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Standing Committee on The Alberta Heritage Savings Trust Fund Act

Tuesday, October 9, 1979

Chairman: Mr. Payne

12:10 p.m.

MR. CHAIRMAN: Inasmuch as we have a quorum and inasmuch as time is of the essence, perhaps we could come to order. Before addressing ourselves to the question of housing recommendation No. 2, Mr. Clark, during the break, raised the question of preparation and submission of recommendations arising from the testimony this morning of Mr. Hyndman and, to a lesser extent, that of Mr. Adair. Would the committee agree with a six-day timetable; that is to say, a deadline of perhaps noon, next Monday, the 15th? I could use the afternoon to do the usual assimilation and categorization, if necessary, for our probable meeting Monday evening. Any comment?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Mr. Notley, we've just reached agreement on noon, Monday the 15th, for any additional submissions arising from the testimony of Mr. Hyndman and Mr. Adair this morning. I'll use Monday afternoon to put them together, assimilate them, and then we'll add them to our materials for discussion Monday the 15th.

On scheduling, do we have agreement on two three-hour sessions: Monday, 7-10, and Tuesday, 7-10, if we need them? I realize that's an unpalatable resolution of the problem, but there just simply is no other time that seems open to a majority of the members of this busy committee.

MR. PAHL: Mr. Chairman, considering my success on the one resolution I so ably defended, maybe you'd do better without me.

MR. CHAIRMAN: Perhaps we could then begin our discussion of recommendation No. 2 in the housing section of the recommendations binder. I believe it was submitted by Mr. Sindlinger. Mr. Sindlinger, would you care to speak to the recommendation.

MR. SINDLINGER: Yes, I would, Mr. Chairman. This is a truly terrific recommendation. It's so terrific, I've been thinking about withdrawing it. The reason for that is that I saw a television program the other night on a federal housing assistance program. The federal program had made housing available to people who couldn't afford it in the first instance, but in the second instance, once they got into the housing, couldn't maintain it. The result is these large housing projects in eastern Canada which are standing vacant right now and also are deteriorating. When I made this recommendation, it was without that knowledge. I have to start asking myself: is giving something for nothing worth while? Whether or not this is something for nothing, I don't know yet. But I would like to get some comments from my fellow committee members and see whether or not we ought to reconsider this or

withdraw it, in terms of rewriting it so it does take those types of things into consideration.

MR. CHAIRMAN: Any discussion either of the recommendation as drafted or Mr. Sindlinger's qualifying comments? Mr. Knaak.

MR. KNAAK: I think what Mr. Sindlinger says is correct. I really have two comments in different areas. First I'll speak on the more important one. My view is that the policy of Alberta Housing, although worth commenting on, is really outside the purview of the heritage savings trust fund committee, notwithstanding that the Alberta Home Mortgage Corporation is block-funded by the fund. It really is a policy of the department. What I would like to see is have it not withdrawn and have it in fact defeated, not so much on the basis of what's in there necessarily but on the basis that it's not really a recommendation we should deal with.

The way I understand the formula, the way it's set up now under the Alberta Home Mortgage system, is that an assessment is made of what people can afford. It's based on a formula of housing expenditure to their total gross income. If you allow people to qualify by increasing the size of house they can buy and decreasing the downpayment, you in fact have these people who otherwise would not be able to purchase a house almost inducing them to purchase a house. What you've really induced them to do with these kinds of parameters is induced or persuaded them to jump into a financial commitment, as Mr. Sindlinger pointed out, which cannot be reasonably borne by the young couple or the newly-marrieds who purchase a home like this. So aside from my initial caveat, I would really like to have a lot more thought given to changing the numbers before being able to even -- if my point doesn't carry -- but a lot more thought given to changing the numbers without seeing what the broader implications are to the people who are induced to buy that house. Thank you.

MR. BRADLEY: I had similar comments to those of Mr. Knaak. I don't know if this recommendation falls within the purview of the trust fund. It certainly is a policy recommendation with regard to how Alberta Home Mortgage Corporation operates. If we do proceed with this type of recommendation, though, I suggest not to put in a per dollar figure on the maximum mortgage level, but perhaps to suggest a recommendation more in line with a suggestion that Alberta Home Mortgage Corporation have a policy review of those limits every six months or a year, to bring them more in line with current economic circumstances in the province.

MR. R. CLARK: Mr. Chairman, just two comments. One would be that I would not support the point of view expressed by Mr. Knaak and Mr. Bradley -- I'm sure that comes as a surprise -- that this wouldn't be within the purview of the committee to pass an opinion or a recommendation on. I look at page 41 and see that we have about \$555 million invested in the Alberta Home Mortgage Corporation debentures. It seems to me that if nothing else that says to members of the committee: this is an area we should look at, and if we feel there are recommendations to be made, make them, especially in light of what Mr. Hyndman said this morning that in fact he looks at this committee as one of the -- I don't know the exact terminology, we'll have to wait for Hansard; I'm looking forward to that -- major inputs to the government as far as investment decisions are concerned.

The second point I'd make is this. Mr. Sindlinger, I share the same concern you do about the \$62,000. Basically I think what you're getting at here is

that \$62,000 simply makes very, very few units available. They just aren't making houses for that amount now. In Calgary, as I understand the situation, excluding that area on the very northeast edge of the city at Falconridge, there are some houses there that Alberta Home Mortgage Corporation has financed or has been involved in with Hu-West and two or three other companies. But those are at the \$62,000 limit. But from my discussion with the Home Mortgage people, there are simply no other new houses that meet that particular limit. I would certainly support that part of the recommendation that says we look at the \$62,000, not from the view of getting people in homes that they have no possibility of being able to live with the debt load -- because that's one of the things the Home Mortgage people look at, isn't it? The interest people pay is tied to the income of the family, isn't it? In a particular case I was looking at the other day, a person would get about \$156 a month subsidy for interest as a result of their income. I think the Home Mortgage Corporation have a good program, picking up this portion of the interest. But I would sure encourage us to look at the \$62,000. Whether \$80,000 is right, I don't know. But I do feel it has to be increased.

MR. BRADLEY: Just to get back in on my first point, the program set up under the Alberta family home purchase program, the question of direct subsidies to the individual purchasing the house comes from the operating budget of the province. It does not come from the Heritage Savings Trust Fund. The Heritage Savings Trust Fund is solely a vehicle of lending to Alberta Home Mortgage Corporation on a debenture basis. That is the point I wish to re-emphasize. This falls into decisions that are made with regard to the operating budget of the province, under the budget we pass for Alberta, through Alberta Housing and Public Works, I believe.

MR. NOTLEY: Mr. Chairman, first of all, even though the shielding of interest, the interest subsidy, comes from the operating budget of the province, I think it is appropriate to look at that as we review whether we want to increase the ceiling. We're talking about an investment from the Heritage Savings Trust Fund. I think there is probably some merit in saying, do we want to get people into trouble? Surely we don't. So that being the case, even though looking at interest shielding is perhaps slightly beyond our terms of reference, I believe that is going to happen over and over again when we examine heritage trust fund investments. How can one divorce some of the operating costs, for example, of our capital commitments under the health centres in the province. From time to time we have to look at the operating costs as well as the direct investments from the trust fund per se.

