

Standing Committee on The Alberta Heritage Savings Trust Fund Act

Tuesday, May 20, 1980

Chairman: Mr. Payne

11 a.m.

MR. CHAIRMAN: I'd like to call to order this meeting of of the Select Committee on The Alberta Heritage Savings Trust Fund Act, and would like to confirm that each of you has received my May 14 summary of the seven research assistance recommendations that were submitted to the Chair by various committee members. Has any committee member not received it? I'd like to suggest that it form the basis of our discussion of the first item of business today, then. Perhaps by way of useful reminder, when we met on May 6, at the conclusion of our discussion as to the number and types of research assistance projects that could profitably be assigned to an outside consultative firm, I believe Mr. Pahl at the conclusion of that part of the May 6 discussion recommended that the committee assign at least one project to "get experience and justify the expenses", but the committee would also reserve the option of assigning more than one project. It was on that note that we concluded last time our discussion of research projects.

Subsequently, I elicited from the committee members their suggestions for research projects, of which seven were received and, as I've indicated, were summarized in my May 14 memo to members of the committee.

I would now like to invite open discussion on the question of the number and nature of research projects to be undertaken, using perhaps at least as a guide the May 14 summary of recommendations that have come in. Any comment?

MR. PAHL: Thank you, Mr. Chairman. May I suggest we, in a similar format to developing our recommendations last time, perhaps just go through them one by one, and have the author or authors defend, recommend, or otherwise sell the thing.

MR. CHAIRMAN: Thank you. Mr. Oman.

MR. OMAN: Mr. Chairman, I don't know if Mr. Clark could enlighten us inasmuch as he has engaged a research consultant and whether or not there are going to be -- not that this committee would necessarily be guided by it, but I wonder if he's prepared to indicate what specific areas his consultant would be working in so we wouldn't necessarily overlap.

MR. CHAIRMAN: An alternative, if I could suggest it, Mr. Clark, is that, why don't we proceed with Mr. Pahl's suggestion, have each of the authors of these seven summarize them, then Mr. Clark could speak to any possible duplication, which obviously we would want to avoid. Is that agreeable, Mr. Clark, Mr. Oman?

There was one typographical omission on the May 14 memo. Recommendation No. 6 was in fact submitted by Mr. Knaak and his bracketed name was omitted on this May 14 memorandum.

All right. Suggestion 1, then. Mr. Sindlinger, please.

MR. SINDLINGER: Mr. Chairman, I don't have much to say about the suggestion; I think it's pretty straightforward. I would term this as a public awareness survey rather than anything else, and just leave it at that.

MR. CHAIRMAN: Could you summarize the value you see in such a project?

MR. SINDLINGER: The value I see in such a project, hmm. First of all, it does two things. One, it would help us assess the degree to which the placement of the funds have coincided with the public's desire, and give us some guidance in identifying what the public would wish to have done with the funds in the future. Just future guidelines, that's all.

MR. R. CLARK: And what Mr. Sindlinger thinks it's going to cost? Is that your . . .

MR. CHAIRMAN: No. My reference to value was not a dollar value. Mr. Pahl, would you care to speak to Recommendation No. 2, cost/benefit study of selected land reclamation projects.

MR. PAHL: Thank you, Mr. Chairman. My feeling here was that this effort would have value because it is an expenditure by the Heritage Savings Trust Fund that is not really in keeping with the idea of a savings account or a savings fund. It's an expenditure; it's gone once it's expended, but there is a residual benefit. The residual benefit in this recommendation, as with my No. 4, is that it is land based. On the assumption of our two basic industries, oil and petrochemicals and agriculture, after the non-renewable resources are gone, we will be back to the agricultural-based industry primarily. So it would seem to me to be of value to look at the investment in things for the future, where the return is not identifiable in a return on capital, but conceptually or long-term there is a presumption of benefit and, hopefully, an identifiable one.

The other appeal I think this would have is as I read the report on land reclamation across the province in previous years, it has been rather extensive throughout the province. You know, we often talk about billions, but it's sometimes tough to sort of relate that back down to filling in a gravel pit or cleaning up an old coal mine, that sort of thing. It's a concrete thing that I think has a broad base.

