

THIS TRANSCRIPT HAS NOT BEEN THOROUGHLY EXAMINED FOR ACCURACY AND IS,
THEREFORE, AN UNOFFICIAL DOCUMENT.

Standing Committee on The Alberta Heritage Savings Trust Fund Act

Tuesday, October 9, 1979

Chairman: Mr. Payne

9 a.m.

MR. CHAIRMAN: Good morning, ladies and gentlemen. I'd like to bring to order this meeting of the Select Committee on The Alberta Heritage Savings Trust Fund Act.

Perhaps at the outset I could indicate what I'd like to achieve this morning. I hope it's not too ambitious a schedule. We have with us for the first hour or thereabouts Mr. Hyndman and Mr. Adair. I'd like to review the consolidated recommendations arising from our earlier deliberations: the one on scholarships drafted by Mr. Sindlinger, the one on public land development drafted by Mr. Steward, and the consolidated recommendation on homestead development, the committee chaired by Mr. Appleby. Then, if Mrs. Pyfe appears, I'd like to deal with her recommendation on grazing reserves that was held over from our last meeting. Then, time permitting, into the irrigation, housing, and transportation sections. I seriously doubt that we'll be able to get through those three sections, but we'll take them in that order, and that's the order they appear in in your binders.

So with that indication of our ambitious objectives for the day, on behalf of the committee I'd like to welcome Mr. Hyndman and Mr. Adair. I don't think any reminder is necessary that Mr. Hyndman is here not in his capacity as Provincial Treasurer *per se* but as Acting Minister of Economic Development. I met with Mr. Hyndman very briefly earlier this morning, and he indicated that he hadn't prepared a preliminary comment, but would prefer to devote as much time as possible to questions that might be directed to him from members of the committee. With that introductory comment of my own, I'd like to turn over the time to the members of the committee to question Mr. Hyndman and Mr. Adair as they see fit.

MR. R. CLARK: Mr. Chairman, perhaps I might start. Having regard for the fact, Mr. Hyndman, that we'd anticipated meeting the full-fledged Minister of Economic Development in our discussions earlier, I think a useful place to start would be to ask you to explain the appointment of a new Minister of Economic Development, having regard for the position Dr. Horner held and then the stripping away from that ministry of the chairmanship of the economic planning committee and membership in the cabinet priorities committee, the responsibility for northern development, PMA, and the ARB.

The reason I ask is that it seemed to me that what we had, regardless of the personalities, was a package which gave to the minister responsible for economic development a very broad scope -- someone with at least the potential of being able to influence at a very senior level the direction as far as economic diversification is concerned. I've made the point previously that without reference to the personalities -- and this is no reflection at all on Mr. Planche; I want to make that very clear -- it seems to me that what has happened is that we now have a Ministry of Economic Development without the

very frank about that was there under Dr. Horner. I for one would find it extremely helpful to assess the diversification commitment if you could give me some explanation of how this new ministry will be working, in light of the stripping away of some of the major responsibilities.

MR. HYNDMAN: Mr. Chairman, I think the question of the parameters of the portfolio relates to the organization of government, and that essentially, or almost totally, is something within the purview of the Premier's decision as to how the government is to be organized in various ministries and responsibilities to carry out its various mandates. So I have some difficulty in assessing how the question of what is contained within the department here relates to the Heritage Savings Trust Fund and its review of diversification and economic development. I'm confident that it will be carried forward effectively. But I think the question should better be posed to either the Premier or the new minister, Mr. Planche, perhaps within a couple of days when the House opens.

MR. PAHL: Mr. Chairman, I wonder if I might ask the minister -- and this relates more to his membership on the investment committee -- just who advises the investment committee of the Heritage Savings Trust Fund. Where are the sources of advice, in general terms?

MR. HYNDMAN: I guess we're now getting into questions on my capacity as Provincial Treasurer, and . . .

MR. CHAIRMAN: Yes. If I could just re-emphasize, Mr. Hyndman is wearing his Acting Minister of Economic Development hat today. I can appreciate the interest, but . . .

MR. PAHL: With respect, I thought that might address the question of how we use these funds to diversify and strengthen the Alberta economy. That was the thrust of the question.

MR. HYNDMAN: I guess the advice comes from a number of areas. As I think was mentioned last year by Mr. Leitch in his appearance before this committee, there is an investment advisory committee in the Department of Treasury, comprising nine people and chaired by the Deputy Provincial Treasurer. That is a unit which provides one source of advice to the committee. As well, of course, each member of the Assembly provides advice on an ongoing basis throughout the year. As well as that, the government in respect of all departments, but the Department of Treasury as well, receives countless recommendations from Albertans all over the province on how moneys should be invested. In too many cases, perhaps, the recommendations relate to how the moneys should be spent rather than invested, but there is no shortage of advice from many sources. If your question pertains to the issue of whether or not we have any retained, paid-for, full-time investment advisers, at the moment we do not.

MR. PAHL: It was general. Thank you.

MR. NOTLEY: Mr. Hyndman, would you be able to outline to the committee the general philosophy of the Department of Economic Development in terms of using the heritage trust fund to achieve diversification -- whether there was any specific assessment by that department of how it could be done?

MR. HYNDMAN: I guess the important thing to realize, first, is that the policy of diversification is a government policy. One of the vehicles by which it may be implemented or carried through would be the Heritage Savings Trust Fund. So the Department of Economic Development, in its main thrusts of building on the basic assets the province now has and then trying to reduce the barriers such as freight rates, transportation, things like that, may use, call upon, or have available the Heritage Savings Trust Fund in its pursuit of and its recommendations to the government in carrying through diversification. In other words, diversification is one of the clear goals of the department -- diversification in respect of not only the various industries and manufacturing we could have and do have in the province but also balanced growth, being diversification and geographically. The heritage fund and the General Revenue Fund are both vehicles for the implementation of that diversification.

MR. NOTLEY: Just pursuing that, Mr. Minister, has there been any development of a plan by the department, tentative or otherwise, for economic development in the province, where existing government departments would be supplemented by heritage trust fund investments? For example, the Alberta Opportunity Company has one particular role. But let me just put the question in general: was there any economic development plan?

MR. HYNDMAN: I suppose the basic elements of the plan and the goals of diversification were set forth by the Premier in a speech in the Assembly in, I believe, October 1974, wherein he listed the diversification goals of the province, basically building building on the unique assets we have in the province, for example of resources, but also trying to move towards areas of development where in future we could diversify while overcoming problems such as high-technology areas, research and brain-power industries. Certainly the Alberta Opportunity Company is a key element of diversification funded by the Alberta Heritage Savings Trust Fund. So that would be part of it.

MR. NOTLEY: Was any of this committed to paper, in terms of a tentative plan?

MR. HYNDMAN: Because the department is a relatively new one, at the moment we have the Act, which was passed in the spring, and as the months go ahead I imagine the new minister, Mr. Planche, will be fleshing out more and more of the elements as to how the department will work. Over the course of the first few months, as was traditional with Dr. Horner -- he indicated a number of directions he was taking as a catalyst and in moving, for example, with the Prince Rupert grain facility, as to diversification. As the Premier originally announced when the department was set up, it will be a catalyst and a looking for opportunities kind of department.

MR. NOTLEY: Could I just follow that up, Mr. Chairman? Have any other areas been identified during the period when Dr. Horner was minister? Certainly we've heard a good deal of public discussion on the transportation issue you've mentioned, and Prince Rupert is an important one. But beyond the statement made by the Premier several years ago, have any other areas been identified by the department in the last six months?

MR. HYNDMAN: I think one which will be discussed in the Assembly this fall in another vein would be the area of pharmaceuticals. I think that was mentioned as an area which, with the resources of the province, with such companies as

Chembiomed, though the University of Alberta, on the horizon, with the potential of the \$300 million medical research foundation and the possible links between pure medical research and applied research in a pharmaceutical way -- that would be an example of a high-technology area that the department and the new ministry would be looking into very closely.

MR. NOTLEY: I assume the rumors that were circulating around Ontario several weeks back that Alberta's heritage trust fund was going to buy de Havilland -- it was just unnecessary concern on their part, was it?

MR. HYNDMAN: It was strictly a rumor, nothing more.

MR. R. CLARK: Mr. Chairman, just going back to the same line of questioning Mr. Notley's been involved in. Last year before the committee the Premier defined diversification to include geographic decentralization. Does the government see one of its major thrusts in diversification in this decentralization that the Premier talked about at that particular time? That was before the committee about a year ago, Mr. Hyndman.

MR. HYNDMAN: I think he was referring to balanced growth and saying that diversification relates not only to trying to have the province over the next two decades move into industries in manufacturing and development other than what we now have, in terms of the kinds of manufacturing and development, but also to balanced growth so that not only were the Edmonton and Calgary metropolitan areas, the urban areas, healthy, but also the rural areas of the province were healthy. Of course, a basic instrument in that area has been the Alberta Opportunity Company, which with its policy has stimulated the development of many smaller new businesses in the rural areas.

MR. R. CLARK: So as I understand the government's position, the two things the government has done -- correct me if I'm wrong -- primarily in the area of decentralization: one has been the moving of some government offices to a variety of locations across the province, and second the establishment of the Alberta Opportunity Company. Is that a fair assessment?

MR. HYNDMAN: That would be two of a number. I think there's another aspect to it; that is, the establishing of a renewed climate of credibility in the smaller centres of the province. In previous decades I think there has always been a concern, an expression of opinion by some urbanologists, in academic terms, that the move towards increasing the large metropolitan areas and the death of the smaller centres in rural areas was inevitable and could not be stopped; that it was some sort of goal towards which human society had been proceeding toward since Rome. We said that was false. By indicating over the last eight or nine years that there were tremendous opportunities -- opportunities for life styles, especially family life styles -- in the smaller areas of the province, that there were people with skills to put into small and middle-sized manufacturing plants -- I think establishing a climate of credibility for areas outside the big centres was part of it as well.

Many of the government policies of many departments in addition to the two you mentioned have encouraged this growth, to the extent where every month there are ten, a dozen, or two dozen new annexations by smaller centres of new growth for their boundaries -- something which has never occurred for four decades.

MR. R. CLARK: Mr. Chairman, resisting the opportunity to become involved in a rather partisan political discussion . . .

