major project in this area in order that we can provide a greater base for renewable resource development in our timber lands. Also related to this, of course, there are a number of activities, and Mr. Appleby had listed them, whether it was as a result of seismic activities or forest fires, and so on.

The intent of my recommendation is that the work be done by small units. Most of the areas that require the work are in relatively isolated areas, some of them in areas of high unemployment, with a high percentage of Indian and Metis persons who could benefit from this sort of project. So it can have the combined advantage of providing a long-range benefit to all Albertans, as well as providing useful employment opportunities.

I mentioned the various programs that are in effect. For example, Canada Works in the current year is spending \$4.75 million on make-work programs. LEAP is approximately \$2 million and the Opportunity Corps is approximately \$2 million. Some are federal, some are joint federal/provincial. There may be a way, as some provinces have done, of combining these programs into a more long-range type of project.

MR. HORSMAN: Mr. Chairman, I certainly think the basic intent of the motion has a good deal of merit. I wonder if in fact, other than the first sentence, the balance of that motion should not really be a preamble and that the recommendation itself is: "the establishment of a 10-year reforestation conservation and reclamation project", without going into all the details of the various things which might be considered. I wonder in fact about the inclusion of the federal make-work projects, as to the advisability of including that in the actual body of the motion itself. So that just gives me some concern.

I'm supportive of the recommendation, which is really the first sentence of that motion.

MR. PLANCHE: Mr. Chairman, I wonder if I could ask the mover what part of the fund he would see this coming out of: capital projects, or Alberta investment, or how would that fit?

MR. SHABEN: My view is, Mr. Chairman, that it would come out of capital projects. Because of the nature of the project it would not yield an immediate return, but it would return a long-term benefit to the people of Alberta. So it fits the criteria of the capital projects division. I would hope that certain aspects of the wage component would be out of general revenue. That's why I brought in the parts dealing with programs that are presently in place.

I'd agree with Mr. Horsman that the entire intent of the recommendation is in the first sentence and that the balance may be considered a description of the program.

MR. PLANCHE: Under the Alberta reforestation nursery under capital projects they conclude by saying "the actual seeding and reforestation is part of the forest resources program of Alberta, which is funded from provincial general revenue". Surely this would fit better under provincial general revenue than it would under capital projects.

MR. CHAIRMAN: Did you have something further to say, Mr. Shaben?

MR. SHABEN: Just to respond briefly to the comments of Mr. Planche. Certainly there is an ongoing reforesting program. The intent of the recommendation is that it needs to be accelerated. The direction that this recommendation takes is that it be intensified and provide work and job opportunities in areas that are not now benefiting except under the budgetary allotment that is presently being allocated.

MR. CLARK: Mr. Shaben, I don't mind you stepping on the accelerator at all but take the money out of the surplus of the province: the \$2.5 billion. Don't take it out of the heritage fund because once again we're just getting involved in this gray area here again. We've had a program of varying success, Mr. Shaben, on the sustaining yield basis for reforestation in the province for as long as I've been a member, since 1960. It may not be working in some areas as well as you'd like to see. Fair ball. I would support you in going for more money in this area under the normal operating budget of the province. We've got the money in the surpluses.

But this just gets back, gentlemen, to the point you've heard me argue several times in the course of this committee. Once again this year it seems to me the situation is if we can't get the money out of the operating budget of the province we go try the heritage fund.

MR. TAYLOR: Mr. Chairman, I feel that this can properly come under the capital projects division. We're building for the future. It's not simply expending something or maintaining something. It's getting trees for the future that the future generations are going to enjoy. I think it's a very necessary item, and I really can't see why it shouldn't come under the capital projects division.

MR. CHAIRMAN: Just for the clarification of the Chair, Mr. Shaben: this particular recommendation, you don't mean the forest industry as it's set up now, that are required to reforest as they harvest. Is this for burnt-out areas, we'll say, or destroyed areas, this type of thing that comes under no specific category at the present time? Is the intent of your recommendation?

MR. SHABEN: Mr. Chairman, perhaps I didn't make it clear initially that presently the quota holders are required to reforest. But there is a great deal of land that requires reforesting that for a variety of reasons, whether it's fire or previous cutting where reforesting didn't take place. There is a massive job that needs to be done in this province. The intent of the Resolution is that the capital projects division would be an appropriate vehicle to reforest for future generations. It's not any of the current cutting that's going on. There is a program for reforesting.

MR. CHAIRMAN: I wonder, Mr. Shaben, the recommendation does seem a little garbled and a little vague as it's presented here. Would you like to hold

this for a few minutes and we'll go to the other recommendations and come back to it and perhaps you could rewrite it?

MR. SHABEN: I didn't think it was garbled.

MR. CHAIRMAN: Well, we have federal make-work projects coming in here which I don't think really have any interest in the recommendations to this committee.

MR. TAYLOR: In that connection, why don't we take the actual resolution and leave all the rest out. Everything after "project" as Mr. Horsman mentioned is simply explaining the thing. I think we just take the resolution, the first sentence and that's what we want to do.

MR. CHAIRMAN: Is that agreeable to you, Mr. Shaben?

MR. SHABEN: If it's an amendment I'll . . .

MR. TAYLOR: I would move that we strike out everything after "project" in the second line.

Amendment carried

Motion as amended carried

MR. CHAIRMAN: We come now to Section D, Alberta investment division, No. 1, Mr. Planche. We have 1, 2, and 3 to cover under the Alberta investment division.

That Heritage Fund dollars under the Alberta Investment Division be made available to all jurisdictions within the Province for capital projects at a very nominal interest rate; e.g. one per cent.

A selected board would assess the jurisdiction's ability to service the debt and, in that the Heritage Fund is a unique accumulation of capital dollars, the funds would be available for capital projects only. The loss in revenue to the fund because of reduced interest would be returned to the citizens at large by way of reduced mill rates. In this way, those who generate activity in the Province by their endeavours would be rewarded with a lower tax burden.

Mr. Planche, would you like to speak to your recommendation?

MR. PLANCHE: Mr. Chairman, yes, I would. I enter into this particular recommendation with some trepidation because of my criticisms about other people garbling. So please bear with me while I work my way through.

Also, in fairness I'd like the committee to look on this as a sort of philosophical recommendation. I'm asking for something that may be pretty wide-sweeping, and there is some trouble with it. I'll hopefully point those out as I go, having concerned myself with it for some time.

First of all, while I'm talking about a nominal 1 per cent, in order to make this thing effective I really don't see much of a way to yield a reasonable return. So it may not fit anywhere. But hopefully -- the 1 per cent number isn't a solid number, but I'm thinking in those terms.

The second thing is that the selected board that would assess the jurisdiction's ability to service the debt would be a fairly sophisticated board. I'm thinking of people who have the talent to assess whether or not a bond issue of serious proportions could be properly serviced. So those people

would have to be selected and paid properly, and the selection process could be difficult.