I would just make a couple of comments. I agree with Mr. Bradley when he suggests we shouldn't have a figure in it. To suggest we move from \$62,000 per unit to \$80,000 is incorrect. On the other hand, I'm not entirely convinced that it isn't wiser and better in terms of our programming to make larger first mortgages available to young people through the Alberta Home Mortgage Corporation, as opposed to getting into the situation where somebody runs out and finds the first mortgage doesn't go far enough so they get a very, very expensive second mortgage. Two people are working and you've got a very high percentage of their income tied up. As people have already pointed out, right now the program is based on a certain percentage of the family income. So as long as that continues to be the sort of operating guidelines of the Alberta Home Mortgage Corporation, it seems to me there is considerable argument for increasing the limits. But I don't think it is appropriate for this committee to put down what the limits should be. We have competent

people in the Home Mortgage Corporation who are aware of the market situation. That being the case, all I think we as a committee should do is recommend that there be a periodic review by the Home Mortgage Corporation. That would be consistent with our view of the investments from this fund.

MR. PAHL: Mr. Chairman, in view of this problem, it tempts me to add the words innovative methods of financing housing as well, and redirect my recommendation No. 1. But I would support in part what Mr. Notley said with regard to percentages. I would also say that the default experience of the Alberta Home Mortgage Corporation has been a very gratifying one, inasmuch as there have been very, very few people who have entered the program who haven't been able to sustain it. So I guess you'd have to say that as long as there isn't a shortfall in housing, what they've been doing seems to be the appropriate response. I certainly appreciate the fact that in the constituency of Mill Woods, where there is a not of new housing and a lot of assisted housing, the capacity for people to respond to the opportunity and the desire to own their own housing certainly would lead one to think that people's individual initiative and capacity will in fact allow them to stretch themselves a bit. I think we shouldn't deny them the opportunity as long as we don't create hardship.

MRS. FYFE: The concern I have of increasing the maximum mortgage level to \$80,000 is a philosophical concern for land use, I guess. I think we have an expectation that many people can and should afford a single-family dwelling, where I think we're reaching the stage in development in our province where we have to have a more common acceptance that the majority of people will not have a single-family dwelling. Perhaps the expectation will be one for more housing of multifamily or of some density. I really have a concern that this just sort of says, okay, we'll continue this trend we're presently in. I would like to have a broader understanding of how many people cannot -- assuming their earning capacity meets the criteria -- find multiple-family housing under the existing program. Unfortunately, I did not ask that question the time the minister was here. On that basis, I would be very reticent to increase the present level without some specific recommendations in this area that came from within our corporations.

MR. CHAIRMAN: For the benefit of those who came in late to this afternoon's session, Mr. Sindlinger, in introducing or speaking to his recommendation, indicated some recently developed reservations he has about the recommendation on both specific and philosophical grounds, I suppose. Mr. Knaak went further in speaking to Mr. Sindlinger's comments, and suggested perhaps it doesn't merit passage in any form.

MR. KNAAK: I wasn't quite that strong (laughter).

MR. CHAIRMAN: Then both Mr. Notley and I believe Mr. Bradley, and perhaps others, have indicated that they're supportive of the notion of increasing those limits, but that they really ought not to be specified or quantified within our own committee recommendation, and that they should be subject to some ongoing, periodic review. Hence you can see that we don't appear to be very close to a consensus yet. Mr. Knaak.

MR. KNAAK: I'm wondering if we could break this down into two steps. This sets a precedent in a way, to my mind, that if the heritage funds are used to

block-fund a department, we as a committee can comment and make recommendations on the policy of that department. I would suggest we take an initial vote, not so much on the substance here, but in fact it will reflect the substance -- that is, whether or not we can support this, subject to the amendments, on a matter of principle that this committee should be involved in the details of departmental policy. Now if that's defeated -- in other words, the committee thinks we should be able to talk about departmental matters -- I would suggest that this recommendation go for redrafting and be brought forth at some other point.

MR. CHAIRMAN: Comments on Mr. Knaak's suggestion? Mr. Notley.

MR. NOTLEY: Mr. Chairman, with great respect, it seems to me we really can't divorce the two things. We're talking about investments from the heritage trust fund. But in many cases -- not in every case, but in many cases -- the vehicle to carry out the investments, to deal with the investments, are departments of government. Therefore, when one assesses whether an investment is good or bad, one has to be able to take a look at the adequacy of the department that is administering that investment. We've already done so with the two recommendations we already passed, dealing with lands in the province. We have looked at the adequacy of the vehicle for the heritage trust fund investment. So I realize we're getting into a grey area. But quite frankly, if we as a committee choose not to take that approach, it seems to me we are very restricted in terms of the recommendations we can make. Then we're just simply looking at where we can get the best return for our dollars, as opposed to the other criteria set out particularly in the Alberta investment division, but even the capital works division.

MR. SINDLINGER: I have to agree with the approach Mr. Knaak is taking; that is, breaking this thing down into two segments. The first one is with regard to the extent of our review of investments of the heritage trust fund. I'll refer to page 56, capital projects division investments: the total investment in the capital projects is \$255 million. Yet the investment in the Alberta Home Mortgage Corporation is \$555, almost twice that amount. It's by far the largest of any investment in the Alberta investment division or the capital projects division. In terms of the Alberta investment division, it's just about 33 per cent of the total. There isn't another investment that approaches the magnitude of that investment. It's one thing to disburse funds; it's another to disburse funds and know where the end up. I think it's only reasonable that we give consideration to the end use of those funds. It's not really the vehicle we're criticizing all the time; it's the end use of the funds -- what are they being used for? I agree we should at times examine the vehicle for the disbursement, but the prime objective is end use. And the end use in this case is where I equivocate a little. I'm resolute in the position that we ought to investigate the disbursements and placements of these funds. I don't see any problem with making a recommendation such as this. What this recommendation in fact says is that the placement, the end use, of those funds is no longer adequate. Circumstances have changed. The rationale for the placement of the funds ought to be changed accordingly.

Where I equivocate, however, is when it comes down to the other point that's been made, or brought up. That is the inducement this might provide for people to jump into financial commitment that they can't bear over the long term, and lead up to the second mortgages. It's for that reason I first suggested we give consideration to withdrawing this for further drafting.

MR. BRADLEY: I'd like to get back to Mr. Knaak's suggestion of a vote first in principle as to how we look at heritage trust fund investments. We had a question this morning to the Provincial Treasurer with regard to criteria for investments in the Canada investment division, as to whether we would say this is what a province can do with the funds. The response was no, we negotiate a loan on commercial terms with a province and they spend that money as they wish; otherwise we probably wouldn't be getting any loans from them.

On the other hand, the capital projects division is a direct investment by the province in a project, and surely we as a committee are going to have very close scrutiny as to how those funds are expended. I would apply to the Alberta investment division to a great degree the same principles as apply to the Canada investment division; that to a great degree it's basically a commercial loan. In terms of debentures, the Alberta Home Mortgage Corporation -- we're really looking at the yield on that investment to a great degree.

Then we get back to my earlier point. I hesitate on the term to use -- the real heart of the Alberta Home Mortgage Corporation program, the family home purchase program we're talking about, is really policy within the Alberta Home Mortgage Corporation and through the minister. Subsidies, ceilings, et cetera, are set in that policy and I think debated in the budget debate in the spring. I think that's the proper place to discuss, debate, the merits of the program and how it operates -- in the budget debate, when we appropriate funds to that department in the spring to carry out the subsidies or the program.