MR. CHAIRMAN: I appreciate that resistance, Mr. Clark.

MR. R. CLARK: Before I totally succumb to that resistance, I would point out to the minister some of the recent population figures and percentages.

However, Mr. Minister, to get back on the topic of this discussion: it's a matter of climate, AOC, and movement of government offices. That is the heart of the government's decentralization program. Is that an accurate assessment?

MR. HYNDMAN: No, I think there are other areas as well. The establishment of some of the major elements of the new petrochemical industry -- it can be seen that in discussion with the various petrochemical companies the location of the plants at Joffre, outside Calgary, and to the east of Edmonton, rather than having a river valley approach, has again resulted in a balanced growth throughout other areas of the province. The I guess general provincial government policy of encouraging outside investment, of working on a planned phased resource growth and development, has resulted in new developments coming forward in Cold Lake in time, and of course Fort McMurray, in the northern areas.

MR. R. CLARK: Are there any other things, Mr. Hyndman?

MR. HYNDMAN: There could well be. Those would be among the main ones.

MR. R. CLARK: Other than the money from the AOC, which comes from the heritage fund, what role has the heritage fund played in this?

MR. HYNDMAN: I think the Agricultural Development Corporation, of course, has to be another one there. If you want to look at areas in which the heritage fund would be directly involved in diversification, you'd have to say the Alberta Opportunity Company is one area. The Agricultural Development Corporation is of course another key area in promoting the development of agricultural processing throughout the province; there are a number of success stories there. Syncrude, of course, is a major diversification of the province, resulting in 2,500 new jobs, and the Syncrude equity investment of the heritage fund is therefore a diversification element of it. The activities of the Alberta Energy Company, wide-ranging throughout the province, involving exploration and drilling in Suffield, in the northeast part of the province, in the Simpson Timber area -- there again, that's a diversification. The heritage fund is involved in the government's 50 per cent share of AEC, so that's another aspect of heritage fund diversification of the economy.

I think the provision in an indirect way of what's now \$.75 billion for moneys in the Alberta Home Mortgage Corporation and the Alberta Housing Corporation has encouraged diversification in the sense that housing is an integral and needed part of a diversification program. The great potential future for the Alberta Oil Sands Technology and Research Authority, if it should hopefully come up with a breakthrough in respect of the deep sands, could of course lead to uncounted aspects of diversification. If the deep oil sands, which of course are not only under the Fort McMurray area but under the Peace River and a number of other areas, can be found, the diversification spinning out from then, perhaps even from industries using the very pure fine

sand that comes from them and from byproducts -- there are possibilities there. The heritage fund funding of AOSTRA is of course very massive.

Under the capital projects division, the Farming for the Program, the agricultural research there, is clearly diversification. The irrigation programs could well lead to lowering our dependence on the large number of Safeway trucks moving up from the southern California valleys. There are tremendous opportunities perhaps, if we could use some imaginative areas in providing new water supply and new farming and vegetable-growing techniques there. Of course the reforestation segment of the capital projects division holds promise, because Alberta's forest industry is really just at the fledgling stage. We have opportunities to bring in new technology, because we can buy the new machinery and equipment.

So I would say those about eight areas are directly involved in diversification. Add to that the new corporate debt policy, that as the years go by and there are investments by the heritage fund which up to but always a minority portion of new corporate debt -- that could assist existing Alberta companies that are diversifying in growing faster. I think the Prince Rupert terminal, which is a potential future heritage fund investment, could be shown to be diversification in the saving of some \$20 million a year to Alberta farmers and the results there.

The Premier, in his recent appearance before this committee, talked about venture funding, which is something we're looking at now that could be funded through the Heritage Savings Trust Fund. There again, such a plan when devised could well lead to heritage fund venture financing of diversification industries. So those would be a few of the ways in which the heritage fund is assisting diversification.

MR. R. CLARK: Just one last question, Mr. Chairman. I have some difficulty understanding how Syncrude, the Cold Lake project, and other projects like that are seen as part of diversification, when today close to 60 per cent of the province's revenue comes from non-renewable resources. I guess that becomes the basic difference in point of view. I don't quarrel at all with the number of areas the minister has just outlined. But when we talk about diversification and say that petrochemical plants, Syncrude, the Alberta Energy Company, and oils sands research and technology program -- I don't quarrel with the money being used for that program, but to justify that as diversification, when now clearly 60 per cent of the revenue of the province comes from that very area -- I simply find that very difficult, Mr. Minister, to see as diversification if you look at diversification from the standpoint of broadening the economic pillars of the province.

MR. HYNDMAN: I think that argument might have some validity with respect to the conventional oil industry. But if you look at the industrial and manufacturing spinoff that occurred in, say, Edmonton and Calgary and even many smaller centres in the province in the building of the Syncrude plant, the fabricating, the new technology, the industries which came from other parts of the world, Canada, and North America to work with Albertans in building that plant, there is clearly, in my view, a diversification of the Alberta economy.

We can debate that at length. But I think there is no question that if you look at the wide range of especially the skills that are permanently at the tar sand plant and will be at the Cold Lake Plants, that is a diversification. It is certainly based on a petroleum resource, but a petroleum resource that is not by any means disappearing as fast as the

conventional oil resource, with potential reserves as large as the Middle East, if they can ever be extracted. So I maintain that if you looked at all the spinoff and the various industries and new industries and extra jobs created by the Syncrude plant and the multiplier effect, you would find the diversification of significantly large size in the whole province when that occurred. And that will occur, I think, with every future oil sands and heavy oil plant.

MR. R. CLARK: Mr. Chairman, just one comment rather than a question. Mr. Minister, from the very people who were involved in those projects, they'll tell you that that spinoff is there as long as we've got a Syncrude, Cold Lake, Alsands, Peace River, or Wabasca plant going at all times. That's the very question all of us have to ask ourselves: if we want to become that dependent on oil sands plants under construction all the time. Mr. Yurko used to talk about two, three, and four at a time. If we're going that way, your definition of diversification, from people I've spoken to in the industry who have had a lot to do with the Syncrude fabrication and the skills and so on developed there -- that's valid if we're in a situation of projects two, three, and four at a time.

MR. HYNDMAN: That's one of a number of aspects of diversification, as I say. Certainly the diversification occurring with respect to our renewable resource, particularly agriculture and the future forestry, is equally important.

I think it would be questionable to suggest that there should not be a very close look at the future opportunities of expanding and finding the secret to an indigenous North American oil supply. When you look at the fact that the United States is now held hostage to the Middle East, and the potential of finding the secret of those deep sands through AOSTRA, and the scenario in North American oil supply following that, there's just no question that we should continue it. I think it is another aspect of diversification. Too great a reliance on it would be foolhardy. We wouldn't be proceeding in that way.

Mr. Bradley in the Chair

MR. R. CLARK: No one is saying we shouldn't be involved in the AOSTRA program. All I'm saying is, let's not try to sell it as diversification.

MR. HYNDMAN: I believe it is.

MR. SINDLINGER: I have a series of questions, but another issue has been brought out by the conversation just now. With regard to petrochemicals as diversification, Mr. Hyndman, I understand the petrochemical business is encouraged for diversification. I understand petrochemicals to mean chemicals that are derived from petroleum products. Yet the petroleum industry has a declining base. Could you explain how the petrochemical industry will provide diversification for the province after the raw material source has depleted?

MR. HYNDMAN: I guess we have to look at the latter part of the question, which is the depletion of the raw material source. A petrochemical industry can be based either on oil, through naptha, or on natural gas. In this province it's essentially a natural gas base. The rate at which discoveries have been made by the private sector and by the explorers of natural gas and the policies of

the government and the ERCB in terms of a 30-year rolling supply I think suggest that while it is a finite resource there are probably few places in the world that have a guarantee of feedstock for a sophisticated petrochemical industry as has Alberta. If the explorers are provided with incentives such as they are presumably using in the Elsworth field and finding new supplies of natural gas, it would seem that for the foreseeable number of decades we have the potential of a guaranteed natural gas feedstock situation for the petrochemical industry.

I would certainly concede, though, that it's a finite and disappearing resource, and that if we reach the stage in four, five, or six decades where there is not going to be that feedstock, then we will have to turn to what the research is providing in terms of such things as coal liquefaction and gasification, which could be the feedstock source into the next century.

MR. SINDLINGER: Then what you're really saying to me is that we are developing an industry that again is based on a non-renewable asset. Is the government at this time or in the near future planning a major research project or study which would identify ways in which the economy can be diversified and, more importantly, the role the heritage fund could play in that diversification?

MR. HYNDMAN: I think that's really what the committee has been doing in its deliberations and what the Assembly has been doing during the discussions particularly every fall as to the goals of the heritage fund.

MR. SINDLINGER: This committee, or the investment committee?

MR. HYNDMAN: This committee is, I would think, one.

MR. R. CLARK: We are?

MR. HYNDMAN: I think the committee has been reviewing the areas of investment from the point of view of reporting on them to the Assembly. In reviewing the areas of investment, and under the parameters of the heritage fund Act, it seems to me that the committee has been suggesting areas -- some are undoubtedly unanimous and others are not -- in which the heritage fund could or should be invested within its legislation.

MR. NOTLEY: The province doesn't rest on our research, though.

MR. HYNDMAN: [Inaudible] the ideas and suggestions of intelligent amateurs, for which I have a high degree of regard and respect, not particularly the research therefrom. I guess one of the restrictions with respect to diversification by the heritage fund is the fact that the government strongly believes that the private sector should and is capable of providing the engine for development of new initiatives of diversification, and where possible should provide the financing as well. In many ways that has been happening in this province without the necessity of an injection of moneys from the Heritage Savings Trust Fund.

With 3 per cent of the population and roughly 16 per cent of all the investment in Canada, the province has been generating initiatives by the private sector through private-sector financing just about at the maximum limit. If there are new suggestions for diversification for the fund -- and we certainly welcome them -- I guess we have to get specific as to where that diversification should be. I don't think anyone wants to get into

artificially supported companies that cannot fly in the market place, such as the shoe factory and box factory in Saskatchewan in the last couple of decades . . .

MR. SINDLINGER: Mr. Chairman, with respect, I feel the minister is getting off the question. I have two supplementary questions, if I may.

