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Standing Committee on The Alberta Heritage Savings Trust Fund Act

Tuesday, May 6, 1980

Chairman: Mr. Payne

9 a.m.

MR. CHAIRMAN: I'd like to say good morning and bid an enthusiastic welcome to members of the Select Standing Committee on The Alberta Heritage Savings Trust Fund Act. One or two of our members have asked to be excused because of conflicting assignments. Several others have indicated they'll be here with us this morning, but not for a few moments. I understand estimates debates were somewhat protracted last evening, so I compliment you for your devotion to legislative service this morning.

As members of this committee who have served in previous years will be aware, the committee has not normally met until September, at which time committee review of the heritage fund report was undertaken. This year, however, I have determined that it would not be appropriate to wait until September to begin our hearings and our meetings because of a number of subjects the committee needs to address itself to. In my earlier memoranda to the committee, I have indicated what some of these subjects are. They include research assistance, projects for which such assistance might be determined, June hearings, possibility of change in format of our report to the Legislature, and so on.

I'd like to begin today, if I may, with a suggestion that we address initially the question of consultant research. Although it's probably not necessary, I would like simply to read to the committee from our report that was tabled last October, in which we indicated as a procedural recommendation, D.1., the following:

That in light of indications by the Executive Council that necessary funding will be approved, the Committee implement its 1978 recommendation concerning the hiring of consultants on a project basis.

My first question to the committee today is: is it the committee's view that it's now appropriate that now is the time to undertake such consultative assistance? Could I have comments on that question?

MR. STEWART: Mr. Chairman, I think the policy we established by that ruling last year is practical, but I don't think we should be hiring consultants until we've had the opportunity to consider what projects we are going to consider and then hire an appropriate consultant who could possibly be familiar with that particular field.

MR. CHAIRMAN: Just to ensure that the Chair understands that comment, Mr. Stewart, what you're advocating is that we do proceed with this recommendation but deal with the question of projects to be undertaken before determining the consultant?

MR. STEWART: That's correct.

MR. CHAIRMAN: Comments? We have agreement on that?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: I would then appreciate the comments of committee members on the question of how many projects we should consider in this year, 1980, for consultative assistance. Any comments on that fundamental question?

MR. APPLEBY: Mr. Chairman, since we're proceeding somewhat on an experimental basis this year with this type of procedure, I think we should probably limit ourselves to not more than one or two types of projects if we're going into the consultant area. Then we can assess those at a later date and determine whether we think this method of proceeding is going to be beneficial to the committee.

MR. KNAAK: Mr. Chairman, I think that's probably right. Being the first time that this committee will proceed with a project and the hiring of consultants, I think we should probably just do one and see how it works and whether in fact we can justify the expense in terms of the benefit derived from such a study.

MR. BRADLEY: I generally want to agree with what Mr. Appleby and Mr. Knaak have said with regard to how we should proceed and how many projects. It probably would be useful to get one project under our belt and, from the experience of that, judge whether we should do more projects in a subsequent year and how to proceed in future. But I think doing one project initially and benefiting from its results would be the way to proceed.

MR. PAHL: Mr. Chairman, I would support the view of rather modest activity this first year, but would perhaps like to reserve the option of more than one simply so we may have the benefit of looking at aspects of the fund that are quite different in their nature. The Canada investment division part of capital projects as opposed to the Alberta investment division, for example, has very, very different sort of objectives. Obviously we'll have to use different yardsticks to measure them. So I would support a modest initial effort, but would reserve as to whether it would be limited simply to one. It might be too restrictive.

MR. CHAIRMAN: A very agreeable committee this morning. To summarize that very brief discussion: Mr. Knaak's recommendation, and Mr. Appleby's and Mr. Bradley's was perhaps just one project to get the benefit of the experience, justify the expense, then decide on an appropriate number for future years. We have Mr. Pahl's qualification in which he agreed with modest consultative activity, but reserved the option of perhaps more than one so we could undertake more than one type of project this year. Obviously there is a consensus of the committee on that latter recommendation of Mr. Pahl.

MR. APPLEBY: Mr. Chairman, when you said we agreed with Mr. Pahl's recommendation, I don't know that that's correct.