MR. NOTLEY: Mr. Chairman, I agree with Mr. Bradley on the Canada investment division, and I agree with his remarks on the capital works division, but it seems to me that the difference I have with his position is on the Alberta investment division. With great respect, I would submit that it is probably tantamount to being being comparable with the capital works division. It's not just, Mr. Bradley, the return. Obviously one of the conditions we as a committee are to examine is the rate of return. But if one also looks at the criteria set out in the act, we have to ask ourselves: does this tend to strengthen the economy of the province; does it tend to diversify the economy of the province? that being the case, it seems to me that our probes -- not always -- have to . . . Rather than using the terminology I did of examining the vehicle, although from time to time we have to do that, we do have to examine the end use. Does the end use of the investment we make meet the criteria? That being the case, I really think as occasion demands we must go beyond the discussion which would take place in the Canada division. The Canada division is a very simple, straightforward situation. I agree there. But I think in the Alberta division, we have to meet those other criteria. That means occasionally going beyond just whether we have a reasonable rate of return.

MR. BRADLEY: Just to respond briefly, there may be a case in the Alberta investment where that may be the case. But in this case, in my mind it's clearly . . . When discussing the Alberta Home Mortgage Corporation it's a policy decision which we can discuss in the spring in the budget debate. If there wasn't another vehicle for use to examine the Alberta Home Mortgage Corporation, its policy and programs, I wouldn't hesitate to agree with you. But in this case we do have another vehicle which relates directly and is responsible to the Legislature at another point in time. We have that opportunity to examine very closely the policies and programs of Alberta Home

Mortgage Corporation. There's another opportunity. I think the appropriate opportunity is in the budget.

MR. CHAIRMAN: Mr. Notley, did you wish to offer a rejoinder to that rebuttal?

MR. NOTLEY: Frequently that would be the case. But there are going to be times and occasions when examining the end use of how the money is invested -- that we can't just splinter our investigation and say, we can investigate that six or seven months down the road; we'll pass this recommendation today, but we really won't concern ourselves about whether the vehicle is adequate, or the end use, because we'll deal with that in the spring. Now, often that will be a very workable way of handling the recommendations. But from time to time we as a committee, Mr. Bradley, are going to have to look at whether or not the end use is being met by the agency of government that is doing the meeting.

MR. BRADLEY: I agree with you that the case could be made, but in the one we're discussing today, the Alberta Home Mortgage Corporation, I don't think that case could be made.

MR. KNAAK: I appreciate the fact that someone else is doing my rebuttals for me; very adequately, I might say. If we look at page 54, we'll see that the investments in Alberta Home Mortgage and Alberta Housing are at commercial rates, and that's the intent. It's a requirement that all investments be at commercial rates. It's block funding. The analogy is the same as if we invested in Ontario Hydro, guaranteed by the Ontario government, the provincial government would try to determine the end use of how Ontario Hydro is using those funds. It just doesn't make sense on a matter of principle.

Now I agree that we have to examine the policies of Alberta Housing and Alberta Home Mortgage Corporation. But what I'm really saying, and I've said it before: it gets to be a dangerous step if we as MLAs in government begin to duplicate our work and really don't have some logical way of proceeding through various committees and various steps. As Mr. Bradley pointed out, the time to examine the policies of Alberta Housing and Alberta Home Mortgage Corporation is in the budget and the estimates. That's when you do a careful review. If the Alberta Heritage Savings Trust Fund committee begins to examine all departmental programs being funded through Alberta Housing in addition to doing it during the budget, we'll be here a long time without really accomplishing some of the tasks we could be doing, or just expending our time. Again, it's a matter of principle. I don't want to argue at great length about this, but it's just my suggestion for streamlining the activities of the committee.

MR. SINDLINGER: I strongly disagree with Mr. Bradley and Mr. Knaak. It may be true that these programs can be examined at other times. But it's also true that we're charged with the responsibility in this committee to review the expenditures and investments of the Heritage Savings Trust Fund, whether or not they've been done elsewhere. I think we should bear that in mind and do exactly that. If you want to take this to the extreme, we could have given the Alberta Home Mortgage Corporation \$500 million and then without due regard to the end use, the Alberta Home Mortgage Corporation could have taken it and invested it in grain elevators, or something of that nature. It's important to us -- it could. You know, if we're not concerned about the end use of that money -- you're saying they could take that money and place it in some other

program. So I think it's important we bear the end use in mind, and see whether or not these agencies or vehicles are meeting the objectives of the fund.

MR. NOTLEY: With great respect, could I suggest that rather than trying to work out a hard and fast rule, it seems to me there are going to be occasions when we could say, fine, we don't seriously need to examine the vehicle or the end use because we can deal with that in the budget debate in the spring and we can all agree as a committee. There are going to be other times when we could all agree, as we already have, that we're going to have to look at the vehicle. We have unanimously passed two recommendations this morning where that concept was accepted. There are going to be other times when there will be a genuine difference as to whether or not we need to study the vehicle and government policy in some detail in determining the end use. I would hate to see us pass any general statement at this juncture, because I believe we're going to have to cross those bridges as we come to them and battle it out. I think today is a case in point. There are probably some legitimate differences of opinion as to whether or not we should be looking at the policy of the Alberta Home Mortgage Corporation in relation to this recommendation. But let's not foreclose that door in the future.

MR. CHAIRMAN: We have before us Mr. Sindlinger's recommendation No. 2, introduced with some reservations by Mr. Sindlinger. We have an apparent divergence of view, articulated on the one hand by Mr. Knaak and Mr. Bradley and on the other hand by Mr. Sindlinger and Mr. Notley, as to the appropriateness of this committee's examination of what's been loosely called "end use". If Mr. Knaak, who introduced not a motion but the question for discussion, is satisfied with the discussion that has taken place, would it be appropriate for me now to simply ask Mr. Sindlinger his current position on his amended recommendation?

MR. APPLEBY: Is it amended?

MR. CHAIRMAN: It has not been formally amended, but prior to your entry, Mr. Appleby, Mr. Sindlinger did raise some reservations. Perhaps they bear repetition because we have now had five members join us since you raised those reservations.

MR. SINDLINGER: I respectfully request the committee's permission to withdraw the recommendation so I may further consider it and redraft it and submit it at a later time.

MR. APPLEBY: It will be coming back?

MR. SINDLINGER: Yes.

MR. CHAIRMAN: The committee has to pass judgement on that suggestion. Really you're suggesting, Mr. Sindlinger, with respect, that through the benefit of this discussion on the points of principle on which we have had a divergence of view, you'll redraft that recommendation and satisfy the needs as have been expressed by this committee. That's a herculean task, I might say.



MR. PAHL: Mr. Chairman, I think in view of the fact we've had sort of a second round of recommendations to put in that that's a fair request, as long as his redraft comes in within the same deadline as the -- that's Monday noon.

MR. CHAIRMAN: Agreement?

HON. MEMBERS: Agreed.

MR. KNAAK: Just one little comment. I would certainly agree to that, as long as we all agree that this doesn't set a general precedent. I think that's what Mr. Notley said. We don't intend this to set a general precedent for the future, that we just take a very narrow point here.

MR. CHAIRMAN: I'm sure that's the committee's understanding. Is that yours, Mr. Sindlinger?

MR. SINDLINGER: Yes.