First of all, what criteria does the investment committee use in electing between alternative projects. For example, if the Alberta government were, as has been reported, considering investing in Neptune Terminals, why would the government invest in Neptune Terminals as opposed to, say, Terminal X or Vancouver Wharves or Roberts Bank? What are the investment criteria?

MR. HYNDMAN: There's never been any suggestion that the situation with regard to Neptune Terminals would involve the heritage fund. Nor has the situation with respect to the three grain terminals purchased through the federal government -- that is not at the moment considered a heritage fund investment. But the Prince Rupert port facility is.

MR. SINDLINGER: What's the difference between Prince Rupert and Neptune? You classify Prince Rupert as an opportunity for diversification for Alberta farmers. How would Neptune differ from Prince Rupert in that respect?

MR. HYNDMAN: With Prince Rupert, its parameters and objectives fit very well. I think, within the fund, depending on the financing arrangements which result. Those haven't been finalized. It could fit partly into the Alberta investment division, which of course has to yield a return, or the capital projects division, which does not. But I think the feeling clearly was -- and I think this was reviewed last year as well -- that the savings to Alberta farmers, the demurrage savings, the faster throughput to a west coast port, could justify funding by the capital projects division essentially in that Prince Rupert terminal. That has not yet been decided on, the method of financing, but it will come down the road. The other investments, I think, in the case of the Neptune situation -- I have no details on that at the moment, but it's certainly not something considered by the Heritage Savings Trust Fund -- would proceed on other parameters.

Mr. Payne in the Chair

MR. SINDLINGER: Let me ask the question again. In terms of economic diversification, what criteria would be used to invest in project A as opposed to project B?

MR. HYNDMAN: I suppose first there would be efforts made to ensure that the private sector couldn't carry all the financing, whether it is debt financing, equity financing, or guarantees. If that was not immediately apparent, then perhaps attempts would be made to pull together a group of private-sector people who could be stimulated into doing whatever that project was. Because if there is a market for a diversification enterprise, and if it will fly in the commercial area and in the hard light of the business transaction arena, then the private sector will probably do it, because the people in this province have the initiative and ability to do it. If, however, the diversification needs perhaps a special boost from the government, either through the heritage fund or maybe the General Revenue Fund, to overcome our natural disadvantages of not being on tidewater, having a small market of 2

million people, being 4,000 miles from the big markets of the northeast and California, facing an unfair freight rate system and a tariff system that causes problems -- if it is necessary to have the provincial government get involved there, then we would perhaps consider it and recommend it to the investment committee.

MR. SINDLINGER: Thank you, Mr. Hyndman. What I was leading up to next would be the report you gave us when you first appeared before us. It was a report in response to the 1977 and 1978 heritage committee recommendations. In that report you gave the response of the government to the recommendations made by this committee.

MR. HYNDMAN: The investment committee responses.

MR. SINDLINGER: The investment committee responses. The reason I was asking what the criteria are for investment between alternative projects was to get some idea of what reasoning the committee used in regard to the responses to the recommendations of this committee. I might ask you to give me an idea: in your opinion, of those recommendations made by the '77 and '78 legislative committees, how many recommendations were responded to positively by the investment committee?

MR. HYNDMAN: I don't have it here. Without going over the detail of it, I have difficulty in answering that. I think the responses generally indicated that a significant number -- well over half -- had seen some positive response in some form or other, not necessarily directly what the committee had suggested but a movement in the area in which the committee had made suggestions. Without doing a survey of each one, I couldn't indicate further than that. But I think there was a positive response, probably to over half -- closer to two-thirds.

MR. SINDLINGER: Mr. Chairman, the reason I bring this up is that I think it's important that this committee know what criteria are used by the government in choosing between investment projects for the heritage fund. I went through the report submitted by the Provincial Treasurer, and just using the material based in here -- I have to acknowledge that this is not very objective -- of the 12 recommendations for 1977 it seems that the government responded positively to one, rejected nine, and I couldn't figure out what the other two were. The only one the government responded positively to was the one that the minister ought to decide who he should bring with him to the committee.

MR. HYNDMAN: [Inaudible] subjective assessment.

MR. SINDLINGER: I agree it's subjective, but I think it's important, in light of some of the comments you made here earlier this morning. In response to Mr. Pahl or somebody you indicated . . . He asked, where do you get your investment advice? Among others, you said, you get your advice from this committee. So if that's the response the government has to the recommendations this committee makes, I think we as a committee had better sit down and figure out what kind of criteria you are using, so that we can give you responsible recommendations. I'd just like to note that, Mr. Chairman.

MR. BORSTAD: With the recent announcement of the million-dollar loans to businesses establishing their head offices in the province of Alberta, will it

be the intention of the government to try to direct those businesses, when they come into this province, to locate in cities outside the two major centres. I realize that causes some problems because of transportation rates and what not. I'm just wondering if you would be trying to direct them to the smaller centres, or whether that . . .

MR. HYNDMAN: Generally not, and in any event that would be a matter completely separate from the question of the loan. The investment in the new corporate debt instrument of a company would be purely on the basis of the best return, and in order to get the best profit for the fund. If the provincial government loaned \$5 million in terms of a \$10 million new corporate debt issue, and there were four other private-sector companies or pension funds involved in loaning the balance, that would be a strictly economic transaction. It would be from the point of view of debt financing, not from the point of view of influencing the operations of the company that was either in Alberta or coming to Alberta, or its location. That's not to say that we might, as we do from time to time, indicate the benefits and advantages to private-sector companies newly coming into the province of moving to area outside the two metropolitan areas, although those must and will remain strong and viable. They would be two separate situations.

MR. BORSTAD: It would be strictly a business deal, then, and not necessarily trying to . . .

MR. HYNDMAN: It would certainly not be a condition in any respect, because our commercial transaction loans -- the objective being to gain a return for the fund and to provide an income for the fund. That's the key and essentially sole criterion.

MR. KNAAK: Mr. Chairman, I wonder if I might be permitted to make a comment rather than a question. It relates to the earlier discussion between Mr. Clark and Mr. Hyndman, and I think it's pertinent to the Heritage Savings Trust Fund and its uses in diversification.

MR. CHAIRMAN: Please proceed. No one else has felt restrained in making comments to this point in time.

MR. KNAAK: Thank you. I felt that.

One of the things I wanted to make sure of was that the minister isn't left with a misimpression from this committee. We all seem to be expressing our personal views, and so will I. One of the things that's easy to say is, let the government act in diversifying the economy; what have you as a government done in a program way -- without that word's being used -- to diversify the Alberta economy? Even by speaking in that way, I think, we leave an impression that the government should institute programs. I'm almost left with the impression when Mr. Clark talks that we should be promoting a shoe factory, as Mr. Hyndman said, or another Bricklin industry, or something in that manner.

MR. R. CLARK: Or another editorial.

MR. KNAAK: Surely, if we're beginning to diversify, it only makes sense to begin diversification in those areas where the province of Alberta has a natural advantage within the Canadian and international context. Those areas

just happen to be natural resources, agriculture, petrochemicals, and the resources of its people -- as we've called it, a brain type of industry. It would be foolish to try to diversify through a government thrust into areas in which we don't have a natural advantage in Canada.

The other thing I want to leave my own impression of with the minister -- I think it's much more important to have a neutral stimulus. By that I mean I don't think you should so much direct attention to one industry -- although that should be done as well in terms of energy -- but a neutral stimulus as is happening through tax reductions and through assuring that the funds of the trust fund are in the banking system. This kind of neutral stimulus creates a climate in which all businesses come to Alberta and really choose their own area in which they expand. One of the real dangers I see in thrusting government programs on an existing economic structure is that you may create an oversupply in any number of industries. What will in fact happen is that existing businessmen who have struggled through the hard times and are now successful will be swamped with newcomers, and you end up with such an oversupply all the businesses are really in a dire financial strait.

The other thing we have to remember is that right now we're really in a tight labor market. Everything is tight. We're really in a boom area in Alberta. At this time it would not be appropriate, in my view, for the government to take very strong initiatives to create a lot more employment through government programs, when in fact there is already a shortage of almost every skilled trade in Alberta. I think it takes careful assessment when the government should move very strongly again in directions creating an even tighter labor market. My own impression from my own constituents' communication is that it's very difficult for small struggling businesses now to find adequate labor, and to begin to compete with other parts of the country, just because of the very tight labor market. Any more stimulus at this time in the big centres and even in the smaller centres could have some difficulties.

I think an important thrust of the trust fund could be -- and although it hasn't been mentioned, I'd be interested in hearing whether this is done -- somehow to use the fund and the budget to act counter-cyclically; in other words, when you anticipate no major construction taking place, at that point government funding and initiatives take place again. So you don't have a continuous policy of diversification, and I hope not diversification in industries where we don't have a natural advantage, and not at a time when we're already overheated.

So just to sum up, I think the programs the minister has mentioned, especially in research, the strengthening of agriculture and petrochemicals, is natural. My fear would be to talk in terms of diversification as if it's feasible in other areas where we don't have a natural advantage, and really end up with a Bricklin, a shoe factory, or a TV factory that just does not survive.

MR. CHAIRMAN: Thank you, Mr. Knaak. Mr. Hyndman, buried within Mr. Knaak's somewhat protracted comment there was an implied question related to counter-cyclical strategy. Did you wish to respond to that buried question?

MR. APPLEBY: Did you get it?

MR. HYNDMAN: I recall mentioning that in the budget with respect to the \$700 million in capital that we were providing during the '79-80 year by reason of the fact that we were at a plateau with respect to the big energy projects.

I'm not sure whether the Heritage Savings Trust Fund should be used as the instrument of a counter-cyclical program, if one were to be involved. I think probably the General Revenue Fund and the budget as an instrument would be a better way to do it. But it's a useful suggestion.

MR. NOTLEY: I'd like to go back to Mr. Sindlinger's first question. Although I think this may entirely destroy Mr. Knaak's position in the caucus, I do agree with a number of the points he's made.

MR. MUSGREAVE: He's already suspect.

MR. NOTLEY: The very first question, it seems to me, is crucial; that is, has there been an inventory, if you like, by the Department of Economic Development of what is possible in the province? Because we've had a number of statements made by public leaders over the past seven or eight years. Was any research project undertaken in the last six months to flesh out what has been discussed publicly by many of us at different times?