MR. CHAIRMAN: The Chair would also appreciate some guidance from the committee on perhaps the more difficult question of what type or types of projects should be undertaken this year. Mr. Pahl, in making his previous recommendation, alluded to two or three different divisions of the fund. We of course are contemplating later this year the creation of additional divisions. So it's an important subject. As I said, the Chair would welcome

committee input as to the nature or type of projects we should consider for consultative work.

MR. KNAAK: Mr. Chairman, right now the province of Alberta and Canada are in a very difficult energy negotiation. There's a concern within Canada of investment or investable capital. I think this committee should consider the possibility of hiring a consultant to determine what impact the Heritage Savings Trust Fund has in the rest of Canada in terms of the positive and negative influence it does have, in particular -- I'm talking of both the financial impact and in terms of real impact too. In other words, I'm saying, what is the impact -- positive or negative -- of the trust fund when investments in Syncrude, Esso Resources, or the Alsands project or, for that matter, housing are made? What's the spinoff in the rest of Canada? I guess one of the things this committee might consider is both the monetary and real aspects of the use of the trust fund in Canada. This kind of information would probably be useful to serve all of Canada in making an assessment of such a fund, particularly this committee.

MR. NOTLEY: Perhaps with a slight refinement of that, I think that's a fair enough proposition. I would like to see us look in that light, but also in the light of the capacity of the heritage trust fund to be a source of Canadian investment, so that we'd have to contrast that against the disposable sources of investment in Canada. I think basically that's not a bad direction in which to consider a study. I suspect, however, that what we're getting into is a pretty comprehensive study. Nevertheless, it's certainly one that is relevant at the moment, because the heritage trust fund is a very substantial pool of investment capital of one kind or another. The relationship of the fund to Canadian investment needs I think is relevant.

MR. PAHL: Mr. Chairman, I would -- and I guess that's the reason for my willingness to want to have some options. Because of the nature of the fund and the nature of the different divisions, I think it's a very different matter when you look at a capital projects division, say, the irrigation headworks and rehabilitation program, where the stream of benefits and the multiplier effect of those benefits is in a much different scope than, for example, investments we would make in the Alberta Opportunity Company, where there is a very active multiplier in effect. So I would be more inclined, or at least I would want us to look in-depth at a project in the capital projects division that had some province-wide scope and was a project that more people could see in tangible ways and be able, as a committee, to look at the benefits of that project for Albertans in the context of its investment which is a much more limited one. I don't discount the importance of the topical nature of Mr. Knaak's proposal and the support he received from Mr. Notley. But I would like to deal in more concrete terms in a more limited way with a project as well.

MR. CHAIRMAN: Mr. Pahl, when you made your reference to the capital projects division, was that by way of an illustration or by way of a specific recommendation?

MR. PAHL: Both, Mr. Chairman. The capital projects activity I had in mind was the irrigation rehabilitation and expansion program specifically, as one in capital projects. There are a good number that could be looked at. To work both ways from the scale, the Capital City and Fish Creek parks, for example, I would suggest would be even harder to put an economic analysis to; whereas I would suggest the airport terminal buildings would be easier.

So I guess I'm seeing a spectrum within the capital projects division that I think deserves a bit of in-depth analysis relative to our mandate and the opportunity to use a consultant to look at it.

MR. CHAIRMAN: Thank you. Of course, Mr. Pahl has raised the interesting practical, if not philosophical, question of the so-called quality of life investments in the fund. You referred to Fish Creek and Capital City parks for examples. I suppose that's a question that, if not now, in the near term the committee will have to address itself to in evaluating fund performance. What sorts of criteria would be appropriate for the assessment of these, as I call them, quality of life investments that don't lend themselves quite as readily to quantification as some other kinds of investments out of the heritage fund.

MR. KNAAK: Mr. Chairman, I don't know if there was a misconstruing by my colleague of my purpose for the study. The direction of the capital projects division is not really not what I had in mind. My thought was to really talk about the Alberta investment division, the Canada investment division, and Section 9 investments, to determine both the monetary and real impacts, not necessarily only on Alberta. That would be just a minor part. The main focus of such a study would be to assess the negatives and positives of such a fund to all of Canada. That basically was the proposition. So it would exclude really taking something like the quality of life aspects of the capital division. Perhaps that was a different recommendation for some other time, rather than just a confusion in thought.