MR. CHAIRMAN: If so, we can then dispense with that item for now, with the notation it will be redrafted by October 15, the redraft to reflect opinions expressed by the committee today.

That brings us then to the transportation section. While we're turning to that section of the book, I might just mention to those who have just joined us that the committee has agreed to meet on two more occasions: at 7 o'clock on Monday the 15th, and at 7 o'clock on Tuesday the 16th. We hope that as full a representation as possible . . .

MR. APPLEBY: These are p.m.?

MR. CHAIRMAN: These are evening meetings, yes. Monday evening next, and Tuesday evening next. I'm reluctant to stampede the committee in any way, because I know I couldn't do it if I wanted to. But I would like to point out the arithmetic realities that we're now about one-third, perhaps 40 per cent through our recommendations, and we've used about 12 hours. So, to complete more than half in six hours will be a no mean task, especially when there are such potentially troublesome areas: transportation, debt/equity investment, amendments to the legislation, terms of reference of the committee, and so on. So I would certainly appreciate as full as possible attendance on Monday and Tuesday next. I think we should be cautioned as a committee that we may have to meet in addition to those two occasions.

All right, then. Transportation recommendation No. 1 came from the Leader of the Opposition. Mr. Clark, would you care to speak to your recommendation?

MR. R. CLARK: Mr. Chairman, having the feeling you may have been squarely looking at me when you made those comments about how slowly we are moving along, suffice for me to say very, very briefly that I'd ask hon. members to think back to the comments the Premier made when he was before the committee with regard to the recommendation made last year, when the Premier was rather emphatic before the committee that the government would not see heritage money being used for comprehensive highway upgrading across the province. With that background, and recognizing the reality of the situation, that's why I've phrased this notion the way we have; that if the government is not prepared to take heritage money to move in this area, what we're recommending to the committee is saying, okay, look, then the government. I got the feeling that

the government and the Premier were looking at the idea of taking the accumulated surplus of the province, that being a possibility. I think if members would check into their transcript, some reference was made to the possibility of the accumulated surplus of the province being used in this kind of venture.

So that's really the background. I just point out to members that Mr. Kroeger, the minister, I think gave us a figure of something like \$1.8 billion as what would be needed to really get our highway system in the province up to, let's say, top notch. That's the background, Mr. Chairman, and the reason I have moved the motion the way I have.

MR. CHAIRMAN: Discussion then, or questions from committee members on transportation recommendation No. 1.

MR. PAHL: Mr. Chairman, I note the following recommendation from Mr. Motley is not all that different. I wonder if it would be fair to speak to both motions at once, after they have been addressed by their initiator.

MR. CHAIRMAN: Mr. Motley, are you prepared to combine discussion of your recommendation with this?

MR. MOTLEY: Fine, yes. The only thing that is really different is the recommendation I propose is a reaffirmation of the recommendation made last year. The difference between the first and second ones is the time involved -- 10 years as opposed to five years. We had discussed 10 years last year as a committee in making our recommendation. The other differences: the official opposition one deals with primary, secondary, and tertiary roads; the one I presented deals with primary and secondary highways.

Just one footnote before general discussion. One of the real problems the minister has brought to my attention at least is that because of the job of refurbishing existing highways, the \$1.8 billion he mentioned, we do get into a situation where it isn't possible to really forward plan our new road projects very well, because much of our present highways or any of our present miles of highway are in such serious shape that they have to be refurbished. Hence the money has to come from some place. It comes from the roads that are scheduled to be built and aren't built on schedule.

It's very important that we commit ourselves to block funding. I'm not firm on whether it should be five years or 10 years, because again the minister is completely accurate. If we doubled the highways budget tomorrow, we wouldn't build 10 extra miles of road; we'd just have bids twice as high. We have to do it on a planned basis so people in the private contracting industry can gear up, so we have the necessary competition in the bids. That's the argument behind the block funding. I'm not really hard whether it be five or 10 years. Last year's recommendation was 10 years. If people feel more comfortable with five years . . . The key thing is forward block funding.

MR. APPLEBY: Before we go any further, Mr. Chairman, I wonder if we could get a couple of questions just for clarification. First to Mr. Clark as to exactly what he included in the tertiary program.

MR. R. CLARK: Mr. Chairman, on second thought, better we not muddy the water and talk about primary and secondary. Initially, Frank, I talked in terms of these roads, you know, county roads and so on. But if I could, Mr. Chairman, take the tertiary out of our recommendation and make it primary and secondary.

Those were the figures Mr. Kroeger -- the kinds of highways Mr. Kroeger was referring to.

MR. APPLEBY: The other one, Mr. Chairman, if Mr. Notley would outline what he views as a block-funded program.

MR. NOTLEY: You mean the total amount?

MR. APPLEBY: No. What do you mean by -- how will this be set up?

MR. NOTLEY: It would be set up on the basis of either a five-year or 10-year projection of refurbishing of roads, expansion of the existing road network, and the resource roads required, with an inflationary index that would have to be estimated and would vary from year to year, so our highways budget would be perceivable for a period of five years.

MR. APPLEBY: That would be a five-year block?

MR. NOTLEY: Yes, it would be a five-year block, or 10-year. Last year we recommended 10 years, Frank. It may be easier to budget on a five-year period. We have the precedent now of the urban road program which is based on five years.

MR. BRADLEY: I'd like to speak to the principle behind this sort of investment. I, and I think all of us here, recognize that we have to look very quickly at the longer term in terms of maintenance and upgrading of our present road system. I think we've almost had a concession from Mr. Clark that he doesn't foresee this investment coming out of the heritage trust fund. I guess I have some difficulty as to whether it should be funded through the normal operating budget of the province or from the Heritage Savings Trust Fund. I have a question in my own mind as to what is the proper vehicle. I certainly agree that such a program should be initiated. We have to look at it in a very major sense in the rural areas in the province, the primary and secondary highways. I'm just not sure whether the Heritage Savings Trust Fund is the vehicle.

MR. R. CLARK: To Mr. Bradley, because perhaps he can (inaudible). Mr. Bradley, I think one of the problems in doing it out of the operating budget is that you don't have that kind of continuity there was some reference to earlier today. Whether it's the heritage fund or comes from the operating budget, I have the same feelings you have. But I do recognize -- certainly last year we made the recommendation of the heritage fund. I came away from the meeting with the Premier in the committee with the very definite feeling that the government and the Premier did not see this as fitting within his government's terms of the Heritage Savings Trust Fund.

Now, that being the case, there are only two other avenues we could look at. One would be the operating budget of the province, capital portion thereof, or there has been some reference to using the surplus funds of the province. It can be argued that if we're talking about surplus funds of the province or the operating budget, we're stepping somewhat outside a narrow interpretation of the terms of this committee. On the other hand, I'd ask back to you and say, what other agency or group is there that is in a position to make some recommendations in an area like this if this committee can't?

MR. BRADLEY: I guess we're on a very fine point. I just wonder in terms of the operating budget or general budget in the capital portion of it, something like that could not be somehow fit in over a longer period of time. I just raise the question because it's a fine line.

MR. PAHL: Mr. Chairman, I want to make two points. I think the important principle of the Legislature is that you annually approve funds for the Crown to commit on an ongoing basis. I know we all recognize that some things take more than one year. But from a parliamentary point of view, I would have some pretty serious reservations about making operating commitments beyond what might be the life of the government, for example.

MR. R. CLARK: We do that with the five-year capital works program for urban transportation.