MR. HYNDMAN: I imagine it's an ongoing process, in the sense that the department, and I guess the government, is constantly trying to identify those areas which have potential promise in, say, high-technology areas for the province of Alberta. Now I guess that list will shift back and forth, depending on what the opportunities are. There are obviously some things, because of our natural disadvantages, that we would not be pursuing. But in the areas of high technology, pharmaceuticals, brain-power industries relating to research parks -- all those plus a host of others would be the prime targets for diversification. I'd imagine as Mr. Planche moves into his portfolio we'll find more details as we move along.

MR. NOTLEY: But I think Mr. Sindlinger asked has there been in the last six or seven months, since this department was established, any commitment to launch a full-scale inventory, if you like, of what could be done?

MR. HYNDMAN: No, I don't think in a formal way that has been done. I think it's an integral part of the department and as new personnel come into the department. From the advertisements the committee has undoubtedly seen, you can have some idea of the capabilities that are being looked for, people who can give advice in the financial area and in various other manufacturing areas. But I would think it may be some weeks yet before one could tell whether or not such an assessment is carried forward. But to my knowledge, no such formal list or inventory exists at the moment, although the work in those areas goes on on a continuous basis.

MR. NOTLEY: I'd just like to pursue this business of the so-called neutral stimulus. I really wonder to what extent we're in a position to even say there will be a neutral stimulus unless we've done a pretty careful inventory. Let's just take two areas, for example: the diversity you've suggested would come to the economy if we go ahead with Cold Lake and Al sands on one hand, and agricultural processing on the other -- two areas of presumably natural advantage.

Yet if anything came out of the Syncrude project, it was that the impact of the Syncrude project, of that kind of vast capital commitment, spills over into everything else, and that the person who is trying to build an agricultural processing plant that is designed for \$.75 million suddenly finds

that's \$1.5 million. I guess the point I want to question you on is to what extent is the department in a position to look at where the trade-offs have to be made.

MR. HYNDMAN: I think it would be in a position to give advice on that to the government, in concert with the other departments. On the point of the extra cost: you suggested perhaps Syncrudes stimulate a large degree of inflation. But in fact the inflation rate in this province has either been equal to or slightly less than the national average over the last five or six years. There is no question those kinds of projects call upon any services and create a high demand. So there is always the potential there for higher inflation.

But I think the department in this sense would have to work very closely with all the other ministries and with the statistical information and projections available to it in assessing where the areas of real promise and potential would be and making sure emphasis is put on those, that we build on our natural strengths and not try to work in artificial areas.

MR. NOTLEY: I don't quarrel with that. I don't want a shoe factory or a Bricklin or a Clairtone or what have you in Alberta. But I think the question really is: if we're going ahead with what could be three major projects over a relatively short period of time, albeit not all peaking at the same time but all at one stage or another, the concern I have is the impact that will have on the renewable resource section of the economy. I don't think, Mr. Minister, there's much doubt about it. You can't invest \$5 billion or \$6 billion in one corner of this province and not have a pretty profound effect on the cost of materials, manpower, supplies, what have you.

MR. HYNDMAN: Well, I certainly wouldn't want to have a severe setback dealt to the renewable resource industries, such as agriculture and forestry, by reason of progress being done on, say, large energy projects. The trick would be to balance and to try to ensure a reasonable availability of talent and skills and money for the growth in all those sectors.

MR. NOTLEY: I just have two other questions, Mr. Chairman. Last winter the Deputy Premier announced a freight rate grouping project (inaudible) quite useful in the province, and brought down freight rates for some shippers. But that was not applied to the NAR, which is owned by both the CNR and the CPR. Now if the arrangement had been made with these two railroads separately, I've always been mystified as to why it was not applied to the NAR. In trying to contact that railroad I wasn't able to discover any reason. That does relate to diversification.

MR. SINDLINGER: Mr. Chairman, I'm not sure how this is pertinent to the heritage fund. Perhaps Mr. Notley might explain it.

MR. NOTLEY: Sorry. It relates to the question of diversification. It was one of the initiatives of the Deputy Premier. But if there is a problem with other members with that question, fine. But I am interested in why that wasn't done.

MR. HYNDMAN: Frankly, I don't know, Mr. Chairman, but I'll try to find out and provide the committee with the information.

MR. NOTLEY: The other question, Mr. Chairman, is: what role does the Department of Economic Development have in looking at the power requirements of the province in order to meet diversification and economic development. One of the recommendations, I believe from Mr. Dorstad, we're going to have to look at a little later on is possible investment from the heritage trust fund in energy or power related projects. Has there been any role by the department in the last six months in sitting down with the minister of utilities and saying, all right, we're going to have X increase in our needs and perhaps are prepared to look at investment from the trust fund?

MR. HYNDMAN: Well, there are and will continue to be expanded close links between Utilities and Telephones Department and Economic Development, because, clearly, economic development and diversification imply the use of all forms of power, electrical and natural gas and every kind. So there's a close working together relationship in the planning of that. With the figures indicating that the rates of growth, the rates of demand for electric power now and in the next, say, decade or two are going to be very, very high -- and therefore the capital costs very, very high -- that has to be an integral part of the planning of economic development. You can't have development going ahead of the energy supply. The on stream times now I gather are six to nine years for large plants. So you have to do some projections with your economic planning to ensure they mesh with the power for whatever developments are contemplated.

MR. SINDLINGER: Mr. Minister, in regard to the Prince Rupert project, the \$100 million development there, it's my understanding that the rail bed from Prince George to Prince Rupert is 100-pound steel only, as opposed to 130-pound steel which would carry 100-ton hopper cars. With the steel that exists today, hopper cars could carry only about 70 tons over that line. Are there any discussions or plans to use heritage funds to assist in the upgrading of that line into Prince Rupert, so these large cars could be most efficiently utilized?

MR. HYNDMAN: Not to use the heritage fund. There have been discussions with the railway over the last number of months. My understanding is that the Canadian National has indicated that either now or, in any event, prior to the opening of the new Prince Rupert facility they will be upgrading and paying for the heavier strength rail and road bed necessary for the new cars.

MR. SINDLINGER: Could you give me an order of magnitude for the investment required for the upgrading?

MR. HYNDMAN: I don't know what that would be, but I'll find out through the CNR what they contemplate that would be. But you're right that upgrading has to occur -- certainly larger, stronger rails and probably road bed as well. I'll get back to the committee on that.

MR. E. CLARK: Mr. Chairman, just two areas. Mr. Minister, how -- let me put it this way. When we talk about the brain power industries, and the government has now set this up as one of the areas they feel Alberta can move ahead in. What kind of co-ordination do we have? It seems to me if that is the government's view, that some three or four years ago we should have been looking at our universities and graduate and undergraduate programs and started to beef those things up there. Mr. Minister, I ask the question, and

it relates to my first comment that the minister, likely properly so, indicated should be something to be discussed with the Premier and not the minister, about really the high profile of the minister in Economic Development. It seems to me, if we look at this brain power industry it's an example of a need for co-ordination and that someone has to have the ability within the overall government to keep their eye on the ball as far as longer range priorities are concerned. Now the government has now decided the brain power industry is the in thing.

MR. HYNDMAN: One of them.

MR. R. CLARK: Okay, one of the in things. All one has to do is look at the number of students who are taking part in postsecondary education in Alberta. As the chairman of the Alberta Research Council has told us and people at the university have told me, you know, our situation isn't that good in comparison; we kind of rank with Newfoundland, I believe is the most recent comparison. It seems to me, Mr. Minister, that if we're going to do these kinds of things, there has to be some planning done ahead of time so we have the thing in gear when we make these kinds of decisions. I use the brain power industry as a pretty glaring example, in my judgment, of where this has become one of the in things but none of the background work has been done to get the governmental apparatus in position. I see that as one of the very major responsibilities of this Department of Economic Development. I see it simply not being done to date. How is that handled, Mr. Acting Minister?

MR. HYNDMAN: I wouldn't agree it hasn't been done, because any devised policies with respect to economic development have to relate very closely to what's happening with Mr. Horsman's area in Advanced Education and Manpower, and the present and predicted areas of graduated expertise from colleges, technical schools, and universities. So that's basic.

For example, in the area of the medical research foundation, it's quite clear that while we have some very capable and excellent expertise in medical research available in the province, one of the goals of the medical research foundation will be to entice people from all over the world to come. That, I think, is recognized as well: that in addition to using your indigenous brain power, we're going to want to entice to Alberta those with other skills to offer.

Clearly there has to be co-ordination and a meshing with the education system. But with the potential success, for example, of Chembioned, that indicates that the university, in that case the University of Alberta, can be a place where a brain power industry can develop in the private sector way from an educational institution, with government as a catalyst.

But I'm confident Mr. Planche will be using that kind of approach and providing that kind of leadership.

MR. R. CLARK: Mr. Chairman, just one comment before I ask the next question. Mr. Minister, the kind of situation we find ourselves in is the loan that went to either Nova Scotia or New Brunswick was used to upgrade their medical research facilities and are now attracting people from Alberta down there. That's the loan that province got from the Heritage Savings Trust Fund, which seems to spell out the point that no one seems to be clearly on top of the overall picture that's being developed.

MR. HYNDMAN: Well, you're suggesting that there should be a policy whereby loans to other provinces under the Canada investment division should only be made within certain fixed parameters, on the basis that the money loaned could not be used in areas A, B, C, D, E, F, and G, because Alberta would feel they'd be causing problems here. I don't think you'd have a Canada investment division if you did that, because none of the other provinces would want to borrow money -- certainly at any interest rate -- with those kinds of restrictions on the use. The Canadian government doesn't sell Canada bonds on the basis that they only be used for certain areas. I think we'd really have to say goodbye to the Canada investment division if we wanted to do that. Our policy quite clearly is that once those moneys go to either a Crown corporation guaranteed by government or the government, they are then for their own use within their general revenue fund or other purpose they'd want to have. Otherwise I don't think you'd have a Canada investment division -- at least you'd have one, but you wouldn't have any moneys lent from it.

MR. R. CLARK: Might I just say this, Mr. Minister. I'm not saying that we tell the provinces what to do with the money that's lent from Alberta. But it does seem to me rather foolish when money we lend to another province is used to attract Albertans to that province, when in fact it's an area where we're going to spending some \$300 million in over the next 10 years.