MRS. FYFE: I would support both 2 and 4; I suppose they're the same intent. But probably also on a broader basis, if we could get some kind of idea from the consultant as to the long-term monetary benefits out of the capital projects division, I think it would be of great benefit to this committee and to the people of Alberta to understand why the funds that have been set aside for future generations are spent without necessarily immediate interest returns. Yet there are definite long-term economic benefits from many of these. I wonder if the mover of this suggestion would like to explain why he chose, say, those two. Does he feel they would be indicative of a typical capital project expenditure, or did he consider expanding it to include any other projects within this division?

MR. PAHL: With respect to the first one, I thought it was more agricultural economics and the long-term benefits are probably more extensively developed than trying to quantify recreational benefits, for example. I think the fact we are going to revert to agricultural prominence, in my view and I think in most people's view, in the long term, would tend to suggest that the selected irrigation rehabilitation -- and I would say No. 4 would probably rank higher than No. 2. I would argue for more specific subdivisions of the capital projects division than the whole thing. Quite frankly I was thinking of my two options for study as ancillary to perhaps the larger view that was expressed about the benefits of the fund to all Canadians and all Albertans.

MR. SINDLINGER: Mr. Chairman, since we've brought 2 and 4 together, I have two comments to make. First of all, in regard to item No. 4, the cost/benefit study of the selected irrigation rehabilitation projects, I'd like to remind the committee that at our last meeting last year, I did submit a cost/benefit study of the irrigation rehabilitation projects, in which all the various benefits were identified, including employment and multiplier effects, income, private and public as well. That was tabled at our last meeting.

MR. PAHL: Now you're going to get paid for it.

MR. SINDLINGER: Now I'm going to get paid for it, Mr. Pahl says. My second comment, though, is that in regard to both of these cost/benefit studies, I think they would be worth while if they could be compared with the initial cost/benefit studies. When these first two programs were proposed by the respective departments and undertaken, I'm sure that somebody somewhere must have sat down and said there has to be some criteria for undertaking one of these projects. I'm sure someone must have done a cost/benefit study to determine whether or not the project should have been undertaken. So if we could get the initial cost/benefit studies or analyses that were done for these and then compare them to a proposed cost/benefit study that is being suggested today, I think we would have a reasonable measure of the actual cost/benefits and the perhaps judiciousness of undertaking such a project in the first place.

MR. CHAIRMAN: Any further comments on Mr. Pahl's recommendations 2 and 4, which have now been combined in committee discussion? If not, Mr. Sindlinger, would you care to comment on Recommendation No. 3?

MR. SINDLINGER: One of the major criticisms levied against the fund is that it is of such a large magnitude that it's disruptive in the normal money markets in Canada. Some of this work was already done at the seminar that was held by the University of Alberta last fall. One of the papers dealt with the impact of the fund on the money markets, but it only touched the surface. If I would give it a second thought, I would expand this suggestion No. 3 to include not only the money markets but all the private areas for investment in Canada and first of all identify the relative size of the heritage fund in terms of the total capital available. For example, I can't recall offhand, but I think that seminar indicated that the magnitude of the fund, around \$5 billion, was very small compared to the total capital pool in Canada of about \$300 billion, which would indicate to me that the fund would not have that much disruption on the total capital market in Canada. I think it would be worth demonstrating that the fund is not a disruptive factor in terms of the total money market in the country.

MR. NOTLEY: Mr. Chairman, I was pleased the way Mr. Sindlinger expanded the basic terms of reference of suggestion No. 3. I think I could support that.

I was just going to suggest that the point Mr. Knaak made on the 6th, his suggestion that there's concern within Canada about investable capital and felt the committee should consider the possibility of determining what impact the heritage fund has on the rest of Canada, particularly financial impact, and real impact -- what is the impact, positive or negative, on the rest of Canada? It seems to me that if we can expand the terms of reference beyond just the impact on the money market, to look at the larger question of the sources of investable capital. I can't think of a better area for a consultant to look into and analyse for the benefit of this committee. So I guess the way Mr. Sindlinger explained proposition 3, I'm quite happy with the explanation of it. But I think the way it's worded, it's too narrowly drawn,

and I would basically like to see a wedding of the proposal Mr. Knaak made two weeks ago with Mr. Sindlinger's proposal. It seems to me we got that basically in his explanation but not necessarily in the wording. I certainly would support that as our major area to examine. I think that's one of the obvious places to start, rather than getting off in specific projects. It seems to me that that question is really the number one issue we have to seek guidance from a professional consultant on.