I'm not thinking in terms of any jurisdiction in Alberta which presently has a bond issue outstanding being able to retroactively or being able to liquidate that debt in favor of this debt. I would, however, concern myself with people who are being penalized with our exchange drop by having floated a bond issue or a debt issue outside of the country who are now getting murdered on the exchange rate.

So what I'm saying is that I'd like to begin now in Alberta. Anyone who has a capital project -- and when I say any jurisdiction I'm talking about municipalities, cities, metropolitan centres, municipal districts, schools or whatever -- could come to this selected board. If the board said yes, in fact we can see that you can service the debt, then the debt would be made available to them at the very best possible terms. They could pay it back so that the ones who were able to satisfy the board that their house was in order would be in receipt of an incentive for their good housekeeping, and the citizens of that particular jurisdiction would benefit by having a lower assessment on the mill rate.

I would think of this in terms of superseding all the things that are presently in place like the municipal finance and whatever else we have, because it looks like the heritage fund is here to stay, and it looks like it's a useful vehicle to begin this kind of consideration. So that's really all that I had to say on the subject.

MR. TAYLOR: Does the mover think one board could handle all the applications? Because if you're talking about capital projects of all the municipalities, school boards, et cetera, you're talking about roads, buildings, hospitals, schools, libraries. There are going to be thousands of them. I would think there would have to be some limitation on the type of capital to start with at least. Otherwise I don't know how one selected board would ever deal with it.

MR. PLANCHE: Should I respond as I go, Mr. Chairman? Would that be your preference?

MR. TAYLOR: I'd appreciate it.

MR. CHAIRMAN: Yes, fine, you may.

MR. PLANCHE: Mr. Taylor, I agree with what you say, and I'm prepared to concede that I haven't thought it through in all of those terms. However, I would think that initially there would be a heavier rush than there would be subsequently, because there aren't that many things that aren't in place now that they would be rushing to do after the initial wave.

MR. SHABEN: Mr. Chairman, I also have a question for Mr. Planche. It relates to say a capital project that is eligible under one or another of the existing Provincial programs, say it's a major cultural and recreational program where up to 50 per cent is available by grant. Would the hon. member recommend that for those projects that are 50 per cent grant or 40 per cent grant, the other 60 or 50 per cent be eligible under the 1 per cent program?

MR. PLANCHE: Well, I guess that's a complication. As I understand it, some of the community associations and jurisdictions within the two larger metropolitan centres have applied for a special assessment on their mill rate

to cover that problem. Others have collected money on pledges and one thing and another. I frankly would see no reason why not. What I'm suggesting is that if we live in Alberta surely we can be shed of the responsibility of paying onerous interest on capital funds. I admittedly haven't thought it through in that particular example but my first blush would be, why not?

MR. HORSMAN: Mr. Chairman, I wonder if the motion would also contemplate the refinancing of all capital works that have now been financed under the Alberta Municipal Financing Corporation at an interest rate which is subsidized by the government down to a maximum of 8 per cent; whether the mover would contemplate that this would, in effect, completely replace the Alberta Municipal Financing Corporation, and by so doing we would be faced with a reduction in the interest we are presently earning on that from 8 per cent to 1 per cent or whatever. If you're not prepared to allow those corporations which have incurred debt in the past to come in and take advantage of this new giveaway program, why not?

MR. PLANCHE: In my opening remarks, Mr. Chairman, I indicated that my preference would be that no, they weren't; that that opportunity wasn't available to them unless in fact they had debt from another country where they were getting hurt badly by the exchange. That could be a judgment call. I don't see any reason that because we've had the Alberta Municipal funding in the past at 8 per cent, it should continue if this thing is acceptable. And more than that, it would seem to me that the ones most likely to be refinanced are the ones managing worst.

MR. HORSMAN: That of course gives me some cause for concern as well. In other words, we are rewarding the inefficient people who have failed to manage their affairs fairly and equitably and penalizing those who are good managers, by this proposal.

MR. PLANCHE: Mr. Chairman, at the risk of exposing you to an ongoing dialogue with my colleague, the fact is that the ones that would be refinanced are likely the ones who are unable to service the debt they have now and would ask for refinancing. I'm suggesting to you, sir, that what we would have in mind on this would be that only new capital projects would be considered.

MR. HORSMAN: Why don't we say "new" then?

MR. PLANCHE: Well, I'm happy to do that.

MR. TAYLOR: Well, that was one point I was going to raise. If we mean only for new capital projects we should put "new" in front of "capital projects". But in connection with the refinancing, I can't see where this would be rewarding the tardy or the mismanagers. I would think the most efficient people would want to come under this. They're going to save their ratepayers' money. It's a refinancing deal that's going to release money for other things. It looks like really good managers would come under this first. At least if I had a project and was in a municipality and I could get money at 1 or 2 per cent I certainly wouldn't be going to the Municipal Financing Corporation and paying 8.

MR. PLANCHE: Well, Mr. Chairman, they would still go before the selected board. If the selected board felt that they could handle the new financing, fine. Otherwise they would be hung with the old one. I'm prepared to do that.

MR. TAYLOR: There's just one other point I want to make. I think I like the first part if "new" was put in front of "capital projects"; but the rest, it seems to me, is explaining how to do it. I'm not sure that a resolution should be explaining how to do it. If you want to put in a preamble or whereas . . . But I think the first sentence just about covers the whole plan if you put "new" in front of "capital projects".

MR. PLANCHE: Mr. Chairman, through you to Mr. Taylor, I want to make it very clear that the board which would be assessing this would in fact be a board outside of what's presently in place. I say that because I'd like the approaches to this selected group to be on the same basis as anyone who was trying to get debt capital would have to make representations. I wouldn't be very fascinated if this became some kind of reward for patronage, because that isn't what I had in mind at all.

MR. MUSGREAVE: Mr. Chairman, I have a question. This looks very similar to recommendation No. 7, made by Mr. Notley. I think our committee turned it down, did they not?

MR. CHAIRMAN: Yes, I believe we did.

MR. TAYLOR: It was withdrawn.

MR. CHAIRMAN: Was it?

MR. TAYLOR: No. 7 was withdrawn.

AN HON. MEMBER: It was withdrawn in favor of this one.

MR. MUSGREAVE: No.

MR. TAYLOR: I don't know why, but it was withdrawn.

MR. CHAIRMAN: Is that the end of your question, Mr. Musgreave?

MR. MUSGREAVE: No, I think there was another one that night. It was similar, and I know it probably was the reason 7 was withdrawn, because the other was defeated. I can't find it right now.

Well, I have quite a few things . . .

MR. HORSMAN: No. 7, page 6 was withdrawn by Mr. Notley.