MR. PAHL: Well, I guess maybe the trend is there. Is that an operating or is that heritage savings?

MR. R. CLARK: Capital.

MR. PAHL: Well I guess that would limit it, and I think that principle should be kept in mind.

The other point I want to make, and Mr. Clark already brought it up, is the \$751 million dedicated to urban roadways in the course of five years. I think if we move into this area with a recommendation, we should, in view of the ever-growing and ever-increasing rate of growth in our urban areas, not restrict ourselves to primary and secondary roads, although I do recognize the need and the linkage between the two.

MRS. FYFE: I support the principle of increased Alberta primary and secondary roadways in the strongest possible terms. But I do not think the trust fund is the vehicle for financing that development. I think the Heritage Savings Trust Fund was developed on a rather unique philosophy, one that would put aside funds for future generations, one that in most cases a self-generating fund. To put development of new roadways or upgrading of existing roadways into this program I think would certainly cloud the whole concept of the Heritage Savings Trust Fund and where would we then draw the line? Would we then go into each government department and say, well, we need extra money there, we'll put this under the trust fund. So in effect we'd have the operating and capital budgets of the departments and the trust fund all literally doing the same thing. I think it would be very wrong of this committee to make a recommendation that the trust fund finance the program of upgrading roads. When we look at estimates for within the department or even before then on an individual basis as an MLA, through our various vehicles, I think we should very strongly press for development of roadways, but not through this one vehicle.

MR. NOTLEY: Mr. Chairman, basically, if I had my 'druthers' -- and I agree with Mrs. Fyfe -- I'd 'druther' that this five-year or 10-year program be financed through the capital section of the Department of Transportation. But I think it should be a five- or 10-year block of funding program. But let me just say that I think one could make the case for transportation routes in this province and even make the case under the heritage trust fund. I would

rather it be done by the capital section of the operating budget of the province, but I think one could even make the case on the trust fund per se.

I would hate to see this recommendation turned down by the committee. It may very well be that as a committee we feel it would be better undertaken from the capital budget of the province. Better that we say that, so at least the principle be accepted and sent on, rather than for us to turn it down. We've already passed it last year; it's been sent as a formal recommendation from the committee. If we say, well, it doesn't really come under heritage trust fund so we'll leave it, in fact what we're doing is leaving a great big hole in terms of forward planning of our highway system. I can't stress enough the points the minister brought to our attention, that we're long past the stage of this kind of hit and miss approach. Probably the one person last year who was more influential in encouraging us to pass a 10-year program was Mr. Taylor, the former minister of highways.

If committee members are uncomfortable with the suggestion that we're talking about heritage trust fund money, let us put a disclaimer in it so we're dealing with a recommendation on capital funding. But I think it would be a mistake to turn it down.

MR. APPLEBY: Mr. Chairman, I think we as committee members continue to have a great deal of difficulty more or less wrestling with the responsibility we have as a committee, the terms of reference and the parameters in which we can operate as a committee. I have a feeling that each of us probably has had some feedback from people outside the committee, from others, as to what they visualize and anticipate as needs within the province. In this area, probably from the capital projects division, we're dealing with something that will enhance social and economic benefits to everybody. I'm not too sure we should be spending a lot of our time debating whether we should be talking about these things here or whether they should be left for the budget debate or where they should go. If we, a majority of the committee, are convinced that this is a subject and topic which is timely and needed, I don't see any difficulty. And if we make a recommendation regarding that particular subject, and if by some chance, as Mr. Clark has suggested, the Premier has indicated that this type of program would come under some other type of funding, so be it. But at least we have placed on record the thoughts of this committee if the majority agrees that we feel this is something that needs to be dealt with. Whatever means are used is another thing we don't really have to be too concerned about.

I don't think we should be spending so much time debating whether we should be talking about that here or making a recommendation regarding it. If it should come back in the budget debate, fine; let it come back. But we certainly are free to make whatever recommendations we see fit. Perhaps the terms of reference should be changed; perhaps the Act should be changed. Perhaps we should be given a more direct indication of what they expect us to do in this committee. But at the present time some of these are pretty grey areas, as other members have mentioned. If we want to make a recommendation regarding this, I don't see any problem with it.

However, maybe these two recommendations could be combined, rewritten, and brought forth in perhaps a condensed form, clarified. Maybe we could do it that way. But I don't think we should spend so much time debating whether or not we should talk about these things.

MR. STEWART: Mr. Chairman, I think the intent of both these motions I have no problem agreeing with. The problem we've had in the past period of time is

that it seemed like when more money was put into the highway programs, it was just automatically eaten up with higher bids. The philosophy of long-term planning is certainly one way of gearing up the industry, anticipating the work is going to be there. I think as this committee listened to the Premier's viewpoint, he did not feel our highway system should be funded from the Heritage Savings Trust Fund. I'm like Mr. Appleby, I don't think that should detract from this committee's concern that the philosophy of long-term planning for our highway system should be given consideration here. As a recommendation has gone from this committee in other years, I think we'd be remiss if out of this committee's decisions this year, it was reiterated. In my estimation, with an expanding economy, with development of our resources, we're taxing our highway system. I think the minister has put it quite flatly on the table: we're in a position right now that we have to address the problem that we have new highways to build and are literally not keeping up with the old ones. I find it hard in my own mind to fit a program like this into the heritage trust fund philosophy, but certainly the recommendation has gone forward in other years, and I would not feel a bit opposed to having a recommendation from this committee. I think these two recommendations are similar enough that if we made a recommendation, there should be a redraft possibly to express the committee's concern on this problem.

MR. KNAAK: Mr. Chairman, I just want to get back to the point of where it's funded from and what we're doing as a committee. I think it's absolutely key to understanding the difference between the budgetary process government departments go through and the Heritage Savings Trust Fund. I think as politicians we have -- most of you know when you go door to door -- unbelievable pressure to spend it: more money in education, hospitals, roads, everything. Really what begins to happen, if we take the attitude we need it and should do it -- what's beginning to happen is the definition of need is getting a lot softer; in other words, because the money is there. The normal process of judging priorities between competing programs is to make some assessment of the cost benefit in relation to one another. I understand these two recommendations to say is that -- correct me if I'm wrong -- if on this test about competing priorities between various programs in the total budgetary process, to education, health, highways, culture, everything else, if enough funds can't be found in the capital side of the operating budget, that we take some heritage trust fund funds into the road construction business. If that's the question, it's slightly different. Then it does matter whether it's funded from the heritage trust fund or the current budget. I guess I can't quite see the ease with which we can go back and forth. I too think that, although a weak argument can be made for putting roads under the capital division of the Heritage Savings Trust Fund, I strongly prefer that road construction and road upgrading be funded under the current and capital budget of the government outside the Heritage Savings Trust Fund. So I really do like some clarification from Mr. Clark and Mr. Notley on what their intent is there. In other words, if you can't fund it under the capital budget, do you then switch over?

MR. CHAIRMAN: Mr. Notley, do you wish to respond to Mr. Knaak for clarification?