MR. CHAIRMAN: I'll ask Mr. Knaak to respond to that when we get to items 6 and 7. Mr. Pahl, do you feel you had pretty well said your piece on Recommendation No. 4?

MR. PAHL: Yes, thank you. I would really argue for perhaps dropping 2 and argue the case for 4 as being more amenable to the sort of analysis I had anticipated.

MR. CHAIRMAN: Mr. Musgreave, did you wish to comment on Recommendation 5?

MR. MUSGREAVE: I'd like to withdraw it, because I'd rather look at the broader scene.

MR. CHAIRMAN: Okay. Mr. Knaak, would you care to comment on both recommendations 6 and 7, and perhaps I could suggest that in the course of those comments you might wish to respond to Mr. Notley's earlier comment.

MR. KNAAK: Thank you, Mr. Chairman. Let me just state the overall purpose of my recommendation. I think I had a problem communicating my suggestion to you, because when I sent you that memo I set it out one, two, three, as if there were three suggestions, but really there was supposed to be one suggestion, with three points below for easier understanding. But I can see why three was left off because Mr. Sindlinger's No. 3 is very similar to the third point I had here.

The purpose of the recommendation that I submitted to you and reflected in 5 and 6 and 3 of Mr. Sindlinger was really to identify the benefit or negatives to Canada of the investment of the Heritage Savings Trust Fund in all items other than the capital projects division. In other words, investments like in Syncrude, the direct investment there, what is the benefit to the rest of Canada both in terms of linkage or spinoff effects and multiplier effects, in terms of housing, the stimulation of the Alberta housing industry, most of the components that go into housing, a purchase somewhere else. What is the spinoff of the stimulation of the housing industry?

The third area which now I'll comment on Mr. Notley's comment on 3 and Mr. Sindlinger's point is we have a substantial investment in the money market, debt instruments. The impact of those investments in the debt market, the positives and the negatives, in particular also to investigate whether or not the entrance by the Heritage Savings Trust Fund in the bond market does in fact stimulate, because it's a pool capital, business expansion and new projects -- to investigate that possibility. So it was really viewed sort of as one proposal, but I also see and understand that as one proposal it's a reasonably significant project. I'd be interested in hearing from Mr. Sindlinger, having some experience as a research economist, whether it's feasible to combine suggestion 5 and 6 and the expanded 3 over the summer.

MR. CHAIRMAN: I think you meant 6 and 7.

MR. KNAAK: 6 and 7, and the understanding of 3 as is now coming out; in other words, the expanded concept of 3.

MR. CHAIRMAN: Mr. Singlinger, did you wish to respond to Mr. Knaak's comments?

MR. SINDLINGER: I have quite a few comments I could make about what Mr. Knaak has just related to us. But in reply to the specific question, could a comprehensive analysis or study be undertaken of some of the consolidate or composites of these suggestions over the next few months, my reply to that is in the affirmative. It could be undertaken in the next few months. I think it depends a lot on the degree of precision that is specified.

MR. CHAIRMAN: Mr. Sindlinger, if I may interrupt, I know that I personally benefit, and I think the committee would benefit as well -- when you said "it" could be accomplished through the three or four months of the summer, what's the antecedent of "it"? Which amalgam of projects were you referring to when you indicated it could be done?

MR. SINDLINGER: I'd suggest that almost all these could be done over the summer, depending upon the amount of money you want to throw at it and the number of people you bring in. It's my opinion that most of these could be done on a reasonable basis over the summer months. The reason for that is in regard to the degree of precision we specify. I don't think we should specify too much precision in these analyses, because in any case they all entail a great number of assumptions and estimates. So whereas you may say be precise in this area, you still have to proceed on the basis of assumptions and estimates. After you put a lot more work into it, you come up with a number or answer which is in the same area or matter of magnitude as you would have in any case. So I do believe you could undertake these in short order.