MR. MUSGREAVE: Well, Mr. Chairman, I have several things. You know the other day I got a report from the city of Calgary. They want \$500 million for roads alone over the next 10 years. Now that would be quite a logical application for them to make. That's only one part of their system. You know, they have a light department they've have to look after, bus system, fire, schools, hospital, on and on and on. For one board in the province to look after this would be horrendous.

The other thing: what a lot of people don't appreciate is the money in the Municipal Financing Corporation is not sort of our money. It's Canada pension plan. It's our money that's come back to the province to be reinvested to pay our pension plans. When we get to be 65 I would be very unhappy if I thought the money I put in there all my life has gone because you decided to give it to taxpayers at 1 per cent. [interjection] Let me just finish please.

On the matter of debt, in the city of Calgary in the entire province of Alberta we are restricted in the amount of money we can borrow. It's related to your assessment. Calgary -- I don't know the figure -- I would say we never got over 20 or 30 per cent of what we could borrow. So we're not under hardship in terms of being able to pay.

The city of Edmonton works up to their limit, and I think the city of Edmonton is probably the only jurisdiction in the province of Alberta that had to borrow on foreign markets. The reason they had to borrow on foreign markets is that they are in the fortunate position of owning the utility companies; they generate their own power and have their own telephone company. While the city of Calgary has its own light system, we buy the power in bulk from Calgary Power.

So there was a unique reason for Edmonton having to go to the foreign market. They had to go to the foreign market, so now they're suffering. My reaction is, tough beans. They made a calculated investment risk.

Now, I think when you're looking at helping people paying debt, I think you should look at how quickly they pay their taxes. One of the things that's very significant in the major municipalities in the province of Alberta is that taxes are paid very rapidly, quite often they're paid six months before they're due, and people get interest on their tax payments.

Secondly, another very important guide is how many homes are lost through being taken over by the city because of non-payment of taxes. I would suggest to you that you could count them on your hand in the province of Alberta in the last 10 years.

Now the other point, Mr. Chairman, is that this to me strikes at our whole system of financing in our province. It is in effect saying what Mr. Clark has been pushing for all along: let's give more money to the municipalities. What you're in effect saying is we're going to give it to them regardless of how they've handled their affairs.

One of the things that perhaps you're not conscious of is that many municipalities in the province of Alberta do not have any debt. They have paid their way. Now why should they be penalized? You know, they have paid their way. I know there are exceptions, and we can point to St. Paul, we can point to McMurray. But there are a lot of small communities in our province that have been very thrifty and have looked after their municipalities and have paid their way.

So, Mr. Chairman, I am very strongly opposed to this motion.

MR. PLANCHE: May I, Mr. Chairman, just sort of go through these one at a time, with the greatest respect.

Some of the things you said -- I don't understand why they have any bearing on this particular item at all, if in fact . . .

AN HON. MEMBER: Name one.

MR. PLANCHE: Well, talking about the Canada pension plan. I don't understand what that has to do with anything.

MR. MUSGREAVE: Let me explain it to you .

MR. PLANCHE: If the city of Calgary requires some money they simply come to this group and they say, we'd like to borrow this money and this is how we intend to service it. And the group says, yes, you can, or no, you can't. What does that have to do with the Canada pension plan?

MR. MUSGREAVE: Well, you're saying that they're going to service it at 1 per cent.

MR. PLANCHE: From the heritage fund.

MR. MUSGREAVE: Who's going to pick up the balance, the heritage fund?

MR. PLANCHE: It's going to be refunded to the people of Alberta through a lower assessment, lower taxes.

MR. MUSGREAVE: So what you're in effect saying is you want to give more of the provincial revenues to the municipalities with no strings attached.

MR. PLANCHE: There are going to be strings attached. This is going to be . . . The difference between this particular item and No. 17 . . .

MR. CHAIRMAN: You're getting into a local discussion here.

AN HON. MEMBER: It's quite all right, officer.

MR. MUSGREAVE: Would it not be better to reduce the income tax rate? Why go through this gyration? Why just pick on home-owners?

MR. PLANCHE: Because the people aren't paying income tax; they're paying city taxes.

MR. MUSGREAVE: Oh yes they are.

MR. CHAIRMAN: I think we'll carry the discussion through the Chair from here on.

MR. MUSGREAVE: All right, Mr. Chairman, let me ask a question of Mr. Planche through you. Are there more taxpayers in the province of Alberta paying personal income tax or are there more home-owners paying property tax?

MR. PLANCHE: I'm sorry, I didn't even get the question. What is it?

MR. MUSGREAVE: When you prepared this resolution for the committee to consider, did you determine that there were more people in the province of Alberta paying personal income tax or whether there were more people in the province of Alberta that owned homes on which they pay the municipal tax but were not income tax payers?

MR. PLANCHE: I don't see that it's relevant.

MR. MUSGREAVE: Well, it sure is relevant.

MR. TAYLOR: Mr. Chairman, could I deal with that point?

MR. CHAIRMAN: Mr. Taylor. Mr. Miller is next.

MR. TAYLOR: I'd like to deal with that point, because in the first place this is for new capital projects. Actually it's going to help one of the points raised by Mr. Musgreave. They wouldn't have to go then to the Municipal Financing Corporation and use his pension money. They'd be taking it out of the heritage trust fund. But nobody's giving them anything. They're simply going to use the money for a capital project which all of the people are going to enjoy and they're going to pay a lower rate of interest for it. It's not giving anybody anything. It's giving the advantage of a low interest rate to all of the people in the province where capital projects are accepted.

MR. MILLER: Thank you, Mr. Chairman. Being a hay miner from the boondocks, I have a bit of a concern. The first is that I believe that we might have an excessive demand for facilities by the people on the municipalities for recreation facilities over and above what they are in a position to be able to fully utilize, we might say.

My second concern -- this is from a rural viewpoint, Mr. Planche -- is that I have found in any facilities that we've built in rural Alberta -- and in the last few years we've had occasion to build quite a few agricultural complexes, arenas, artificial ice, curling rinks, swimming pools -- generally speaking, the interest factor is an incentive for the people to pay off that debt as quick as they can. In my mind there are advantages to this sort of idea. Okay, let's pay it off; if we don't, our interest charges are building up.

I'm not a person who thinks money is just a stroke of the pen. I think it's more than that. I think we owe it to the people that we let them know that okay, money is something that you utilize to get your facilities. You have your priorities. If you overbuild you're going to have to pay interest, and as such your costs are going to be greater. This is from rural Alberta. I recognize that in cities they haven't got the personal contact with a project that they have in rural Alberta. In the cities it's over a greater number of people. In a small rural place they're all aware of and they all have their interest in paying off that debt as quickly as possible.