MR. NOTLEY: Mr. Chairman, I think one could make an argument for bringing road construction under the capital works division. That argument is not part of this proposal, however, and I believe it's specifically not part of the

proposal Mr. Clark made. We do have substantial funds in the general surplus of the province that could be committed to ongoing capital projects. I would much prefer that the highway program in this province be funded under the capital budget of the province of Alberta, if I had to make that choice. So I think that's basically the intent. I'm just trying to remember. Perhaps some of those who were on the committee last year could prompt my memory a bit on the discussion. Mr. Appleby, perhaps you recall last year. It seems to me we were still talking about the capital budget as well last year, but we felt it was a sufficiently important proposal that we as a committee sent the recommendation on to the government, that we do the block funding.

MR. KNAAK: You're not saying that if it doesn't have a high enough priority in the capital budget, to use the Heritage Savings Trust Fund. You're just saying the government should set the construction and upgrading of primary and secondary highways as a high priority.

MR. NOTLEY: On a block funding basis. Basically, I think the Premier summarized it quite well in his response to the questions. When the question of block funding was raised, he recalled when he was in opposition making this as a proposal. I think the best possible way of dealing with it would be through the capital works budget of the province on an ongoing basis. You know, we're in the happy situation at this stage where that could be accommodated. Mr. Pahl had raised a point that we can't slide around easily and that is the normal legislative review of the budget.

On the other hand, though, we already have the precedent of the urban transportation system. The difficulty we're into with this business of just reviewing it annually on a budgetary basis is that we even lose control, because we don't have the private people in the field. Unless they can plan over a period of five years, they aren't able to gear up. So we could decide this year we're going to double the highways budget, and it really wouldn't prove a darned thing, because the people in the field have to have time to gear up. I would very much stress to the members of the committee, for heaven's sake, if you want to put in a disclaimer, that's fine, but let's not reject the proposal.

MR. KNAAK: Just so I understand it, the emphasis is really on the more forward looking way of financing it and the block funding. That makes sense.

MR. R. CLARK: That's where my interests are too. There's nothing magic about five years, but if we look at five years on a block basis. Increasingly, we're going to get involved in the question of where it's proper to be funded by. I would prefer the operating budget of the province also. We do have, what is it this year, a \$600 million or \$700 million surplus, plus a very sizeable accumulated surplus. But part of the problem is that we now have so many projects that are neither fish nor fowl. Take for example, the W. W. Cross cancer centre built over at the university several years ago out of the province's normal operating budget. We're now building the southern Alberta cancer centre out of the Heritage Savings Trust Fund, aren't we? We're building active beds and nursing beds in that centre, also out of the trust fund, which additionally had been funded out of the normal operating budget of the province. We can look at the southern Alberta children's centre, can't we -- out of the Alberta Heritage Savings Trust fund. The Glenrose facility here in Edmonton was out of the province's operating budget. Increasingly, we're going to get involved in the situation of things that fit in one place in the

past and are now in the other area, and vice versa. I suppose one could use the Government House South as another example. The Government House here in Edmonton was funded out of the operating budget; now the southern Alberta one is going to be funded out of the heritage fund appropriation. Our job is going to get increasingly difficult if we want to try to draw a very thin line. I'm one of the ones who, in the last two years in my minority report, has constantly tried to draw that line. I think last meeting I said -- I don't want to make the speech again. I'm prepared to say, okay, that's the way we're going, now let's get on and discuss the issues -- which is a major concession on my part.

MR. BRADLEY: Just to get back in on this point I raised earlier and following on Mr. Clark's and Mr. Notley's comments, is not the criteria for these sort of expenditures for the heritage fund -- we wouldn't normally do it. We wouldn't be building the southern Alberta children's hospital if we didn't have the heritage fund money to do it.

MR. R. CLARK: Fred, we've had the Glenrose in Edmonton for 15 years.

MR. BRADLEY: That's correct.

MR. R. CLARK: No heritage fund then.

MR. BRADLEY: We probably wouldn't be proceeding to build a second one in the province if it weren't for the fact that it was something we could -- we wouldn't normally build another one. We may expand the Glenrose; we wouldn't normally build a second children's hospital. That's the point I'm trying to get back to. I think we've had unanimous agreement around this table that this particular upgrading of primary and secondary highways shouldn't be funded out of the heritage fund, yet we're prepared to put forward that recommendation. I have some great difficulty in principle. I think everyone who spoke said this should really come out of the province's capital budget or the surplus, yet we should come forward with this recommendation, out of the Heritage Savings Trust Fund? I really have great difficulty with that kind of logic, that we would come forward with recommendations on things we feel should be done in the province that we feel could come out of the operating budget, yet we would pass them in the Heritage Savings Trust Fund committee. This doesn't seem right to me, and I think that's what Mrs. Fyfe was getting onto earlier too.

MR. CHAIRMAN: Actually, I had Mrs. Fyfe's supplementary next. Would you care to take advantage of that now?

MRS. FYFE: Yes, thank you. I think, coming back to the comment Mr. Notley made two turns ago, maybe we could still resurrect the concern from this committee -- I didn't mean that as a derogatory comment. I wasn't going to agree with you. I think we can resurrect the feeling of this committee, that we are concerned about upgrading Alberta's highway or road system, by the fact that in two previous years we've made recommendations regarding development of roadways. The third year, this year's committee is concerned about the funding of it -- I personally would see nothing wrong with making a recommendation that, due to the committee's concern for upgrading highways, we would recommend the funding not come out of the Alberta Heritage Savings Trust Fund, but out of the capital budget of the Department of Transportation. That



way we have a clear direction of the feeling on where this funding would come from. I think that's what you were saying; I just put it in terms of a motion.

MR. SINDLINGER: I'm a little reluctant to get in at this point.

MR. CHAIRMAN: Please don't feel coerced by the Chair, for heaven's sake.

MR. NOTLEY: We may have a certain rural/urban gulf on this issue.

MR. SINDLINGER: Like everyone else, I have had a great deal of difficulty understanding how and where and why a project should be funded from the fund or not. In the reading I've done of the transcripts of the past few years and the debate in the Legislature, the best criterion I came across was one initiated by Mr. Ray Speaker and subsequently adopted by the Premier. That was simply that the fund ought to be used for things we would not otherwise do. Having said that, I don't know whether that has any relevance to this discussion, but I'll stop right there.

MR. R. CLARK: I'll be pleased to pass it on to Mr. Speaker.

MR. MUSGREAVE: I had thought Mr. Sindlinger was going to say what I was going to say, but fortunately he didn't know I was going to. What I'm wondering is, I thought the basic purpose of the fund was to provide a source of cash when our revenues dry up from oil and gas and similar nonrenewable resources. Perhaps this committee should be recommending that we don't want the government engaging in any of these capital projects that have "a questionable rate of return" in the immediate or even the long range future. There have been accusations that in effect what we've created in the Heritage Savings Trust Fund is a huge pork barrel that all the departments are dipping into when they can't get their budgetary requirements through the normal channels. Maybe we're destroying the original concept of the fund by recommending all these things. I agree we need to repave our highways and to do lots of the things we're doing, but was that the purpose of the fund?

MR. BRADLEY: I have to come back to what Mrs. Fyfe said. I think perhaps that would resolve my difficulties here, and I can support on the grounds we've had this recommendation before and here the committee is now disposing of it finally, in the proper place where it should be disposed of.

MR. NOTLEY: I certainly think that would be very agreeable as far as I am concerned. Maybe we could ask Mrs. Fyfe to draft the recommendation, as a matter of fact.

MR. R. CLARK: Don't say anything more.

MR. KNAAK: Shouldn't we have the two members who drafted the resolution?