MR. KNAAK: The question I wanted Mr. Sindlinger to respond to is whether item 6 and 7 and an expanded 3 as part of 6 and 7 could be done over -- well, I had suggested before October 1?

MR. SINDLINGER: Yes.

MR. BRADLEY: Could I suggest, then, that we put together a committee which would develop a hybrid of 3, 6, and 7 as a project?

MR. CHAIRMAN: Recommendation from Mr. Bradley that a subcommittee be struck to develop terms of reference for an as yet to be selected consultant that would comprise the desirable features of resolution or suggestions 3, 6, and 7. Do I have committee agreement on that?

MR. SINDLINGER: I agree, but I'd like to make a couple of comments if I could please about the consolidation of these things. Before proceeding, I'd like to make it perfectly clear to everybody where I stand on these things. In my opinion, I think the Heritage Savings Trust Fund is a good thing; it's a good idea for Alberta; and I believe benefits are accruing not only to Alberta but to Canada as well. I think we should undertake an analysis of this nature to demonstrate to all Canadians that there are benefits accruing to all Canadians, and attempt to quantify them -- first of all, to identify them, then quantify them. So I would support and agree wholeheartedly to a consolidation of 3, 6, and 7. But I would not be as specific as each of those items are. I would go a little further and consolidate the three items, then say as for example the Syncrude project, or for example the Alberta Housing Corporation. So that the analysis isn't restricted just to those particular items, but that the analysis could include all items that seem to be of relevance for this matter.

MR. OMAN: Mr. Chairman, that would be as well as items not mentioned here? In order words, any items that flow from the heritage fund investment, the benefit to Canada could be examined.

MR. PAHL: I was really on the same point as Mr. Oman. I think it would, for example, be a disservice even though I lost my detailed analysis of the capital projects fund to say that the multiplier effect of the almost \$1 billion spent in the capital projects fund to the end of this year would be without its impact across the rest of Canada. So I think we have to look at it in the totality. I'm supporting what Mr. Oman said.

MR. CHAIRMAN: I'm sorry. I don't think I have understood that last comment, Mr. Pahl.

MR. PAHL: I'll try it again. I think when we do the global or the amalgam of 3, 6, and 7, I think you are talking about the totality of the fund and its investments. Without detailed examination, you would have to conclude that a dollar spent in Alberta that would otherwise not be spent would have some benefits flowing to other parts of the country, the multiplier effect; perhaps very non-specific with respect areas, but notwithstanding it would have a positive benefit, or at least have a benefit that we should look at.

MR. CHAIRMAN: Fine. Any other comments on that point?

MR. APPLEBY: Mr. Chairman, would it be the understanding of the committee that this subcommittee would come up with the combined project proposal for 3, 6, and 7, and bring it back to the total committee for discussion?

MR. CHAIRMAN: I don't want to inhibit discussion, Mr. Appleby, and I would welcome comment on my next remark. I am concerned about the passage of time now. I had hoped we could give the consulting firm four or five months to do their work, say by the end of September or early October. So, therefore, I would appreciate or welcome comments from the committee as to whether or not we could strike a subcommittee and authorize the chairman to move the project into action on receipt of that subcommittee's consultant selection and terms of reference, which terms of reference would be developed in the light of the comments that have been made today relative to those three suggestions in some form of hybrid.

MR. NOTLEY: Mr. Chairman, why don't we strike the committee, the terms of reference can be drafted. Basically I think your suggestion is a reasonable one. The only caveat I would express is that it seems to me that if the terms of reference are drafted, they will be done over the next several days, there's no real reason they can't be circulated to members. If there are serious concerns any of us have about those terms of reference, we should get back to the chairman so we could conceivably call a quick meeting of the committee before the adjournment this week or next. But all things being equal, it would seem to me it probably won't be necessary, but I think it would be wiser to have the terms of reference circulated by your office to the members.