MR. PLANCHE: Mr. Chairman, if I may. I have to agree with Mr. Miller that there may very well be a run on demand for facilities. But this board presumably is going to say, well fine, council of Kitscoty, how are you going to service this debt? If they can handle the first one, which may be the bridge or the new community hall or the town hall or whatever it is you decide you're going to do on your assessment, then you come by and say, well, we also want to have this. They'll say, fine, show us how you're going to do that. Then finally they say, hey look, there isn't any way; you simply can't afford that. But I'm just trying to make the distinction there, if I may, that there isn't any difference between rural and urban in that sense. I'm talking about the ability to pay pro rata on assessment.

MR. MILLER: If I may, Mr. Chairman. There is this basic difference, that very little of the assessment goes toward these rural recreational facilities. Most of this money in the smaller villages and towns is raised by the people, not through the municipality but by donations, sweat equity, and what have you. They don't go through and assess each person so much on his taxes. I

think in our county there's one mill set aside for recreational purposes, so there's no big rush on the municipality to build these facilities.

MR. PLANCHE: In that case it may not have any appeal for your municipality. I'd be anxious to know, though: out of your mill rate, how much of that is in capital projects? And if that's any kind of history to look forward to a future on, it may very well be that in the future that portion of your assessment would be at an interest rate of 1 per cent, which would have to go back to the ratepayer.

MR. KROEGER: When you change the wording of that to "new", Mr. Planche, you take away the penalty that a person or corporation might find themselves in where the exchange is killing them. Is this correct? That removes that one.

Secondly, I recall our present Provincial Treasurer, Mr. Chairman, when you and Mr. Horsman were on a committee called the Small Centres Growth Committee that I was chairing and still supposedly am, where we tried for 1 to 1.5 per cent for new development in rural communities when the small places were fading out. Mr. Leitch told us very clearly then that that would just simply be a grant and he wouldn't entertain any such ideas. I'm wondering what the attitude would be here. Would we be treating this as a grant, going from say 8 per cent to 1 per cent? We were only talking about going from 8 per cent to 7 per cent or some such figure.

Those were the two points I wanted to bring up.

MR. PLANCHE: Mr. Kroeger, I think you have to get yourself in the mental frame of mind where this is a brand new ongoing thing rather than what we used to have. I would consider this as a debt obligation, same as any other, the difference being the interest rate.

I don't have any trouble, though, imagining the unhappiness of some people when they determine that my view of the yield of reasonable return or profit is 1 per cent. That startles some people. I'm prepared to concede that.

MR. SHABEN: Mr. Chairman, Mr. Planche just answered one of my questions about his view of reasonable return. Maybe I would just extend it to say, would Mr. Planche be comfortable with \$1 billion to \$2 billion of the fund invested at 1 per cent?

Also, I've got a couple of other questions. What sort of term of payback would he project? Not a 25-year, I'm thinking. Also, would the member contemplate that items such as sewer extensions, water systems, paving, and that sort of thing would be eligible under this program? If so, would the member anticipate that the present shielding disappear, so that this would replace a program that already exists? That's important.

MR. PLANCHE: Backwards, the answer to the last one is yes.

MR. SHABEN: Just a final question, Mr. Chairman, if I may. Would the member contemplate the building of a covered stadium in Calgary, or something like that?

MR. PLANCHE: Yes, whatever the ratepayers were prepared to pay for. I have to start at the fourth part, which is yes. And the third part was -- what did you ask me? The part about, would it replace a program presently in place: the answer is yes. Would it cover sewer and all that other stuff: the answer is yes. How would I feel about \$2 billion out at 1 per cent: fine.

MR. TAYLOR: There are two or three things. You know, I can't feature the amount of interest that would suddenly be generated with 1 per cent money. When we talk about a normal overrun we're being pretty modest, because I think every municipality in the province would come up with all kinds of capital projects. If you're going to make it unlimited and not restrict them at all, I think you'd run out of money from the Alberta heritage trust fund.

But I like this idea in regard to items that I hate to see the people stuck for, like hospitals and schools. The lower amount of money that can be charged for those in interest, the more money there is for education and patient care. I would like to see this thing tried, but I'd like to see it confined to one or two items to start with, because otherwise I think the overrun would be almost unmanageable. Then gradually increase it to other projects. But if this was made applicable to new schools, just to start with, you could really do some pioneer work. The people are going to get the advantage of using their own money in their own province for their own kids. Golly, I see unlimited advantage in this type of thing.

MR. PLANCHE: Mr. Chairman, on that subject: I don't want anybody to think this is some kind of giveaway. Let me give you a scenario. If you were to go to your banker and had to borrow some money and he was asking you how you were going to repay it, really, the interest rate isn't the conversation you go through. The questions would be the same whether it was 1 per cent, 8 per cent, or 12 per cent. The questions are the same: can you service the debt? That's the issue. It doesn't mean because it's 1 per cent, you're all of a sudden going to get eight or 10 times what you used to get. The question is: can you service the debt? I'm saying for the same value capital project, the people on the assessment rolls will benefit and the heritage fund will take a licking by the amount of that interest. No question about that. But the people who will benefit are the doers, because they're the ones presently paying the assessment. I'm only talking about capital projects.

MR. TAYLOR: But you can service 10 times the amount at 1 per cent that you could at 10 per cent.

MR. PLANCHE: No, sir, you cannot. You also have to service the principal.

MR. DIACHUK: Mr. Chairman, when I read that recommendation I thought it was something I was going to have difficulty understanding. I would only say to Mr. Planche that the only title I would give this would be "An Impossible Dream". I honestly can't see how something like this can work smoothly throughout the province. As some of the speakers have mentioned tonight, and used the words, the doers of certain communities would get in and get their first approval. It's just an impossible thing for me to understand. This time I can't support something I can't understand.

MR. CLARK: The Member for Edmonton Beverly says he can't understand the situation. I'd remind the member that I'm sure he had no difficulty understanding, a number of years ago when through the Alberta Municipal Financing Corporation, when the province didn't have any of the kind of resources we have now, funds were available to municipalities for new capital projects at 3 and 4 per cent. The bank interest rate was considerably lower than it is now.

MR. TAYLOR: Not lower than 4 per cent.

MR. CLARK: Not lower than 4 per cent. Water and sewage programs across the province . . .

AN HON. MEMBER: That was back in the '50s.

MR. CLARK: That's right.

MR. MUSGREAVE: So 8 per cent relative to 10 or 11 prime is comparable.

MR. CLARK: But, fellows, it's simply a matter -- are you going to hit the taxpayer in the pocket by having him pay more property tax?

MR. CHAIRMAN: We've had a pretty thorough coverage of the situation. Are you ready for the question?

Motion defeated

MR. CHAIRMAN: Recommendation No. 2 of Mr. Planche.