MR. CHAIRMAN: Mr. Pahl may wish to respond, but I'm sure he was not making his recommendation in lieu of your earlier recommendation, but in addition to.

MR. NOTLEY: Mr. Chairman, is it your view that we have to make this decision today?

MR. CHAIRMAN: It's not my view. I would welcome committee discussion on this. I wanted to defer judgment till I got the benefit of discussion today. I was considering this suggestion, that perhaps we take a few days to read the committee's report of last October, last year's annual report, and send to me some project recommendations. Then I would correlate them in some fashion, circulate them to the full committee, so we all have the benefit of everyone else's thinking on the question. Then when we next meet, focus on that assembly of project suggestions and determine the one, two, or three, whatever it's going to be.

MR. NOTLEY: That seems to be a more sensible approach. I think Mr. Knaak's suggestion has some merit, but rather than crossing the bridge and forever being across the river, let's do as you suggest. Perhaps we could look at a time for another meeting relatively soon, but I would suggest shortly after the House recesses. In the meantime we'll have opportunities to get memos to you with our respective suggestions on what should constitute the project for the consultant. Then we'd have an opportunity collectively to review those suggestions and decide where to go.

MR. CHAIRMAN: I'd welcome comment on Mr. Notley's suggestion. I would appreciate your comment, Mr. Clark, because it was Mr. Clark -- and I believe I've had one other memo earlier in the year expressing concern that the committee wasn't moving quite fast enough on this particular phase, to get the benefit of it for our fall report. Did you wish to comment on Mr. Notley's suggestion, Mr. Clark?

MR. R. CLARK: To be very candid with the committee, we've gone ahead and hired someone, because the committee didn't move -- the individual I suggested to you. We hope to have something from that individual by this fall because we felt it was important to have something by this fall. Given that situation, rather quickly I think members should get their suggestions to you, Mr. Chairman, as to projects they want to see studied. Perhaps before the end of the session, I would suggest that the committee reconvene and establish some priorities. It would be my hope that by that time you would be able to have some indication from Mr. Hyndman as to when we might expect the annual report, and that before the House adjourns we would be able to set some dates.

MR. CHAIRMAN: Hearing dates?

MR. R. CLARK: Hearing dates, yes; so we're not in the kind of situation we have been in years past. That's my view. Frankly, that's why we've taken the position we have. We felt we should move ahead and have something for this fall. We didn't think it was possible if we had waited this long.

MR. CHAIRMAN: Before inviting additional comments on Mr. Clark's and Mr. Notley's suggestions, I will undertake to provide for the committee an indication from the Provincial Treasurer as to when we might expect a draft or a preliminary edition of the heritage fund report.

MR. R. CLARK: If I recall correctly, I think Mr. Hyndman indicated last year that it would be out somewhat earlier than it had in the past, for the benefit of the committee.

MR. NOTLEY: Further to that, Mr. Chairman, I know traditionally we have been waiting until we had the report, but I recall discussions last year in the committee that in terms of at least some departments we could actually begin hearings with ministers even before. I think it's important that we not get into the situation we did last year, because we don't do justice to our work. We end up having public hearings in September, then having to compress our time for recommendations into the very short period. That has been the case over the last three years. So I think it would be interesting when we do come back -- and if members would like to meet before the end of the session, I would suggest we strike a date today a week or two hence. It would be useful if we had a suggested agenda for at least some of the ministers in June. I think July and August may be difficult, but I would hope we could start in June with the review of department investments.

MR. CHAIRMAN: Just by way of seeking Chairman's clarification, what would be the source documents by which the committee could have current and meaningful hearings with ministers prior to the release of the heritage fund annual report? Would you use departmental estimates?

MR. NOTLEY: No, not departmental estimates. That's a different thing entirely. I would hope we could have the report, Mr. Chairman. I don't think there's any question about that.

MR. CHAIRMAN: Oh, I see.

MR. NOTLEY: That has to be our objective and very clearly. We don't need a report like this. It doesn't have to be glossy, bound and all printed. It could be mimeographed; that's the sort of thing it seems to me we talked about last year. To wait until we go through the procedure of having it printed is really rather silly, because we would be waiting until September. We'd get

ourselves into the same time line. I would presume that the compilation of the data would be well under way now and probably should be complete. If we could just have the data, then we're in a position to start studying the report. If the glossy report comes out two or three months hence, it's really immaterial in terms of our work. But we don't have to wait for it.