Mr. Chairman, the other question I want to ask is: when the government acquired PWA -- and I ask this question because Dr. Horner responded to this last year when he was minister responsible for PWA, so I assume the same question can be asked here -- it was going to be used primarily for two things. One was for economic diversification in using PWA freighters to get Alberta agricultural products into the markets of the world. I'd be interested in a progress report on how successful we've been there. Have we bought some more freighters, because we sold the former ones off.

Secondly, what progress are we making in getting direct PWA flights to Whitehorse and Alaska?

MR. HYNDMAN: I'm not up to date on those two matters. I'll take the question as notice and provide the committee with information.

MRS. FYFE: Mr. Hyndman, I wonder if you could comment on an example such as the capital projects division grazing reserves development which expended less than 50 per cent of the appropriation allocated to it. I ask this question in terms of I hate to think that this fund would become a so-called slush fund, where amounts are available without concern for proper budgeting. When I asked this question of the minister, the explanation was given that it was very difficult to forecast due to weather and climatic conditions in one season. I wonder if there has been thought from your department as to looking at more of a five-year forecast or is one year a practical budget term that we should be looking at?

MR. HYNDMAN: I think in fact it's a good sign that in the heritage fund reports there are, in many cases, unexpended amounts. It indicates that rather than pursuing a policy of trying to spend everything by the end of the fiscal year, the various entities implementing the programs are only doing as much as they can. Part of the reason for the amounts differing is that in many cases, because we're moving into new areas that would not normally be done and are only being done because there's a heritage fund capital projects division, it's very difficult to predict how much can be accomplished and what

moneys will be spent. The objective is to try to spend them wisely and not simply throw dollars at the problems.

So I think there are going to continue to be variances between the amounts spent and the amounts voted, probably even on a one-year projection basis. On a five-year basis it may be, in most cases, very difficult to project what that would be. But I think internal estimates may be all we can do. It's very difficult to predict either revenues or expenditures over five years.

MRS. FYFE: So you have not at this point been encouraging the various programs to look at a five-year program or whatever term rather than just the 12 months.

MR. HYNDMAN: Each one is involved in a program that in many cases involves more than one year. I think the grazing reserve program was two, three, or four years, and had a planned, phased operation and would be reviewed in four years, as was I think the farming for the future program. Others are in some cases one year. The Health Sciences Centre, for example, will end when it's built.

So each one varies, and internally I think there's a plan to move down the path of either one, two, three, or four years. But numbers are going to be hard to predict.

MRS. FYFE: One further question, Mr. Chairman, that relates to the applied health research. Once again, the amounts expended, particularly in heart research, were considerably lower than those appropriated. How would you feel that that category would be affected by the new medical research program. Were we not able to spend that amount of funds? Were the scientists not in Alberta to carry out the research? There always seems to be the cry that we don't have enough moneys available, yet we haven't spent what's appropriated.

MR. HYNDMAN: I think it's going to be an area where we're going to have to mesh them together very carefully. The Calgary projects of the capital projects division, for example, will require some very careful phasing of how it operates. I guess it's the same in medical science as most others, that you can't solve problems by simply throwing money at them. All you can do is estimate as best you can in terms of what it will cost. Sometimes if there's a breakthrough, you may suddenly need or could use many more dollars than are actually voted. I think the way research is done, sometimes months or years go by at a very low level of cost before there is a breakthrough.

So I think it's an area that is unpredictable, researchers will tell you. All we have to do is try to give very much of a ballpark estimate and then have the moneys available when and if there's a potential breakthrough needed that will require larger funds.

MRS. FYFE: That's why there is such a disparity in the figures -- that we appropriating more assuming there may be a breakthrough?

MR. HYNDMAN: No, I think what we've done is in effect secured from those people who are operating programs their best estimate of what would be needed in a given year. But even they know that they can't predict how much that will be. The funds are not paid out on the basis that they should be spent in any event before the end of the fiscal year.

So there are inevitably going to be in all areas, but probably especially in the health research area, variances between what is actually voted and what is actually spent.

MRS. FYFE: Well I would agree that there are likely to be variances, but I think these are very large variances.

Would the applied health research fund be swallowed up by the medical research foundation, or would there still be a separate category in subsequent years?

MR. HYNDMAN: At the moment it would continue to be a separate category, because we have different objectives. We can debate where the difference is when we proceed with the debate on the medical foundation in not too many weeks.

MR. CHAIRMAN: Before acknowledging supplementaries from Mr. Sindlinger, Mr. Clark, and Mr. Bradley, I would like to remind members of the committee that I did undertake to both Mr. Adair and Mr. Hyndman that we would try to confine ourselves to an hour, or thereabouts, because of other conflicts they had today. Mr. Sindlinger.

MR. SINDLINGER: Mr. Hyndman, the last question has raised a question in my mind in regard to planning. Is any long-term planning being done for the fund investment, say over five years or longer, as opposed to *ad hoc* investments from year to year?

MR. HYNDMAN: The investments themselves vary in terms of their maturities from 30 days up to about 15 or 20 years. I think some of them go that far. But in terms of the planning with respect to future moneys available for investment, it's very difficult to do that. For example, at the moment there are as you know ongoing negotiations with respect to the prices of nonrenewable resources, 30 per cent of which will determine the size of the fund. So it's difficult, except within very big parameters, to project what moneys would be available in future years.

MR. SINDLINGER: Just one further supplementary, then. From the comments that followed my initial question about studies or research being undertaken, I seem to have the impression we're referring to things in the past. Are there any plans for studies to be undertaken in the near future in regard to the disbursement of funds, investments or expenditures, on a long-term, coordinated basis?

MR. HYNDMAN: There are ongoing studies as to, for example, the merit of investing in various various kinds of fixed-income securities, what will happen to the world, North American, Canadian, and Alberta economies over the years ahead, what has been the track record of these various possible investments. For example there's not much going on as to whether gold is an investment of the Heritage Savings Trust Fund, because quite obviously it would not be showing the I think necessary faith in the Canadian dollar by investing in gold. Now in a normal, straight, clean investment decision one would look at gold and what to do in investing in it.

Similarly, there wouldn't be a policy assessment made that would involve the Heritage Savings Trust Fund buying large amounts of real estate in Alberta. That might be, by some assessments, a good long-term investment, but I don't

think we want to run the danger of reinventing the feudal system in this province, which would result if large amounts of heritage fund money were buying land. But in the area where the heritage fund is now investing and in the potential area of venture funding that we're looking at, studies are ongoing; possibly even equity areas, although those will be limited by reason of the philosophical parameters the Premier explored.

MR. SINDLINGER: In terms of long-term disbursement, I would suppose that the objectives given in Section 6, that is, "long-term economic or social benefits . . . to strengthen and diversify the economy" would give direction to the use of the fund over the long term. Is there any intention at this time to change the objectives of the fund that would result in a change of direction?

MR. HYNDMAN: I guess the parameters of the fund are constantly under review, and it may be, depending on the rate of the fund's growth or its mix, that in future years there could be other investments made. At the moment, some of the potential set within the Act has not been acted on in terms of investment, but if it appears that the amounts of money in the fund would grow, say, at a faster than normal rate, it may well be advisable to look at options, such as other investment areas perhaps. It wouldn't have the parameters in the present divisions. So I think that has always to remain open. It could be that there would be even other divisions recommended in the future. I'm keeping that under constant review.

MR. R. CLARK: Just one short question to the minister. What is the government's policy in the pricing of natural gas for use in the chemical industry in Alberta and for use by prospective new industries that the government hopes to attract to the province? I ask the question in light of the comments made by the minister that the government was prepared to make use of low-price feedstock to attract industry to Alberta.

MR. HYNDMAN: I didn't mention low price before; I did mention feedstock supply. I think in many cases around the world now the question of supply of either oil or natural gas is more important than price. At the moment, and of course over the last few years, these petrochemical plants have been developed on the basis of their own private-sector viability. I think they would continue that way. However, I certainly wouldn't close and bar the door with respect to a future policy that could involve natural gas perhaps being made available at a rate to Alberta petrochemical plants better than the commercial rate.

It seems to me that if we do have a unique world asset in natural gas, if that could be used to fuel projects that involve basic diversification, new jobs, better jobs, an economy that will stay viable and stable, maybe we should consider that option at some stage. I wouldn't say that would never be an option.

MR. R. CLARK: But the present policy today is that the gas should be sold at the going rates.

MR. HYNDMAN: Under what is it, a billion cubic feet per year, the natural gas protection plan would kick in, so that would be the only exception to that statement. At the moment that is the policy.

MR. BRADLEY: Mr. Chairman, a comment and I guess a question. We've talked about economic diversification in terms of the agricultural industry, the petrochemical industry, and some of the nonrenewable resource industries. I have a strong feeling that tourism, which is presently the third largest industry in the province, is an area we could look at in terms of economic diversification using Alberta Heritage Savings Trust Fund money, particularly in the area of infrastructure, perhaps, roads for tourism, creating major destination areas throughout the province.

I'm thinking that we have a lot of natural beauty and attractions that are either inaccessible or haven't been developed because the private sector could not develop them. In my own constituency, I'm thinking of some caves that are the second largest and second deepest in North America, which I don't believe the private sector could develop, but an investment by the fund, in terms of putting in the infrastructure, roads, and access and then perhaps leasing them back to the private sector for operation is something we could consider.

I'm also thinking of the Grande Cache area. We just had a study come down there identifying some things that could be done. Would the government consider that type of investment in tourism-related facilities, infrastructure, or creating destination areas as a proper investment for the fund?

MR. HYNDMAN: There is already investment through the Alberta Opportunity Company in many aspects of the tourist industry. Maybe Mr. Adair would comment on that.

MR. ADAIR: I would like the opportunity to speak to that. That certainly is one area where we're looking at making a presentation to the Heritage Savings Trust Fund committee, relative to the kinds of things you spoke about, Mr. Bradley, particularly destination areas. That must happen, though, only with the cooperation of and at the request of the private sector, the industry itself. One of the things we have been doing up until this point has been working with them to identify those areas that could lead to future development of tourist destination points in the province of Alberta. I should maybe add another qualifier: those are areas other than, but also including, the eastern slopes of the Canadian Rockies.