MR. PLANCHE: Mr. Chairman, my experience has been that in an attempt to establish, as citizens of the province and as legislators, what is the right course in terms of pricing, export, plant construction, and consumption of non-renewable resources, we have a variety of opinions as to what the reserve picture really is. We have opinions from the ERCB which perhaps are a little bit late. We have opinions from the NAB which perhaps reflect a different point of view. We have reserve opinions from some of the major, fully-integrated oil companies; some of the independents; some of the optimists; some of the pessimists. I'm suggesting that we put in place some people of sufficient calibre that their reserve calculations, however close they are to real, are acceptable. I suggest to you that this isn't a great deal different than people keeping inventory of their ordinary stocks. Because the non-renewable resource inventory is so important for us, I think all we can do to get a handle on where we are precisely, or as close to precisely -- and as close to precisely with a valid opinion or an accepted opinion -- would be very useful in our deliberations. That's all I'm saying.

MR. CHAIRMAN: Perhaps we could think on that for a minute, have a five-minute coffee break, and then come back and work on it.

We'll carry on with the recommendation by Mr. Planche. Do you have any additional remarks, Mr. Planche, with respect to . . .

MR. PLANCHE: Mr. Chairman, I've just been through it. Do you want me to do that again?

MR. CHAIRMAN: Mr. Taylor.

MR. TAYLOR: I regretfully have to say that I can't possibly support this resolution, because I think our ERCB and their expertise is known internationally and accepted as expert. I think you'd go the world over to get a better man than Dr. Govier in this particular line. Besides, even if we didn't have such an outstanding board here, I'm more inclined to trust our own people than to bring people in from some faraway place and expect them to know more about what's happening here than the people who have lived here all their

lives, with equal training. I really don't think we should, for one minute, start talking about bringing internationally accepted expertise when we have expertise right here as internationally accepted today.

MR. PLANCHE: First of all I think I should make it very clear that in no way is this meant to be a reflection on our excellent board. The fact of the matter is that the ERCB's prime function is not calculating reserves, and that their numbers are often late for the purpose I have in mind. What we're trying to do here is get a body or a forum that's prepared to put forth numbers that are acceptable by all levels of government and the industry at large. ERCB's numbers often get into difficulty when the NAB tries them because it's a judgment call as to whose are right. The variances can be very great. I'm attempting to take the ERCB out of that responsibility, because really that isn't their function at all, certainly not their prime function. But, in no way is this meant to be any reflection of the great talents we have, all people included. I want that very clear.

MR. SHABEN: Mr. Chairman, the intent of the recommendation is just excellent, I think, because I'm sure that we're all confused from time to time by various estimates that are advanced on energy reserves in Alberta or in Canada either by the NAB, ERCB, or the industries. I have no quarrel with the intent. I just have a couple of questions. Would this be a fourth opinion? It may result in being treated that way. The other thing: I would wonder about the appropriateness of this being in the heritage fund as opposed to being considered by the entire Legislature under the general revenue of the province. It's the establishment of a forum of experts to deal with this question. I'm wondering why the member feels that it's appropriate that it be in the fund.

MR. PLANCHE: Mr. Chairman, reservoir engineering and estimating is a subjective art, so I wouldn't be surprised at all to find a fourth opinion. That just wouldn't surprise me at all. But I think that if that particular group of experts was out there and they did have the international . . . They would be difficult to find and put together. I don't quarrel with that. But, if they were in fact put together, and if in fact their reputation would carry them into a very credible source of information -- and I'm sure it would -- then I think it would be well worth while.

As to where the funding comes from, if we're taking 30 per cent of it out of non-renewable resources in here and 70 per cent from the general fund, then I'd have no qualms about 30 per cent of the funding coming out of here and going before the Legislature with the balance. The essence of what I'm saying is that the fund is almost entirely dependent on non-renewable resources. While that exists, surely it's prudent to have a running inventory of where you're at, and that's why it is in the heritage fund.

MR. HORSMAN: Mr. Chairman, I certainly think that the intent of the motion is very good, but I wonder about the ability of putting together any group which is infallible. It seems to me that we would have a great deal of difficulty in achieving the aim, which is to have the estimates provided by this body recognized by all levels of government and industry. That seems to me to be asking the impossible. It's like the most recent exercise in Rome. Perhaps those gathered there may have made an infallible decision but there may be lots of people who don't agree with it. I just don't think we're going to be able to do this. If, on the other hand, we can aim . . .

MR. DIACHUK: What was the comparison again?

MR. HORSMAN: The infallibility of the Pope, if you will, or the infallibility of this group that you wish to put together, or this group here, or a group of lawyers or doctors. On any given topic you can get a multitude of opinions. While I think the aim is desirable, I think it's impossible in achieving. I think we'd have to pay a great deal of money indeed. I just don't see how it would work. But maybe the hon. member proposing it could explain how you would achieve international recognition by all levels of government and industry in these people.

MR. PLANCHE: The banding together of a unit that was divorced from the political arena provincially . . . After all, everyone looking for a reserve figure is looking for the most credible source. I couldn't quarrel with the fact that their numbers may be wrong, but I just don't think that's the issue. The issue is that if they're good their opinion is as valid as is anyone else's on reserves, and if they're credible than it would be the number on which you could hang your hat. I see nothing the matter. You have to begin someplace in a subjective opinion, but not different in the courts or anywhere else. It's just the way of things.

DR. BACKUS: I can't see how it comes under the Alberta investment division, because we're not getting any financial return or anything else. If anything it should be under the capital projects division.

MR. PLANCHE: Actually I prefaced the whole mess by saying I wasn't sure whether anything fitted anywhere. So I don't have a lot of trouble with that.

MR. CHAIRMAN: Are you ready for the question?

11fs; Motion defeated

MR. CHAIRMAN: Recommendation No. 3. Mr. Shaben:

Recommended that any new power generating plants, either hydro or thermal, be constructed by the provincial government. Such plants would provide power to the Alberta grid for use by the Alberta-based, investor-owned utility companies or Edmonton Power. It would be required that the projects provide a reasonable return to the Fund.

Mr. Shaben, would you like to speak on your recommendation?

MR. SHABEN: Just a few comments before we deal with this excellent recommendation. Over the past seven or eight years the province has experienced very rapid growth. As a result of this growth there's been a growing demand for electrical energy. The planning and development of that energy is a long-range process requiring a great deal of capital. It would seem to me that it would be an excellent investment for the Alberta investment division of the heritage fund to provide funds for the construction of new generating plants as required. It is implicit in the recommendation that the projects return a reasonable return to the fund.

MR. CHAIRMAN: Any discussion on the motion? Mr. Miller.

MR. MILLER: Yes, I think that when the power companies apply to the PUB, one of the great concerns is the need for financing of facilities or projects that will bring on power in years ahead, and as such their rates are increased accordingly. With utilities, many times it's a case of having to go to the open market and pay quite a substantial rate of interest to be able to get the financing put together to be able to go ahead with these projects. I feel that something like this, where the heritage fund would help to finance these projects, has a great deal of merit, Mr. Chairman.