MR. R. CLARK: I have total confidence in Mrs. Fyfe, so long as I can read the recommendation after she's drafted it.

MR. CHAIRMAN: We have a motion to the effect that Mrs. Fyfe redraft in one combined recommendation -- recommendations 1 and 2 from the Leader of the

Opposition and Mr. Notley, with their approval and endorsement -- for review by this entire committee when we next meet next Monday night.

MR. NOTLEY: Could I just suggest, Mr. Chairman, to Mrs. Fyfe that it would make it somewhat easier if -- in my recommendation I have 10 years; I would agree to five years. I think Mr. Clark has suggested we drop tertiary roads, so that you have primary and secondary for five years. So it's hardly necessary for you to worry about trying to track us down.

MR. CHAIRMAN: I have been making notes of the major modulating, the major fine tuning arguments that have been brought forward. Mrs. Fyfe, for your potential benefit, there is the concern for upgrading that has been expressed by most of the members here today, the concern -- to use Mr. Knaak's phrase in paraphrasing Mr. Notley -- a forward-looking factor which needs to be incorporated in whatever reference you make to the five-year term, and thirdly, this question of funding from capital budget or from the Heritage Savings Trust fund. I think those are the three major thrusts of this debate today. If you feel sufficiently armed now to take these comments and observations and put them into a combination recommendation, the Chair would appreciate that.

MRS. FYFE: I'm sure that if there are any other additions, they can be added to at the next debate.

MR. CHAIRMAN: I wonder if I could have that in my Legislature building office, Mrs. Fyfe, by, say, noon next Monday. Would that be all right?

MRS. FYFE: No problem.

MR. CHAIRMAN: Very good.

MR. R. CLARK: The Chair hopes there'll be no further debate, then.

MR. CHAIRMAN: Indeed.

It's entirely possible we won't be able to complete our discussion of transportation recommendation number 3 from Mr. Notley, if for no other reason than that I need to leave in 15 to 20 minutes, at the latest. But perhaps it would be useful at least to begin discussion. Mr. Notley, inasmuch as it's your recommendation, would you care to speak to it?

MR. NOTLEY: Mr. Chairman, recommendation number 3 was essentially just a redraft of the recommendation presented last year. You'll note that the Provincial Treasurer, in his response, indicated that submission had been made to the Hall commission report for a northern rail authority. With great respect to the Provincial Treasurer, I think that was a somewhat inadequate response to the intent of the recommendation last year. The recommendation was to undertake a full-scale study of the cost benefits -- there'd be interprovincial implications, because we're dealing with other railroads, particularly the DCR -- and the feasibility of adding rail links. The four areas -- Fox Creek to Valleyview, Spirit River to Dawson Creek, Fairview to Rycroft, Manning to Fort St. John -- basically would allow fuller utilization of the ARK, the railroad to resources, as well as the BCR. I think it's fairly straightforward. These are recommendations that surfaced during the

study of the Hall commission in the northwestern area of Alberta. If committee members have any questions, I'd be glad to answer them.

MR. SINDLINGER: Could you please give us an indication of the length of these railroads, the products that would be carried on them, and the volumes of those products?

MR. NOTLEY: Some of those questions I can't answer, Mr. Sindlinger, but I'll give you -- Fox Creek to Valleyview is approximately 50 miles, Spirit River to Dawson Creek approximately 60 miles, Fairview to Rycroft approximately 30 miles, and Manning to Fort St. John, via the present rail network would be approximately another 120 miles. It would be somewhat longer if one went directly from Manning to Fort St. John. The goods carried range all the way from the grain produced in the Peace River country, to sulfur, wood products -- basically the goods produced in the northwestern section of the province. Mr. Sindlinger, I can't answer the question of volume; I will certainly try to obtain information, if you wish, but it would be information via the present network, which would be NAR through Edmonton and a smaller amount down through the ARR to the CN main line. The cost benefits we wanted examined really dealt with two options. One would be a fuller use of the ARR, which is presently owned by the province in an operating arrangement with CN. The other would be to look at links with the BCR in British Columbia. The idea of the full-scale study would be to allow the government really to evaluate the options. People in that area feel quite strongly about it. To give you an example, were we able to use the BCR from the little shipping point called Hines Creek, it would be 497 miles shorter one way to Prince Rupert than the present NAR system. So there's a very substantial saving in miles. You're looking at almost 1,000 miles turnabout time, and with the problems we have in getting enough cars and the efficient hauling of grain, it's the kind of thing, in my judgment, that at least merits study.

MR. KNAAK: Mr. Notley, assuming the cost benefit analysis shows the benefits exceeding the costs, is it intended that this railway become part of the Alberta Resources Railway, or is it the intention that these stretches be owned by someone else?

MR. NOTLEY: There are really several options at this stage. One would be that they could be part of the resources railway, since we already own that; it's even conceivable we could do that through the NAR, which is owned by CP and CN, although one has to keep in mind that the NAR is not likely to be overly enthusiastic about any of these proposals, because it is much better for their system to bring everything down through Edmonton than to route things out the other way. If the cost benefits were demonstrated, Mr. Knaak, I would foresee that the second step would be how to set up the structure, whether we do that with another authority or use the ARR. I would certainly not have any difficulty recommending roadbed construction. Mr. Peacock I think made that point quite effectively in 1973 to the western economic conference, on behalf of the Alberta government, that we should look at the question of roadbed construction. So whether we did that on a lease back arrangement with the NAR or through the ARR -- certainly, if you're just going to extend the road from Fairview to Rycroft, it might be very well to do it through the ARR, because that would be a major step to use the ARR as far as northern grain is concerned.

MR. KNAAK: A supplementary. Would you envisage the construction of these links even if, in strictly economic terms, the benefit to cost ratio is not one? In other words, if it would require a subsidy of some sort to construct it, and if so, what portion of the Heritage Savings Trust Fund do you see the subsidy being paid from.

MR. NOTLEY: Mr. Knaak, I really don't want to get into that, nor should we, because one of the things we decided as a committee very clearly last year was that we wanted a cost benefit study, so that we would be in a position to make that judgment. Now as to whether I would want to see us investing in rail links that would cost us more than the benefits: no, I wouldn't, but I think the first step is to look at the cost benefits. The interprovincial implications relate to the question of the Crow rates. As you know, the Crow rates are now subject to some discussion -- I won't get into that argument. But the interprovincial implications are simply this: at the present time, Crow rates do not apply on the BCR.

MR. R. CLARK: Did you say Crow rates are subject to Dr. Horner?

MR. KNAAK: One more supplementary to the Chairman. Is this committee bound by *stare decisis* on the decisions of past committees?

MR. CHAIRMAN: I regret my grade 11 Latin doesn't help me out much there.

MR. KNAAK: Do decisions of former committees bind this committee?

MR. CHAIRMAN: I don't believe so.

MR. MUSGREAVE: You should bear in mind that some of us are members of the former committee, and you wouldn't want to make remarks too caustic or we might get mad at you.