MR. CHAIRMAN: There apparently being no more supplementaries of Mr. Adair or Mr. Hyndman, on behalf of the committee I'd like to thank both ministers for being with us this morning. Might I suggest, Mr. Hyndman, you have taken two or three questions as notice; perhaps your responses could be directed to the committee through my office. I'd appreciate that. Would the committee like to have a 10-minute break at this time?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: At 10:30 we'll reconvene.

MR. CHAIRMAN: Perhaps we could come to order, ladies and gentlemen. You should have before you redrafts of consolidations of several recommendations. They are: the consolidated scholarship recommendation -- and I believe Mr. Sindlinger is the author of the edition you have in front of you; secondly, we have Mr. Stewart's redraft of his recommendation related to public land development; thirdly, we have the consolidated homestead development recommendation, which I believe was drafted by Frank Appleby in concert with

the three members of the committee who had submitted homestead-related recommendations.

Let's take them in that order. I assume we don't require too much discussion, because each has been thoroughly discussed in its fragmented form. Perhaps I could invite Mr. Sindlinger make a comment just to refresh our memories, if such refreshment is needed.

MR. SINDLINGER: Mr. Chairman, what you have before you is the consolidation of two recommendations for scholarships and the Heritage Fund. There was a fourth recommendation discussed at our last meeting, but that was dropped by consensus. I think this stands for itself the way it is.

MR. CHAIRMAN: Would committee members care to read it now to reassure themselves it does reflect the consensus we reached last week? There is a modest typographical error in section a, "achievements." And I presume in section c we need a plural, "for provision of graduate scholarships." Agreement?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Thank you. Moving to Mr. Stewart's. Mr. Stewart, do you wish to comment on the redraft?

MR. STEWART: I think that most of the preliminaries that were expressed have been deleted and what I have left here are the bare bones of the recommendation. Whether it's satisfactory to the committee or not, I'm interested in your comments.

MR. CHAIRMAN: It's brief enough. Why don't I just read it out:

RECOMMEND that a program of land reclamation be implemented on grazing leases and land on the fringe of present developed land to increase the production capabilities of livestock in these areas. This should be a long-range program to enable our industry to maintain its share of the Canadian market.

MR. R. CLARK: I just have one small problem; that is with the matter of the share in the Canadian market. I'm not too sure we want to maintain that, that some time down the road we don't want to increase our share of the Canadian market. But it isn't a major difference in my view. I think we should be striving for a larger share of the Canadian market, frankly.

MR. CHAIRMAN: Would you be satisfied to have that qualification in the minutes and in the transcript?

MR. R. CLARK: Sure, that's fair ball.

MR. CHAIRMAN: Agreement then on Mr. Stewart's redraft?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Thank you. Thirdly, Mr. Appleby has been called elsewhere. Perhaps I could read his recommendation and then invite any of the members of that committee to comment.

The Standing Committee on the Heritage

Savings Trust Fund reaffirms its 1977 and 1978 recommendations that there be an intensified program of opening up new homestead agricultural land for farmers, through provision of sufficient services, including infrastructure.

Further, the Committee recommends to the Investment Committee that whatever steps are necessary to implement this recommendation be taken.

Would Mr. Clark or Mr. Notley care to comment? I believe you had homestead-related recommendations that went into this consolidation.

MR. R. CLARK: Really, I think what we're doing here, Mr. Chairman, is saying to the government: look, we've made this recommendation for two years; we're making it again; we reaffirm the '77 and '78 recommendations. In the second paragraph we're saying, take whatever steps are necessary to get this done.

MR. CHAIRMAN: The Chair certainly has no problem. Mr. Knaak?

MR. KNAAK: I just have a question. This land we're talking about -- who owns the land we're opening up?

MR. NOTLEY: Crown land.

MR. KNAAK: Crown land, and we give it to them?

MR. NOTLEY: No, no.

MR. R. CLARK: They buy it.

MR. NOTLEY: We don't make any . . .

MR. R. CLARK: Gifts.

MR. NOTLEY: We don't make any decision on that question. That's another item, another matter, I suppose. In terms of this particular . . .

MR. KNAAK: If this proposal is just to make land accessible . . .

MR. NOTLEY: Really three things are being said here: one, we've already made this recommendation two times in a row and nothing has been done, so we're reaffirming it; secondly, we recognize that if you're going to open up homestead land, even for homestead sale, we have to provide infrastructure. In other words, you have to have roads, people have kids, we have to run school buses. You can't just have somebody out in the bush 20 miles away. So the infrastructure has to go along with it. Thirdly, we're saying to the government that the priority has to be increased on this particular matter and that it's going to involve the Public Lands branch, but also coordination with other branches of government. So really three things are being said.

MR. KNAAK: I'm just wondering if part of the problem isn't an ambiguity. I'd certainly support it if someone said: "make farm land available at market price." Market price wouldn't be very high there. But somehow explain it's a coordinated program between making farmland available for sale by the government, including the provision of infrastructure so it's a useful purchase. I know it's not much use sitting out in the middle of nowhere with

no roads. If that's the intent. Just like that, I don't know whether it's sufficient.

MR. STEWART: I think we have to recognize the limited area this program would apply to and the fact that the homestead program as we understand it only applies to isolated pockets of land in the northern part of the province that have agricultural capabilities. It would not apply in a very large area.

The problem arises that this program has been brought back a third time now, and there hasn't been any significant increase in the acceleration of the program. The people living in or adjacent to the area who would take advantage of it are pretty frustrated about it. I think here we're only reemphasizing that that particular program hasn't had any additional manpower put there. That seems to be the bottleneck, the approval system that's holding it up. It reflects only on a very small area in the province that this program would apply to.

MRS. FYFE: I have some difficulty with this recommendation. I think in its open-endedness, as far as the intensity of the program, "provision of sufficient services, including infrastructure," without saying what infrastructure or what loans would be available for the individual farming units -- "sufficient services" is pretty broad. Are the level of services we are looking at on these Crown lands equal to services provided in the Edmonton or Calgary region? So I think it's a very, very broad recommendation, and while it may be desirable to open up new agricultural land, I think in a lot of the fringe areas economically some of the land has not been made available because of the risk involved and the more seasonable conditions for growing crops. I am just not sure I could support that very broad open-endedness.

MR. CHAIRMAN: Before acknowledging Mr. Clark and Mr. Notley, perhaps I could point out, Mrs. Fyfe -- and I'm wholly sympathetic to your point of view. By the same token, we did discuss the question of the degree to which this committee is specific in its recommendations; the degree to which it quantifies the economic or financial impact of a recommendation, for example. The consensus when we last met was that by and large we would confine ourselves to principle, deferring to the judgment of the investment committee and subsequently the implementing department as to the specifics.

MR. R. CLARK: Just following that along, Mr. Chairman. To Mrs. Fyfe and Mr. Knaak: it talks here about "new homestead agricultural land for farmers." Basically, as has already been pointed out, that is in the Peace River, the northern part of the province, and very obviously we have for years relied on the judgment of the people of the lands branch to determine whether land is economically viable, the soil is appropriate, or in fact that land never goes up for homestead sale at all. So it isn't a matter of just saying we're going to open up this and this and this. It has to be land they've inspected and feel has the agricultural potential. Once that decision is made -- and one of the reasons they've moved so slowly, getting, what is it, about 50 sections a year on stream, is that we haven't been able to get the infrastructure in place; basically, the roads so we can get the youngsters to school and a minimum kind of services.

All one has to do is go to that La Crete area and examine it. A sizeable amount of that land is agriculturally viable, but because the Lands Branch -- and I'm not being critical of the Lands Branch. But they've been short of manpower themselves. They're waiting as long as a year or two for

inspections. Secondly, even after they decide the land is agriculturally viable, then there's the problem of getting the infrastructure in place.

I see this recommendation as also saying to the government: look, if the land is viable, we want to intensify the program, and let's get the infrastructure in place. But, Mrs. Fyfe, it isn't a matter of the kind of facilities we have at Carstairs or St. Albert, but very, very basic, minimal services that people have had in areas where there's been homesteading across the province for years.

MR. CHAIRMAN: Perhaps I could allow Mrs. Fyfe to respond to Mr. Clark and then hear from Mr. Notley.

MRS. FYFE: What I said I was concerned about was certain wording in this that made it very open-ended; such as "intensified program." If infrastructure is one of the problems that we face -- we seem to face infrastructure or road construction problems throughout the whole province, and I'm not sure this is where I would agree we should have an intensified program. I see a lot of areas that are developed already where I think there should be intensity. So I just want to make that comment.

MR. NOTLEY: First of all, I think the three or four members who submitted recommendations on the question felt there should be an increase in the program of homestead sale for a number of reasons, not the least of which is that this is the way for a number of younger people who can't even begin to afford to start farming operations in the central part of the province. All one has to do is go through some of the areas where we've seen homestead development in the last few years. It's a very impressive sight to see what has been done by people who just wouldn't even begin to have the capital to start around Edmonton or the central part of Alberta.

The second point that has to be made, in my judgment, is that we're really talking about comparable services, as Mr. Clark pointed out. That means that in a place like La Crete we don't open up 10 sections of land in the bush; we make sure there is a road. The road isn't the kind of primitive trail we've seen in other parts of the province in past years; it is a road sufficient to run a school bus on, because young people tend to have children, and we have to provide educational opportunities. That means that if we're going to develop homestead land for sale, we have to integrate the land inspection branch with the department of highways and the other levels of government in the area, so that we can provide, as I say, comparable services. But we're not talking about day care or the 101 things that would be available in other areas of the province.

The final point I would make is on the price. There is a price-setting mechanism now, so it's not a question of saying we're going to provide free land. The price, of course, has to take into account that in much of this land you're dealing with territory that has to be cleared of brush and broken, and there are very substantial costs in doing that. That is borne in mind when the price is settled.

MR. KNAAK: I apologize for having to be away from the last meeting, but I presume when the Chairman says there was an agreement on just making recommendations on principle -- nevertheless, going back to Mr. Sindlinger's point, if we get too broad, not clear enough, we almost lose the principle. It gets so broad that no one can really do anything with the recommendation because it's hard to understand the direction and intensity with which one

wants to go into that recommendation. Perhaps that's one of the problems of the committee in the past.