MR. TAYLOR: Mr. Chairman, I really can't support the resolution the way it stands today; that's any new power generating plants. I agree that today, at least in my view, power companies are putting too much of the future developments on the present taxpayers. I think there are ways of remedying that without the government taking over all power generating plants.

I do think, though, that there is merit in the government taking over one; operating one of these hydro or thermal plants just for the experience of doing it, as a pilot project. Then the government is in a position to experience exactly what the power companies are experiencing and, I think, give us a better understanding and help us to appreciate what's going on; also keep the power companies in line if they are adding costs to their projects that shouldn't properly be added. I'm not completely certain that that isn't the case today.

So I can't support this for any new power generating plants, but I think that there are two avenues where we should be giving consideration. I think the present users of power are paying too much of the costs that are accruing because of future demands. We should certainly have a good look at that aspect. Secondly, a private project to see exactly what's going on in the industry would be a good thing for the government to be in.

MR. CHAIRMAN: Are you ready for the question?

Motion defeated

MR. CHAIRMAN: Mr. Shaben, did we cover the one that you were to bring back or defeat that? I just forget. We dealt with it -- fine.

We'll go now to Recommendation No. 9, I believe is the one, on procedure. "Be it resolved that the Provincial Treasurer provide a clear definition of the terms 'strengthen and diversify' . . ." It's a little unclear here, Mr. Clark. Perhaps you would care to clarify it?

MR. CLARK: I'll attempt to clarify, but I have in the back of my mind the fact that the last three motions before the committee were lost. But I would suggest to members of the committee that they should look at 9, 10, and 11 together because they're really placed there as a result -- I hope they tie together -- of this question of "strengthen and diversify the economy". The members will recall during Mr. Leitch's presence before the committee, in fact in this Chamber, when we talked about what projects he'd seen down the road as far as capital projects in the province, he talked about all those projects being resource based. When the Premier appeared before the committee in the committee room we got somewhat of a different definition of diversification of the economy. You'll recall then that he included in there such things as the Alberta Municipal Financing Corporation and AGT as instruments of diversification and so on across the province.

It's with that background, Mr. Chairman, that I move the resolution that we ask the Provincial Treasurer to give a clear definition of the government's terms of "strengthen and diversify", that we say to the Treasurer, you suggest some criteria according to which diversification can be measured, and that a greater effort be made to diversify future investments in this division. Because in the Alberta investment division I think members will recall that there were no new initiatives taken during the year this was under review. There was an expansion of money that had been allocated to the Alberta Housing Corporation and other ventures in that way. But as far as new initiatives were concerned, there were in fact no new initiatives taken. So it's really with that background that we ask the Treasurer to flesh out the government's definition of "strengthen and diversify". Also, we urge the government to move on this question of further diversification within the Alberta investment proportion.

MR. CHAIRMAN: Mr. Clark, would you be agreeable to taking 9, 10, and 11 as one motion?

MR. CLARK: Yes, I would, Mr. Chairman.

MR. CHAIRMAN: Does the committee agree to take 9, 10, and 11 as one motion by Mr. Clark? Mr. Diachuk.

MR. DIACHUK: Mr. Chairman, you know in reading this I look at: how, next year, would the committee measure whether greater effort was applied or not? Even that troubles me: how could I support something like that, that greater effort be made to diversify future investments. I look at this as sort of a resolution that a year from now this committee, or members of a committee such as this, couldn't even come to grips with.

MR. HORSMAN: Mr. Chairman, it seems to me that this is a very subjective motion that we're being asked to vote on tonight. Really the acceptance of the motion by this committee would simply mean that we do not accept that the Provincial Treasurer has provided a proper definition of diversification of the fund and that, in effect, it's a motion of non-confidence in the Provincial Treasurer and the investment committee of the heritage savings trust fund. Now I just can't support it, because that, in effect, is what the motion, means.

MR. SHABEN: Mr. Chairman, I have a little difficulty with this. I might relate to members of the committee a recent three-day conference in Jasper attended by a number of people in labor, business, and government who spent three days in discussing this very same subject, or variations of the subject. And after panels, discussions, and seminar sessions in order to put that in writing there was just absolutely no general agreement within any of those three elements. So I see this as a virtually impossible task except, as Mr. Horsman has described, as the events that have unfolded and the activities that are taking place. I have difficulty in supporting this recommendation.

MR. CHAIRMAN: Are you ready for the question? Mr. Clark.

MR. CLARK: In closing the debate, Mr. Chairman, the Member for Medicine Hat-Redcliff sees this as a motion of non-confidence in the Provincial Treasurer. It wasn't interpreted that way at all. But it was just reflecting upon the

answers we got from the Provincial Treasurer and the Premier in the course of the discussions before the committee. It seemed to me that it was desirable for the committee to get set out from the Provincial Treasurer what kind of criteria he's using as far as the term "strengthen and diversify Alberta's economy"; and that when we look at the third recommendation, "be it further resolved that an effort be made to diversify further investments in this Division", remember that there were no new investments made in this division last year. To me that appears to be a pretty self-contented, self-satisfied approach with the diversification of the province, which I don't share.

Motion defeated

MR. CHAIRMAN: Motion No. 12.

Whereas, the equity participation of the Heritage Trust Fund in any private or quasi-private enterprise (e.g., the Alberta Energy Company, Syncrude) incurs upon all Albertans the costs of ownership while denying them the benefits of direct shareholder involvement in the review and direction of management, be it resolved that the voting of Heritage Fund shares in any private or quasi-private enterprise be directed by the Heritage Fund Committee . . .

MR. CLARK: Mr. Chairman, I'm sorry to interrupt you, but if you'd look at 12, 13, 14, and 15 together, because they all look at this question of equity investment in resource ventures. And then with the question that members will recall I raised last year and again this year, the question of the chairman of the board of the Alberta Energy Company coming before the committee to account to this committee for the actions of the Alberta Energy Company. Members can read the four resolved portions quickly, but really it's a question of public disclosure, and for future investments -- even though we don't like the idea of equity ownership by the government -- that if the government's going to continue to go down this road there should be a clear understanding by future chief executive officers of enterprise that the government gets involved in, that the chief executive officer is prepared to come before this committee.

MR. CHAIRMAN: Then rather than taking it piecemeal, would you be prepared to have 12, 13, 14, and 15 as one recommendation, Mr. Clark?

MR. CLARK: Yes, because, Mr. Chairman, the four recommendations tie together, as we see it.

MR. CHAIRMAN: Is that agreeable to the committee?

MR. TAYLOR: They're the same.

MR. CLARK: The same principle is involved.

MR. CHAIRMAN: Yes, Mr. Shaben.

MR. SHABEN: Mr. Chairman, in dealing with these, for example:

That all information coming before the Committee regarding the management of such enterprises be made available to the public . . .

I would hate to vote against that, because my understanding is that all the information that comes here is available to the public. I'd hate to leave the impression that this information isn't available; and that's what that says.