MR. CHAIRMAN: Surely.

MR. R. CLARK: Mr. Chairman, I guess I'm a bit more optimistic than Mr. Notley. It's my feeling that we're going to be finished here by the latter part of this week. I'd be prepared to go for this approach, that we set up a committee of three people plus a chairman, and that the committee develop an

amalgamation of 3, 6, and 7; that the committee also make a recommendation to the chairman as to who should do the research and the budget; and that those recommendations from the committee be sent to the chairman and members of the committee; and that unless members of the committee notify the chairman by one week, that the chairman is authorized to go ahead and move the thing. If we don't do that, I think we're going to be into June, then into July, and we're not going to get things done.

MR. CHAIRMAN: Yes, true.

MR. OMAN: Mr. Chairman, this may be a little premature, but I would like if after a couple of months when the researcher is appointed and has done some ground work that we could meet with him and perhaps get an interim report to see what areas he's going into, and maybe we'd have some further comment we'd like to make.

MR. CHAIRMAN: We as a full committee, or we as a subcommittee?

MR. OMAN: Full committee.

MR. CHAIRMAN: Okay. That could be worked into the terms of reference. Could I have suggestions from the committee this morning, then, the makeup or membership of such a committee?

MR. APPLEBY: Mr. Chairman, I noticed Mr. Clark's suggestion that we have three members on this committee, but I would like to suggest some names, if the committee concurs in these. I'd like to see Mr. Pahl, Mr. Sindlinger, Mr. Notley. Mr. Pahl has considerable experience in consulting himself, particularly in the environmental field. Mr. Sindlinger of course has done work in the field as an economist and has considerable experience with Hu Harries & Associates. And Mr. Notley has a political science background and a pretty comprehensive knowledge of the province. I'd also like to add a fourth name here, and that would be Mr. Stewart, who has been a hard-nosed businessman in the past. This would give us a good balance; two urban and two rural.

MR. CHAIRMAN: Any discussion of Mr. Appleby's suggested membership of the subcommittee: Mr. Pahl, Mr. Sindlinger, Mr. Notley, and Mr. Stewart?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Since we have agreement, then, could I indicate, Mr. Pahl, that you function as chairman of that four man committee? Perhaps you could take as your initial terms of reference the comments that have already been passed by various members here today and will be available in the minutes and certainly in Hansard.

MR. R. CLARK: Mr. Chairman, would it not be helpful to the committee if a motion were made this morning that following the terms of reference being worked out, a recommendation made on the consultants, that the chairman be authorized to enter into a contract, unless members of the committee serve notice to the chairman within one week. That, Mr. Chairman, allows you, sir, to go ahead and enter into a contract. I would be quite prepared to move that motion, if it's agreeable to the committee.

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Good. Thank you, Mr. Clark.

The other item of business I want to discuss with you is the question of June, July, and August hearings. At the request -- I'm sorry, Mr. Appleby.

MR. APPLEBY: What was the disposal of the suggested projects here? What did we agree on?

MR. CHAIRMAN: Well, we now have a subcommittee of our, chaired by Mr. Pahl, who will meet over the next several days to develop a hybrid, if you like, terms of reference . . .

MR. APPLEBY: What about 1, 2, and 4?

MR. CHAIRMAN: Mr. Clark's comment was that they are left on the burner, and I had concluded that that was the consensus of the committee.

MR. APPLEBY: Agreed.

MR. CHAIRMAN: Thank you.

Back to the question of summer hearings, need I remind committee members of the difficult straits we were in last September, particularly in October, when we had something like 16 hearing days, which made it fairly awkward when the House convened in October. As a possible way to avoid similar constraints, I'd like to consider hearings in the summer. That of course is contingent on the availability of the annual report. At the request of, I believe, Mr. Notley I did contact Mr. Hyndman's office as to the availability of the report and this was his reply: I am now advised that the heritage fund auditors will not have the financial documents finalized until late June. Because printing will take a couple of weeks, it therefore appears that the earliest the report would be available would be about July 10. I will be available for meetings during the latter part of July and early August, if desired, but I will be absent from the province August 17 to 24.