Talking about Mr. Sindlinger's point, it would be a lot easier for us as a committee to make an assessment of the government's reaction to a recommendation if it were a principle, yet definable within some parameters, so we know to what extent the recommendation was accepted. I have no real strong objection with this recommendation in principle, but if I were a government member having to act on it, I would have real difficulty knowing when I'm in the spirit of the recommendation. That's the only comment I would make on that, and it's only with that in mind that I thought it might be worth while to make this slightly more specific and clearer.

MR. NOTLEY: One of the specific recommendations, Mr. Knaak, that we dealt with was Mr. Clark's that we double, which would be specific. In other words, to go from approximately 50 sections to 100. But the question then is: how wise is it to put a specific figure down? Maybe the better approach would be to state the principle, that we want to increase the number available, increase the priority this is given by the government, rather than saying we want you to open up 100 instead of 50 sections a year.

One of the recommendations we had specifically set a figure. I have no great difficulty if the committee would rather we put that figure in; I certainly don't think that we on the subcommittee would have any difficulty recommending that, but I suspect that maybe "intensified" is better. If we can build up the infrastructure and the coordination and then get the additional inspectors required by the Lands Branch, I'm not at all sure we shouldn't make more than 100 sections available, provided we have the administrative capacity within the government to handle it. Right now we can't. Right now, if we could make 10 more sections available over the 50, we'd be darn lucky. But over a period of time, surely our object is to move somewhat faster than 50 sections a year.

MR. KNAAK: I want to apologize again. If I can just respond, would it be out of order to suggest, after "agricultural land for farmers," "and provide sufficient services, including infrastructure"? You see, you really want two things: to increase land made available and to assure that there's infrastructure and services available to make it useful. So it's not just "through provision of sufficient services" is it?

MR. NOTLEY: Okay. Fair enough. That's good. No problem at all.

MR. R. CLARK: Agreed.

MR. SINDLINGER: Just for my clarification: the recommendation before us right now refers to an "intensified program," implying a program is already in place.

MR. CHAIRMAN: Which is correct.

MR. SINDLINGER: However, the two previous recommendations called for a new program.

MR. NOTLEY: If I could answer that, Mr. Chairman, the two previous recommendations really used the name New Pioneer Program, but basically it was an intensification of the program of homestead sale. Rather than dragging in

the name again, we basically said we wanted to reaffirm the intent of the 1977 and 1978 recommendations, "that there be an intensified program of opening up new homestead agricultural land." That's basically what it was. We chose not to take the name from the last two years.

MR. CHAIRMAN: We have before us, first of all, Mr. Knaak's and Mrs. Fyfe's expressions of concern or reservations about the open-endedness. I haven't detected any other support for this concern, other than Mr. Knaak's suggested rewording, which is that we go with two participles: "intensified program of opening up new homestead agricultural land for farmers and providing sufficient services including infrastructure.

MR. NOTLEY: "And the provision of . . ."

MR. CHAIRMAN: We could say, "and the provision of" or "and providing", just to give us some parallel structure.

MR. NOTLEY: Sure. Okay.

MR. CHAIRMAN: With that suggested change by Mr. Knaak, do I have committee agreement on this consolidated recommendation?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Gentlemen and Mrs. Fyfe, you may recall that last week, Mrs. Fyfe was out of the city and not in attendance. Consequently, we passed by her recommendation number 2 in the public lands section. It's brief enough for me to read, and perhaps after I do that, Mrs. Fyfe, you may want to speak to it: "That funds invested in development of grazing reserves be budgeted over a 5-year program."

MRS. FYFE: I also apologize for not being at the meeting last week. I brought this particular item up with the Treasurer this morning, and I used it I supposed as an example of what I would consider proper budgetary process. It seems it is very difficult to budget for grazing reserves in a one-year period, and I would like to see some attempt at having a more realistic program set out over a period of time. If we're looking at getting additional land into agricultural usage, I would like to see a more intensive approach at planning this over a five-year program.

In some ways this is included in the second recommendation we agreed to this morning, in land reclamation on grazing reserves, that this be a long-range program. I support that completely and feel that the budget should reflect the long-range planning. I suppose to a certain degree it is. Maybe this just gives more direction to the department's planning, that that planning not just be in program but in the budgetary process.

MR. R. CLARK: I share Mrs. Fyfe's concern. As I understand it, Mrs. Fyfe, it was primarily that we allocate money and it isn't used. Two things can be said about that: one is that in the normal operating budget of the province that becomes a problem because the money is lost -- lost isn't a good term, but it goes back . . .

MR. KNAAK: It's saved.

MR. R. CLARK: If you want to put it that way, you could say it's saved, too. But as a result of it possibly being saved, you get a lot, if I can use the expression, of damned fool expenditures during February, March, and April.

MR. NOTLEY: Every fourth year.

MR. R. CLARK: No, every year. For all governments too. Mrs. Fyfe, the real point I wanted to make is that it's somewhat of a different situation as I understand the way we budget the heritage fund. Because if that money isn't used one year, as long as it's a part of the four or five year initial commitment, that money is not saved, to use Mr. Knaak's point of view, or doesn't go for some other purpose. It stays there and can be a catch up the year following or the year after that. I share your concern when I see our estimates not being far more accurate than they have been, but I think there is that distinction that it's still available for the designated purpose, as opposed to going back into general revenue.

MRS. FYFE: I understand that and I know the money is not transferred until it's actually spent, but I would just like to see in my own mind some tightening up in the planning and budgeting processes so that they be tied more closely together.

MR. CHAIRMAN: If I may, Mrs. Fyfe, it appears to me that you've selected a program like grazing reserves to incorporate perhaps a broader principle related to the deferment or the delay of expenditure of funds allocated from the Heritage Fund. If that's correct -- and I'm not sure this is correct parliamentary procedure -- is it feasible for you to withdraw this recommendation, bearing in mind that we have already approved a recommendation related to grazing reserves, and submit to the committee a broader recommendation with the very useful principle that members have discussed so far.

MRS. FYFE: I'd be happy to do that. As I said, I very quickly put this together last week, having some time constraints and not having been able to participate in all the committee's discussions. I would certainly be willing to withdraw that and try to make a broader statement.

MR. CHAIRMAN: Is there agreement on the Chair's suggestion?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Mrs. Fyfe, could I ask you when we next meet to bring sufficient copies of your recommendation for discussion?

MRS. FYFE: Yes.

MR. NOTLEY: Mr. Chairman, that'll be for everything under the terms of The Alberta Heritage Savings Trust Fund Act at this stage would it, that we're asking Mrs. Fyfe to prepare?

MR. CHAIRMAN: Yes. It seems to me that perhaps we're going at it backwards. We're using a specific program to raise a concern of more general application to the rest.

MR. NOTLEY: Because when we get into transportation, we're going to get into the same sort of thing specifically. Here we get into the business of what are Heritage Savings Trust Fund investments, and on the other hand what are the capital expenditures of the provincial government. I certainly think that having an all-encompassing recommendation would be useful. We may find it would also apply to the capital works budget of the government as well as of the Heritage Savings Trust Fund.

MR. KNAAK: I am just wondering, does it apply to the capital projects division of the Heritage Savings Trust Fund or to the Alberta investment, Canada investment division? I think we're talking about the capital projects division of the Heritage Savings Trust Fund. Not all funds, just that one.

MR. CHAIRMAN: That is correct. Perhaps then we could move to the irrigation section. I'm sorry. Mr. Clark.

MR. R. CLARK: Mr. Chairman, my colleague Mr. Speaker can't be here today. He's at the hearings on the transmission line from Calgary down to Mr. Bradley's country and has requested that we hold this. He'll be here tomorrow and from then on. It would be appreciated very much if you didn't mind holding this today.

MR. CHAIRMAN: Any comment from the committee on Mr. Clark's request?

MR. NOTLEY: Mr. Chairman, I would certainly agree with that. I think that if that's the case we should deal with all of them. I think there are three dealing with irrigation, and basically they're all aiming at the same sort of thing.

MR. CHAIRMAN: I notice Mr. Pahl is not here, in any case. That seems appropriate then, to hold over until we next meet our review of the three irrigation-related recommendations. Before moving into the housing and transportation sections, I wanted to obtain from members of the committee their preferences on when we meet over the next two-week period. I've made a couple of overtures and have learned we're all very busy and the scheduling may be somewhat difficult. It would be useful to me in this scheduling if I could have some expressions of preference.

It seems to me we're going to need at least six hours to get through the housing, transportation, the committee terms of reference, and amended legislation discussions. Perhaps you might assist. I was going to suggest, would it be feasible to meet next Monday evening for three hours, stay over, and meet Tuesday morning for three hours. That's one possible solution. That would bring us up to the sixteenth, and then I would have perhaps three days to get a draft report together.

MR. R. CLARK: I don't know what my calendar is like Tuesday night, but if you could do it Monday night and Tuesday night rather than Monday night and Tuesday morning. It gets just very, very hectic when the House is in session, for the responsibilities we have.

MR. CHAIRMAN: It's good for the Chair. Mr. Knaak?

MR. KNAAK: I agree to that, too.

MR. CHAIRMAN: Mr. Stewart, are you happy with both Monday and Tuesday nights? Mrs. Fyfe?

MRS. FYFE: I think that's all right.

MR. CHAIRMAN: Mr. Notley?

MR. NOTLEY: I presume we're going to meet this afternoon, aren't we?

MR. CHAIRMAN: We're not scheduled for this afternoon.

MR. NOTLEY: Is there any possibility that we could meet this afternoon and cut down the . . . I really think that when we get into the Legislature, it's just so terribly hectic.

MR. CHAIRMAN: I appreciate that, and that's why I raised the question.

MR. NOTLEY: If we could cut down the three hours by meeting this afternoon, unless other members of the committee have serious objections, I would rather we take a whack at it this afternoon.

MR. R. CLARK: I'd be very agreeable to that, if we could go for at least two hours this afternoon, get through everything other than irrigation and diversification.

MR. NOTLEY: Mr. Knaak suggested we order lunch and go until 2. That would be reasonable too. Other members may have made other commitments, Mr. Chairman, because we were just going to meet this morning, but if it is possible, it would certainly save things and be easier for you and for us.

MR. CHAIRMAN: We have before the committee, then, suggestions that we meet this afternoon, next Monday evening, which is the fifteenth, and next Tuesday evening, the sixteenth. How is that for your schedule, Mr. Pahl?