MR. TAYLOR: This is in only in connection with these enterprises.

MR. SHABEN: Well, if it's related . . .

MR. CLARK: It deals with both enterprises, Mr. Shaben, that . . . Yes.

MR. SHABEN: So it won't be misconstrued in later debates in the House that the committee denied this information to the public.

MR. CLARK: I'm sure if it is you'll straighten the record. But it wasn't [inaudible]

MR. CHAIRMAN: Mr. Horsman.

MR. HORSMAN: Then this is similar to a motion we discussed this afternoon. Mr. Notley raised the point, I think, that what really is being asked here is the establishment of a sort of a second cabinet, which consists of the members of this committee, to manage, if you will, Syncrude, Alberta Energy Company. That's just not acceptable. I don't think this committee is structured . . . It's not the purpose of the committee. It's without the terms of reference of the existing committee. Presumably we could recommend that the government change our function significantly to do that, but I suggest that these functions are now being carried out by the investment committee, and that that's where the proper responsibility lies.

MR. CHAIRMAN: Are you ready for the question?

MR. CLARK: Mr. Chairman, just before you call the question, I would want to make this comment, that I see the most vital part of the four recommendations here being this question of accountability of these quasi-governmental agencies. I need not remind the members what is being said at Ottawa these days. They don't even know how many Crown corporations and agencies have sprung up over the past many years. It's basically a question here of writing in some accountability for these quasi-private-enterprise agencies or organizations where the government has a share -- either 50 per cent or a smaller share -- in the venture. I just believe that when you look at what's happening across North America today, there are a number of techniques being developed to build in more accountability in these areas, and that's the intention of these four recommendations.

MR. HORSMAN: Mr. Chairman, since Mr. Clark has raised that point -- I think it's a very interesting one and was the subject of some considerable discussion this past week in Quebec City at the Commonwealth Parliamentary Association meeting which was held there. I'm sure that Mr. Clark has had the report from Dr. Buck. One of the things that was raised there dealt with the question of the steps that have been taken in British Columbia and Manitoba to require Crown corporations to report annually to a standing committee of the Legislature.

MR. CLARK: Every two years.

MR. HORSMAN: Annually, I believe.

MR. CLARK: But they're reviewed every three years in British Columbia.

MR. HORSMAN: Well, I think that Manitoba has one as well, and it was my understanding that Manitoba's could be called upon at the call of the committee, to review their conduct, so that the Legislature had an ample opportunity of investigating their activities.

It seems to me that there's a lot of merit in that proposal. I certainly indicated during the course of the discussions in Quebec City that I intended to review that, to consider the implications and make recommendations on that area. The point is that I don't believe that this committee is the proper committee to carry out that review without having studied the legislation in other provinces, see how it works, and hopefully . . . I think it's a good idea to adapt that type of thing to our Legislature. But certainly I don't think we are structured properly at this stage to involve ourselves in that activity. For that reason, I am not prepared to support the motions at this time.

Motions defeated

MR. CHAIRMAN: Recommendation No. 16:

Whereas, the economy of Alberta is interdependent with the economies of all Canadian provinces, and

Whereas, the investments to date from the Canada Investment Division constitute only a small fraction of the 15 per cent of the Fund which could be invested in that Division,

Be it resolved that a more active effort be taken to seek investments for the Canada Investment Division, so as to strengthen the Canadian economy in a manner which complements Alberta's own economic development.

Moved by Mr. Clark.

Mr. Clark, do you have something to say to that?

MR. CLARK: Mr. Chairman, I think it's quite straightforward. We should become more active in this area and look at it from the standpoint of investments that are going to strengthen Alberta's economic situation within the Canadian economic setup.

MR. SHABEN: Mr. Chairman, if I may I'd just like to ask Mr. Clark what his intent is when he says "to more actively seek". The thing that prompts the question is that my understanding is that the governments of Canada were well aware of the fund and of the Canada investment division. Is Mr. Clark suggesting that we go out and solicit business from the other provinces? That's the question.

MR. CLARK: Mr. Shaben, I think I'd answer that this way, by saying that I really would not . . . In fact, I would encourage the Alberta government to take some initiatives in coming to grips with some of the basic economic problems we have in western Canada. And if that meant making some investments in Saskatchewan, or Manitoba, or British Columbia that I thought would help strengthen Alberta's long-term economic situation, yes, I would place a higher priority on those investments than I would in investments in the rest of the country. I could put it that way.

MR. PLANCHE: I'd like to ask the mover if, when we went soliciting bonds, would they be mortgage bonds on a specific project, or would he want to have just general bonds? What I'm saying is: would the mover want to be involved

in where that money ought to go, or would he leave that prerogative up to the government which was borrowing?

MR. CLARK: Mr. Chairman, my initial reaction was that we should have some concern as to where that money was going to be invested so that we could see it having a plus effect on the economy of Alberta. I left that out of the resolution because you recall earlier the committee dealt with that matter. Mr. Speaker asked the Premier, in fact, that day, and we rather came to the conclusion that that's perhaps something that we shouldn't move on. So we weren't nearly that specific in the broad, general recommendation there.

MR. CHAIRMAN: Mr. Horsman.

MR. HORSMAN: Mr. Chairman, I wasn't at the last meeting, but a review of the minutes of October 12 indicates that a motion was passed at that time which would seem to be in considerable conflict with Motions 16 and 17, which we are being asked to consider this evening.

Just to review, the motion which was agreed upon read as follows:

That consideration be given to an active expansion of the loan program to other Canadian provinces having regard for the following:

(a) that Fund assets be shifted from short-term securities to higher yield longer-term securities, and

(b) that such loans continue to be negotiated and placed on the basis of repayment ability alone, so that Alberta makes no attempt to dictate the financial priorities of other jurisdictions.

That motion was carried by the meeting on October 12. Parts of it tie into the first part of Motion 16, but it seems to me that the balance of Motion 16 and all of Motion 17 would be in conflict with the resolution which was adopted on October 12.

MR. CLARK: Mr. Chairman, I might respond to that. It was my intention to suggest that we delete Recommendation 17, Mr. Horsman, when we got to 17. But I don't see this Resolution 16 being in contradiction with that recommendation that has already been passed by the committee.

What this really says to the government, as far as direction from this committee is concerned: yes, take an active effort in seeking investment for the Canadian investment division, but do it so as to strengthen the Canadian economy in a manner which complements Alberta's own economic development. And that really says, if we're not going to look after Alberta, who in the heck is going to?

MR. TAYLOR: Mr. Chairman, would this cover the investment in the elevators at Prince Rupert?

MR. CLARK: Certainly.

MR. HORSMAN: This is Canada investment.

MR. TAYLOR: Yes, I know. But I'm wondering if this is the intention that investments made in another province would be considered Canada investment division.