I have a suggestion I would appreciate comments from committee members on, that is that I undertake over the next week or two to determine the availability of various cabinet ministers, the Premier, the Provincial Treasurer included, and committee members, and see if there are any days of availability that are in common. If there are, I just simply go ahead and call meetings of the committee. Comments?

MR. NOTLEY: (Inaudible) way we can do it.

MR. R. CLARK: Agreed.

MR. PAHL: Mr. Chairman, I would like to suggest that, concurring with that, but getting the consultant sort of lined out and giving a preliminary appreciation, also the availability of the report would suggest that anything before August 1 would be premature.

MR. CHAIRMAN: Any meeting of this committee before August 1 would be premature because of the production time of the annual report?

MR. PAHL: Plus that and plus the consultant will need some appreciation I guess subsequent to the annual report to sort of frame up his mind with our terms of reference.

MR. NOTLEY: Mr. Chairman, I don't really think -- the consultant is going to have a term of reference and will proceed accordingly. I don't think that

need necessarily affect our hearing schedule at all. What will affect our hearing schedule is whether we have the report and the availability of ministers and of sufficient members of this committee. Obviously it's not going to be possible for the chairman to arrive at a date when all members will be able to attend over the summer, but presumably if we can find dates when a majority can attend and ministers can attend, then let's get the show on the road. I think that has to be left flexible to the chairman, because I don't know how else we can handle it.

MR. CHAIRMAN: If I could just make an arithmetic comment on that last observation, I think we had 16 hearing days last year. If we could meet on four occasions through the summer, that would reduce the load by 25 per cent and would make quite a bit of difference to our work in the fall.

MR. KNAAK: Mr. Chairman, I agree that we should meet earlier and during part of the summer, but I would have to agree with Mr. Pahl that if possible I would like to see doubling up perhaps on a Wednesday or Tuesday and sit all day, get two ministers in, rather than stretching it out one day a week. One problem is I think we've always presumed that July and August are holiday months, and so are mine planned in that area too. Although I would certainly not object strongly to meeting those days, but I would rather be here than not be here. I would prefer them, say, starting August 15, but then instead of just sitting two hours, sit more than two hours a day and really proceed slightly more quickly with hearing various ministers. That would be my preference.

MR. CHAIRMAN: Mr. Knaak, as you may recall, last year our hearing days were in fact one and a half days. We met all day Monday and Tuesday forenoons very regularly. That would also be my intention, because we do have some members, like Mr. R. Speaker, and others, who come great distances and like to make it worth their while. Could I ask each committee member today to send me a note, perhaps by day's end or tomorrow, summarizing what your non-availability or vacation intentions are. Perhaps we could expedite the decision on the question of timing.

Any other items of business to address today? If not, I'll entertain an adjournment motion. Mr. Bradley. Thank you.

MR. R. CLARK: Could I just say that the chap we've taken on as a consultant will be in Edmonton late June or early July.

MR. CHAIRMAN: Mr. Williams?

MR. R. CLARK: No, Mr. Daniels.

MR. CHAIRMAN: Mr. Daniels; sorry.

MR. R. CLARK: I'll circulate members and we'll arrange for some time for any members who want to sit down with Professor Daniels.

MR. NOTLEY: Would it be possible on that if Mr. Daniels is available, even though he isn't engaged by this committee -- frankly the subject he's looking into and his experience in Alaska I think would be extremely beneficial if it were possible for the chairman to arrange one meeting in late June with Mr. Daniels. That would be beneficial if it's possible.

MR. R. CLARK: Just in response, Mr. Chairman, I think Mr. Daniels, from talking to him since the committee last met, would find it perhaps a bit more

comfortable if he were able to be further along in his report. We're going to get an interim report some time in July, then more of a final report in September. It's our plan to make the report available to the committee. I did mention to him that some members of the committee have indicated to us they want to sit down with him, and he is quite agreeable and if the committee wants to is prepared to appear before the committee after he's given us his final report.

MR. CHAIRMAN: Why don't we leave it as an item to be resolved between Mr. Clark and myself.

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Thank you.

The meeting adjourned at 11:30 a.m.