MR. PAHL: I'm in Toronto next week.

MR. CHAIRMAN: I thought you had economic affairs next Monday night?

MR. PAHL: I've delegated that to another member. Although I apologize for my absence for part of this morning, I'm also committed this afternoon, but I would go with the will of the committee.

MR. NOTLEY: Could we go right on through until 2 o'clock?

MR. PAHL: That would be best for me. Is that objectionable? Just go right through until 2, maybe have a sandwich or something.

MR. CHAIRMAN: Did you wish to check your scheduling?

MR. R. CLARK: I have to make a telephone call.

MR. STEWART: Mr. Chairman, I suggest that you have a lot of members who aren't present at the moment.

MR. CHAIRMAN: That's my concern. We have six missing members, which perhaps makes the scheduling discussion academic.

MR. STEWART: I can't see sitting from 12 to 2 and not at least consulting with the other members before making that decision. Personally I have to be away from 12 to 1. If we have a quorum that's fine, but I don't think it's quite fair to the rest of the members to delegate another meeting without at least notifying them.

MR. NOTLEY: Mr. Chairman, could we have our researcher contact . . .

MR. CHAIRMAN: I was going to ask Karen to do that, but she's away. I have an urgent call to make homeward. If I could just absent myself from the chair for two minutes, I'll make this call, contact Karen, and ask her to contact Mr. Appleby and Mr. Borstad and the other missing members, to get their scheduling preferences. Maybe we can draw this together before 12.

Mr. Bradley, could you take over the Chair, and perhaps we could begin discussion of Mr. Pahl's recommendation in the housing section. It's the first in the housing section.

Mr. Bradley in the Chair.

MR. CHAIRMAN: We're on Mr. Pahl's first recommendation. It regards housing. Mr. Pahl, did you wish to speak to your recommendation?

MR. PAHL: Mr. Chairman, the rationale for this program, in my view, is that because of the rapid growth in Alberta, housing and the relocation of housing is becoming a very major portion of our government's expenditures. Witness the expenditures we're making in housing: the prospect of almost instant towns coming on stream, with Grande Cache being the first, Fort MacMurray the second, Alasdair the third, and possibly more.

I think we need to start looking at the possibilities of doing something a little more innovative in housing. The trade-offs between insulation and heating costs is well known, but we haven't demonstrated any ability to take advantage of such things as district heating, even enclosing our oil sands towns in great bubbles. There we have a surplus of heat from the plants, a very inhospitable climate for most of the year, and are wasting a precious resource. Although I think there are some less pie-in-the-sky ideas associated with that, too, in terms of looking at building structures on the prairies, I think there's just a need to dedicate more funds to that. I realize there are some programs, but I think they're rather modest, in view of the level of activity of housing in Alberta at this point in time.

MRS. FYFE: I wonder if I could just ask Mr. Pahl a question. Would you see this program to be carried through under the Alberta Research Council or are you proposing a separate institution to carry out this research program?

MR. PAHL: Mr. Chairman, I think that would be an area they have not traditionally involved themselves in. I would be more inclined to look to the private sector, or to supplement what the private sector has already done. There has been some research in housing insulation effectiveness in the private sector already, and the university has done some. I suppose again the model I would lean toward would be a fairly autonomous funding agency with a

grant of money. I don't think it would be as ongoing as the medical research nor the energy/physical sciences research. I think it would be more finite, but it would be set up, the funds committed, and run fairly autonomous from existing structures, which, to my information, Mr. Chairman, do not dedicate substantial funds in this area.

MR. NOTLEY: Mr. Pahl, do you have any ballpark estimates of what we're looking at? Is it going to be \$10 million, \$50 million? That sort of thing. Secondly, I was rather puzzled at this idea of another agency. We do have Alberta Housing as an arm of government now. Would it not make more sense that a project of this kind be carried out under the aegis of Alberta Housing, rather than setting up still another semi-autonomous body to look into this kind of thing? Alberta Housing frequently cooperates with the private sector. Obviously, one would want to do that.

Basically, Mr. Chairman, the idea has considerable merit, although I would want to register a caveat that bubbles in oil sands towns do not strike me as being a very reasonable place to experiment. The concept in the proposal is a useful one, but I would be interested in a little more detail on how much and why it couldn't be done by agencies already in place.

MR. PAHL: I think the comment is fair, Mr. Chairman. I would certainly see those people who know the most about housing involved in it. I would not care to say, let's just add another 10 per cent to their budget from the Heritage Savings Trust Fund and leave it to them to be innovative. With the greatest respect for the Member for Spirit River-Fairview, the reason he doesn't think bubbles are viable in Fort McMurray is a very good reason that we need this sort of program. They may not be, but if you look at the heat balance from an oil sands plant, we just dissipate an enormous amount of heat from the process. On the other hand, we turn around and use to heat our houses the same scarce resources we are fighting so hard to win from the ground. The bubble is part and parcel of an option.

In terms of the numbers, I think an appropriate response would be, a rather modest amount firstly, to determine what the levels of opportunity for research are in this area. I'm a layman. I don't pretend to know what would be required, and I think it would be fair to say my recommendation covers a rather broad spectrum, from highly developed urban areas to frontier towns and even perhaps to the effectiveness of how we deliver and retain heat even in a conventional farmstead. Maybe the animal barn should be used as a heat source; I don't know. But I think it's about time we got a little innovative here.

To summarize, I'd say a rather modest level of effort to set the netes and bounds of it and certainly the mechanism should be set apart to give it a project status. I think if you bury it within a bureaucracy, even one as good as Alberta Housing, you run the risk of its losing its priority and of its becoming more than a project with a finite life. I think that would be my view.

MR. CHAIRMAN: For Mr. Clark's benefit, we're on Mr. Pahl's first recommendation under housing.

MR. KNAAK: I have a short question and then a comment. Mr. Pahl, what division under the Heritage Trust Fund do you see this coming?

MR. PAHL: I initially looked at it as an Alberta investment division thing, and I think until such time as the feasibility of building innovative structures -- which would then imply capital; my bubble, for example -- it would then become a capital project. Initially, I think it would be in the Alberta investment division.

MR. NOTLEY: We'll start the bubble in 1984, will we?

MR. KNAAK: The answer leads me into my comment. I certainly think this suggestion has a lot of merit, but I think the requirement of the Alberta investment division is that it pay a market rate of return. Basically, although there are a lot of good proposals in the recommendation, I feel we should use the Heritage -- and this is now in light of the very buoyant current budget position of the government -- we should use the trust fund more as a savings investment account to assure there is substantial growth in the investment so that in the future, when resource revenues decline, there is a return on that investment to transfer to current expenditure; in other words, to prevent the increase in taxation.

I would like to see the committee assess these recommendations, even though meritorious on the substance. When we're talking about the heritage trust fund, I really would like to see the committee assess them in light of the purpose of the fund. To the extent that the trust fund is there to provide a return for future generations, I think we should be very reluctant to spend it, when the same kind of program can go into an operating budget. In terms of the capital division of the trust fund, again, it should be used primarily to create an environment in Alberta that strengthens the economy. Then again, it's a capital investment without requiring operating funds, and to the extent it does, it should come under current budget. In light of my comments, even though I like the idea, I would much prefer this kind of program in an operating budget and would have to oppose it as coming from the trust fund.

Mr. Payne in the Chair

MR. SINDLINGER: Three comments. I'd have to agree with Mr. Knaak. In making recommendations, we ought to attempt to ensure that they are compatible with the objectives set out in the Act, and I'm not certain this does meet those objectives. Second, I'd like to echo Mr. Notley: it would appear the things under this recommendation could already be incorporated in the activities of the present government programs. That's all I have to say.

MR. PAHL: Mr. Chairman, in defense, and I guess in summing up what appears to be a dying turkey . . .

MR. R. CLARK: Deflating bubble.

MR. PAHL: I would express the hope that the existing agencies, if they do have funds to do so, would do so, but I would still argue that it's a little premature to judge whether research in this area would not yield a rate of return.

I think parallels are well established. When you talk about a rate of return in, say, medical research, you're really looking at a reduction in the costs of medical disorders. I guess the cost of using less than optimum housing will be something our future generations will live with for the life of that housing stock, and I would suggest that would be well beyond the

turnaround point on the Heritage Savings Trust Fund. So I still make a plea to place some money in it to look at the opportunities. Your point is well taken. Perhaps the Research Council could do that without additional funds. I let my balloon slowly sink.

MR. R. CLARK: Mr. Sindlinger made the point I wanted to make.

MR. CHAIRMAN: I take it then, Mr. Pahl, that's a formal withdrawal of the recommendation?

MR. PAHL: I would not be inclined to withdraw it.

MR. NOTLEY: Question on the motion.

MR. PAHL: I'd like it to go to a motion.

MR. CHAIRMAN: Are you ready for the question? Those in support of recommendation number 1 in the housing section, as submitted by Mr. Pahl and as presently worded? Mr. Pahl. Those against? Perhaps the minutes could show that the balance of the committee as presently constituted has voted against Mr. Pahl's recommendation.

Before moving on, if I could just return to this troublesome question of scheduling. I haven't yet been able to reach Mr. Appleby, Mr. Borstad, and Mr. Musgrove. I have checked my other personal and professional requirements, and I'm okay with, say, a 30 minute break at lunch time and an adjournment around 2, so I could catch the 2:30 airbus. I'm just reluctant to firm that up until we've had the benefit of some contact with these other three. Hopefully, our research assistant, Karen Walker, will be able to reach them before we adjourn before that possible 30 minute break at noon.

MR. PAHL: Mr. Chairman, could we have that 30 minute break at 10:30 so I can reschedule my commitments?

MR. CHAIRMAN: You mean 11:30?

MR. PAHL: That's right; 11:30. When were you planning to take the break?

MR. CHAIRMAN: I was assuming 12:30, but 11:30 or 12 would suit me fine. I could take care of my personal needs and contact these other committee members. Would that be agreeable to the committee? Why don't we adjourn now and go from 12 to 2? Can I have agreement on that?

MR. R. CLARK: Or a quarter to.

MR. CHAIRMAN: That'd be great.

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Thank you very much. We're coming back at 12.

The meeting adjourned at 11:30 a.m.