MR. PAHL: Mr. Chairman, I guess that's fine, if we can get the concurrence of the Provincial Treasurer to, in effect, dribble out his report. I can see some good advantage to that. I would suggest, speaking first to the first point, that we should have our project suggestions to you a week today and strike a meeting date two weeks from today to decide on the project.

MR. CHAIRMAN: Do I have agreement on that?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Okay. Those dates would be Tuesday, May 13 as a deadline, if you like, for project recommendation submission to the chairman. Then within, say, three days of that date, by perhaps Friday, the 16th, I will circulate these to the members of the committee. Then perhaps Tuesday, May 20, we could meet to review the project recommendations, finalize our selection of projects. By that time I will have obtained from the Provincial Treasurer an indication as to when we might expect the annual report, in perhaps a non-glossy form, and then deal with the question of consultant selection as well. Do I have agreement on those dates and that general sequence and time line?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: That being the case, I have no other items for which . . .

MR. NOTLEY: Could I just suggest to you that in terms of the timing of the meeting, that we have it a little later? Could I suggest 11 a.m. instead of 9 -- the problems of getting planes and so on back.

MR. CHAIRMAN: Yes, I concur with that. I suffer from the same problem.

MR. SINDLINGER: Mr. Chairman, for clarification I'd like to ask a few questions of Mr. Clark, if I may please.

MR. CHAIRMAN: I certainly have no objection; I assume Mr. Clark doesn't.

MR. SINDLINGER: One of the resumes we received for consultants was submitted by Mr. Clark, and he was quite eager to get going on this. Since he told us in all candor -- and I appreciate it -- that he had hired a consultant, I'd like to ask him if the consultant he has hired is the same one he recommended to this committee. Also, what would the consultant be doing, to ensure that we don't duplicate our efforts? Finally, what would Mr. Clark be doing relative to this committee? You elicited a comment from him, inasmuch as he was one of the impetuses behind this. Rather than submitting a suggestion or recommendation in terms of a project we should be undertaking, Mr. Clark just said that he has his own consultant to do this. So my question to Mr. Clark would be: what do you plan to do in regard to this committee?

MR. R. CLARK: The answer is yes, it's Mr. Daniels we've engaged, primarily because he's been involved in work in Alaska. We met with some of the people in Alaska last year, and they were rather impressed with much of the work he

had done there. He also took part in the seminar at the University of Alberta which the government and the university jointly sponsored.

In answer to the second question, clearly we're going to use information we get from Mr. Daniels and we plan to make it public. Some of it, I hope, will be the basis for suggestions and recommendations we will make to the committee.

Thirdly, it's my expectation to suggest one or two specific projects to the committee in the week's framework we've set out. If the committee finds favor with one or two of those suggestions, fair ball. They'd be areas that I wouldn't expect Mr. Daniels to be working in at all.

But I didn't want to give the impression that it was my expectation or plan to boycott the work of the committee. I simply -- and no reflection, Mr. Chairman -- felt that if we were going to have something by October this year before we make some recommendations to the committee, we were going to have to move. Mr. Daniels will be in Edmonton in June to meet with our caucus. I haven't consulted my colleagues, but I'm sure any member of the committee who would want to sit down and talk to Mr. Daniels at that time, we could arrange that opportunity for them.

MR. CHAIRMAN: Any other comments?

MR. SINDLINGER: (Inaudible) would have the opportunity to talk to? Thank you.

MR. R. CLARK: (Inaudible) and we don't know what recommendations he's going to make. One possibility, one of the reasons we've tried to do this so it would be finished by this fall, that if the committee is interested in sitting down with him, we're quite prepared to broach that with him. Fair ball; have him come before the committee if you want.

MR. CHAIRMAN: Any comments? There not appearing to be any more comments, just to remind the committee that you've got seven days from now to provide the Chair with your project recommendations. I will then assemble them, try to cover off any duplications, and circulate that document to you so that perhaps when we meet at 11 o'clock, I believe, two weeks from today, we'd be able to use that list to finalize our selection and then move in the same meeting to the question of consultant selection and terms of reference development. Agreed?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: With that, then, I'll entertain an adjournment motion. Thank you, Mr. Pahl.

*The meeting adjourned at 9:32 p.m.*