MR. CLARK: Certainly it would, Mr. Chairman, to Mr. Horsman. You couldn't have the Alberta investment division investing in Prince Rupert. It would have to be out of the Canadian investment division.

DR. BACKUS: I think that's the very significant difference of this motion, and I think I can see the sort of direction you're going in there. You're sort of saying that if the B.C. government wanted to rebuild the wheat facilities at Vancouver so they were a bit more efficient, and were looking for money to do it, this would be the type of thing that we'd invest in, because that would definitely help our economic direction. Or if the B.C. government wanted to improve their coal servicing at whatever the name of the place is, and needed money for it, this would be the direction you want us to be encouraged to go in.

MR. CLARK: And I was further saying, Dr. Backus, that we should make those investments in an area that's going to help Alberta's economy, if we have a choice between those investments and investments which don't have any effect on Alberta's economy.

MR. TAYLOR: Would they have to be through the government of that particular province where the facility was going to be built?

MR. CLARK: Mr. Chairman . . .

MR. CHAIRMAN: Excuse me. Mr. Taylor, I believe the directive under the Canada investment division is another government, or basically another corporation backed by the government. I think those are the terms of the actual act. So that could cover your question, Mr. Taylor.

Motion carried

MR. CHAIRMAN: You said, Mr. Clark, that you wished to withdraw No. 17, is that correct? Is that agreeable to the committee?

HON. MEMBERS: Agreed.

MR. CLARK: And the one on the last page, too, Mr. Chairman.

MR. CHAIRMAN: There's No. 19 on the last page. You wish to withdraw that, Mr. Clark? Is that agreeable to the committee?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: We have one final resolution left. It's the one Mr. Notley presented to us yesterday, No. 18.

Motion defeated

MR. CHAIRMAN: Are there any items, recommendations that we have missed? Mr. Horsman.

MR. HORSMAN: Yes, Mr. Chairman, there were those two procedural matters. I placed one before the committee for consideration which read as follows:

That the Investment Committee provide the Alberta Heritage Trust Fund Standing Committee with an annual report on the disposition of the previous recommendations of the Standing Committee.

That was submitted and circulated to all members of the committee.

The reason for doing that is -- if I may deal with it now, Mr. Chairman. Mr. Clark had a subsequent one, as well, which is somewhat similar, which he may wish to address later. The reason I have this on the record is that following our first annual report we made a number of recommendations to the Assembly, and through the Assembly to the Executive Council or the investment committee. And while it is true that in some respects the answers to the recommendations could be found by way of what came forward in the capital projects appropriation last fall, no direct effort was made by the Executive Council or the investment committee to indicate that they had either received the recommendations or considered or in any way dealt with them, either accepting or rejecting them. It seems to me that this committee has a good deal at stake, in terms of its proceedings. If we are going to be taken seriously by the general public, the Legislative Assembly, and the executive committee or the investment committee; if we are going to spend the amount of time we have done in holding hearings, meeting with the ministers, expanding our procedures as we did this year to an on-site inspection at Airdrie -- and perhaps we will be meeting later on with the group interested in the new grain-drying process -- and so on; if we're going to be taken seriously, I think we should have a demonstration of that on the part of the investment committee, and they should advise us what they have done with our recommendations.

So it's quite simply that it can be done in conjunction with the annual report, part of this report, or in any other way that it is quite clear to us, and to the public, that our recommendations that we've arrived at after these many long hours of consideration have been considered, and what disposition has been made. Quite simply, that's why I put this recommendation before the committee.

MR. CHAIRMAN: I think the recommendation is quite clear. Is there any discussion with respect to the recommendation? Mr. Clark.

MR. CLARK: Perhaps I might say that I don't see any difference in substance basically between Mr. Horsman's recommendation and mine, and seldom as I agree with the Member for Medicine Hat-Redcliff, it should be noted that at 10 o'clock this evening I do.

MR. CHAIRMAN: Would you be prepared to withdraw your recommendation? Thank you, Mr. Clark. Mr. Shaben.

MR. SHABEN: Just before the vote is called, Mr. Chairman, I'd like to ask Mr. Horsman if there's a particular reason why it reads that the investment committee provide the Standing Committee on The Alberta Heritage Savings Trust Fund Act with the report, rather than the Legislature?

MR. HORSMAN: I suppose it could be the Legislature. We could put The Alberta Heritage Savings Trust Fund Standing Committee because we were the people who made the recommendations. I think we should be entitled to an answer. Of course that would go to the Legislature as well. If you want to add "and the Legislative Assembly" in there as a matter of clarification, that's quite all right with me.

MR. TAYLOR: Mr. Chairman, I think it better that it should come back to the committee that made the recommendation and we take it to the Legislature.

MR. CHAIRMAN: Fine.

Motion carried

MR. CHAIRMAN: Are there any further recommendations from the committee that have not been carried out or discussed and covered in every way? If not, that completes our recommendations.

I would like at this time, and I'm sure I speak on behalf of the committee, to thank Doreen Phillips and Jan Brons, also Betty Maurice, my secretary, who has done a lot of work with respect to the heritage savings committee. I would also like to thank you, Mrs. Bishop, and Hansard, for excellent work done, sometimes -- particularly down in Airdrie -- under difficult circumstances. We really appreciate it.

With respect to the meeting ahead, I will do my best to set it up, give you reasonable warning when we have the meeting and where, with respect to the grain situation that we will be trying to set up. I expect it will be towards the latter part of November after the House has been out and we have some time to work on it and set it up. We'll try to give you reasonable warning of when and where the meeting will be held, if that's agreeable to the committee.

HON. MEMBERS: Agreed.

MR. CLARK: Would it be possible to keep in mind, if you could avoid it being the first 10 days of December it would make . . .

MR. CHAIRMAN: Hopefully we'll try to get it toward the end of November if we possibly can. You know I don't know what the answers are going to be from the various people we will be contacting. But we will do our best to get it in that time frame.

There are just one or two other items. We are going to try to get the report ready so that you will have a copy possibly by Thursday afternoon. I hope to present it to the House, if possible, Friday morning, if that's agreeable to the committee.

HON. MEMBERS: Agreed.

MR. CLARK: Will members of the committee have . . .

MR. CHAIRMAN: I'm hoping to get a report to members of the committee if we possibly can sometime in the afternoon on Thursday. This way, whenever they wish to bring in the bill as far as the heritage trust fund is concerned, it will be cleared as far as our committee is concerned this week and it will be up to the government to bring in the bill as of next week or whenever they so desire. If that's agreeable to the committee?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: It is. Thank you very much, gentlemen, for your many long hours. Mr. Taylor.

MR. TAYLOR: Before you close I think we should express our appreciation to the chairman for his devotion, dedication, and fairness.

MR. CHAIRMAN: Thank you very much, gentlemen and ladies.

The meeting adjourned at 10:06