MR. PAHL: Mr. Notley, two of these links are directly into B.C., tying into the BCR. My understanding of the economics of that rail -- links extending I thinks its from Fort Nelson through Fort St. John to the south. It's just in horrendous shape in terms of cost benefit. The thing that concerns me about the direct linking up and eliminating almost 500 miles of rail line is that we are increasing the temptation, not so much to ship jobs down the pipeline, but down the rail line. Intuitively I would say, because we are removing the opportunity for products to flow to regional centres in Alberta, where we can benefit by a diversification strategy. So on those two points, I would have some severe reservations about the cost benefit, which I agree is the first step. But I'd introduce the caveat that says if we're developing a provincial strength, we're not going to develop it by shooting stuff across the border to, I suppose, improve the economics of their line, but remove any opportunity to upgrade agricultural products, which I think is an important provincial diversification strategy.

MR. NOTLEY: I wonder if I could respond briefly. Mr. Pahl, first of all, I agree with you on the line from Fort Nelson to Fort St. John. It's an uneconomic line. As a matter of fact, the B. C. government has suggested they'd like to abandon the line and the people in Fort Nelson have made it clear they don't wish it abandoned. I've contacted BCR people on the link between Dawson Creek or Fort St. John and Prince George, where it meets the

main line, and they've satisfied me that the thing is at least feasible enough that we should be looking at the cost benefits of it.

The second question is perhaps a little more important: would we be shipping jobs down the rail line? I would say to you, no, I don't think we will. The corollary of the rail line is that if you can reduce the access to the ocean by 400 to 500 miles, you're making it much easier to get your products to world markets, not just the raw materials, but the grains we grow in the Peace or the minerals or the forest products, but also the processed agricultural commodities as well. So from the viewpoint of the economy of the region, I don't think there would really be any serious argument that it would set back agricultural processing; if anything, I suspect it might improve the prospects for certain types of agricultural processing. Again, that's part of the reason for a full study. I don't think it would be responsible for me to come here and say to the committee, you know, because of x, y, and z, let's start building tomorrow. I don't think we want to get into that kind of situation. But in terms of an important region in both B. C. and Alberta, a region that tends to think very much as one region, this is the sort of thing I think has at least to be examined.

MR. PAHL: Mr. Chairman, to Mr. Motley then, I would say that the full scale study of the cost benefits would mean to me secondary and tertiary benefits within the region, not restricted to the rail line. I think you can sort of skew things very badly if you look only at one side.

MR. Motley: Okay.

MR. SINDLINGER: I would like to make some comments just for the interest of the committee. It seems to me the construction cost for a rail line is now in excess of \$1 million a mile. Just adding up your mileage here, it looks like you're talking about \$300 million for construction of these rail links. It's very difficult to keep control of railway construction costs. The Alberta Resources Railway was first estimated to cost something less than \$10 million -- the single digit millions. Eventually it ended up costing something like \$110 million. I think there is still some question of the benefit that railway is providing for Alberta. Another thing that comes to my mind when I look at the mileages you have -- the 50, 60, 30, 120 miles -- those are well within the range of economic advantage that trucks have over railroads. For small distances of that nature, trucks can operate less expensively than railways can. As a matter of fact, the trucks have advantages over railways from distances up to 200 or 300 miles.

Over the last year, in pursuit of my normal employment activities, I shipped sulfur from Alberta to Vancouver, a distance of 700 miles, from points connected by regular rail service to Vancouver, yet by using trucks the tariff on the trucks was lower than what the railways had to charge. I think one thing you might be considering here rather than just saying railway appears to be the answer to development, perhaps trucks are another alternative. There was a point in our history at the turn of the century when it seemed apparent that the solution to economic development was the construction of railways. People went about constructing railways all over the countryside. Even municipalities got into the act by financing short link railroads. As a result of all that, we now have the Canadian National Railway, which is really a consolidation of all those small railways that didn't prove to be economically feasible in the long term. Where this seems to have some

apparent benefit on the surface, I would question the long term benefit in terms of its efficiency relative to trucks and other modes of transport.

MR. CHAIRMAN: Mr. Notley, did you wish to respond to Mr. Sindlinger's introduction of the truck alternative?

MR. NOTLEY: Let me just suggest that that is one of the things the cost benefit study would be reviewing. Let me also say, Mr. Sindlinger, that you added up the total of all these projects. All or none of them might prove feasible, so that we're not necessarily looking at the total amount, by any means. On the other hand, when you look at trucks, we have to keep in mind that there are public costs for trucks too, very substantial highways expenditures. When I have the superintendent of highways for the Peace River country telling me he could spend \$300 million to \$400 million in a single year on Peace River roads, I think that has to be put into perspective as well. Trucks have advantages; there's no question. How long that will remain the case, with rising energy prices, is hard to say. But again I think it would be wrong for the committee to get into its own cost benefit analysis at this stage. If the proposal were to build the rail lines, I would say, for heaven's sakes throw it out. The proposal is for the study.

MR. R. CLARK: I just want to ask Mr. Notley one question. What portion, if any, of these was a portion of the presentation the Alberta government made to the Hall commission?

MR. NOTLEY: Almost all of these are part of the Alberta recommendation. The Alberta government made a recommendation for a northern rail authority, and in the process favorably reacted to each of these links. The Hall commission looked at some of them, and, for example, supported the Manning to Fort St. John proposal, but not the Fairview to Rycroft, which would mean that we'd be linking up with the BCR, not the ARR. Each of the links identified there are contained in the Alberta submission to the Hall commission.

MR. KNAAK: Mr. Chairman, I wanted to ask Mr. Sindlinger a clarification; maybe he knows the answer. In your point about the competitiveness of trucks, were you including the cost of the road? And if not the cost of the road, were you including the upgrading required of the road to facilitate the large trucks, when comparing it to the railway in terms of the cost per mile, or is that just the strict tariff now charged? The next question is -- while you think about that one -- when we consider these recommendations, is it immediately obvious that the benefit/cost would be less than one?

MR. SINDLINGER: In response to your question, the comparison I made, for sulphur, for example, was just the tariff of the railway as opposed to the tariff of the trucking outfit. But the trucking outfit tariff was in addition to terminal costs on both ends that weren't found in the railway tariff. That is to say, the railway tariff was at this level; I could take the truck tariff and add terminal tariffs on both ends of it, and would still be at a cost less than the railway tariff. And there are many situations where you're going to find something like that. That was for sulphur.

Your second question was . . . I've forgotten. What was your second question?

MR. KNAACK: I think you've answered the second question already. That was whether your comparison included the upgrading of the road required to facilitate the large trucks. The third: is it immediately obvious that the benefit/cost would be so that . . . Is it worth while doing it, in your judgment, or is it so obvious that it wouldn't be close?

MR. SINDLINGER: Again I would say a rule of thumb is that 500,000 tons annual volume is a feasible volume to work with for a railroad. That's the lower limit. That's why I asked Mr. Notley what volumes would go over these lines. If you get four lines, you're talking about 2 million tons. Two million tons of what?

MR. CHAIRMAN: As I mentioned earlier today, I have a pressing need to catch this 2:30 airbus, and I have some committee work to do before I leave the building. I know several others have a similar problem. Is the committee ready for the question, or would you prefer to adjourn debate?

MR. APPLEBY: Mr. Chairman, I have a couple of comments. I really would like to get hold of a map and take a look at it. I guess I should have done this before, but I haven't, to see what this actually involves. I'd prefer we hold it.

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Adjourn debate?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: We'll adjourn debate on this and pick it up, along with these other matters, at 7 o'clock next Monday evening, probably in the Chamber. I have yet to confirm that, but my preliminary indication is that we will have the Chamber. Thanks very much.

*The meeting adjourned at 1:45 p.m.*

