

Standing Committee on The Alberta Heritage Savings Trust Fund Act

Tuesday, September 30, 1980

Chairman: Mr. Payne

1:10 p.m.

MR CHAIRMAN: I'd like to bring to order this meeting of the Select Committee on The Alberta Heritage Savings Trust Fund Act. I'd like to thank those members of the committee who, in recent days, have provided me with recommendations for consideration by the committee. Each member here today should have an, admittedly, hastily assembled binder of these recommendations. Each of you should have received a replacement page, that being the final page of Part II, recommendations 8 and 9. The error that that page corrects was the omission of the recommendation paragraph of that three-paragraph Recommendation 8.

There is one other error that I would like to correct, verbally if I may, to correct a typographical error, Part I, Recommendation 6, Mr. Clark's recommendation. The error occurs in the third line. It presently reads "as the maturity." Delete the word "maturity" and replace it with these words: "calculations of yield on the portfolio assuming it is held to maturity." There may be other typographical errors that appear as we proceed. But with one very quick review, I think those are the main ones.

Before we get into our discussion of these recommendations, just a comment or two on scheduling. There appears to have been some uncertainty, for reasons that are not clear to me, as to what our scheduling intentions are. Just to reinforce the earlier scheduling discussion in these chambers, followed up by my last scheduling memorandum, we'll meet in chambers tomorrow morning from 9 o'clock until 12 o'clock, and all day Tuesday, October 7, and all day Wednesday, October 8, if it's required. Given the comparatively large number of recommendations, which currently are 46, I think it's safe to assume we'll require Wednesday, October 8 . . . I've just been reminded, appropriately, that we had in fact deleted Wednesday, the 8th, because of the conflict with Surface Rights, and moved it to Tuesday, October 14. Perhaps the pace with which we are able to dispense with the recommendations today and tomorrow will indicate just how realistic that scheduling is.

Prior to the commencement of today's meeting of the committee, Mr. Clark reminded the Chair that the materials promised to the committee by Mr. Trynchy during his appearance before the committee have not yet been received. I have sent word to Mr. Trynchy's office and will attempt to clarify the status of those materials.

Are there any comments on scheduling or any other procedural or administrative matters, before we get into recommendations? If not, I'd like to spend this afternoon on Part I, which contains six recommendations -- two from Mrs. Fyfe, two from Mr. Knaak, and two from Mr. Clark -- which I have brought together under the heading Annual Report and Public Communications. Mrs. Fyfe, perhaps you'd like to speak to your recommendation regarding an accounting change.

MRS FYFE: Thank you, Mr. Chairman. This recommendation was brought forward because I have serious concern that the accounting we have in the long term does not give a realistic picture of the value of the fund. I have used specifically the example of airport terminals, that have a finite length of

time that they could be utilized. The net value as set out in the accounting procedure presently used does not take into consideration upgrading or replacement of these structures. Therefore, I think we should re-evaluate the accounting within capital projects of those investments that can be valued and have a depreciating nature. I think that's fairly self-explanatory.

MR CHAIRMAN: Do any committee members have questions to direct to Mrs. Fyfe, or comments to make, supportive or otherwise, of the motion?

MR PAHL: Mr. Chairman, I want to observe that Recommendation I.1 and I.3 have similar intent. I don't know whether we will debate that one. Are we going to sort of close ranks on recommendations and work them together? Or did you see that similarity?

MR CHAIRMAN: Yes to the first, and no to the second.

MR PAHL: Okay.

MR CHAIRMAN: Mr. Knaak and Mrs. Fyfe, do you want to speak to Mr. Pahl's observation that there is sufficient similarity between 1 and 3 that we should treat them together? Or shall we continue to treat them separately?

MRS FYFE: I have no objections that they be treated together. I think there is some similarity, so I think it's the choice of the Chair.

MR KNAAK: I'm going to make a proposal with respect to the timing of the discussion of my recommendation when that recommendation is discussed. In light of that, I think we should proceed with the first one, notwithstanding that the similarity exists.

MR CHAIRMAN: I'm prepared to proceed and treat them separately. Any further comment on Mrs. Fyfe's resolution or motion? Ready for the question? Those in favor? Any opposed? Oh, I'm sorry. I neglected Mr. Stewart's hand.

MR STEWART: I can support this motion. In drawing out the airport terminals as an example, to my knowledge the airports at Grande Prairie and Lethbridge were funded from heritage money. But I thought we had some long-term agreement with the federal government that eventually this money would be repaid, so that eventually they wouldn't be a capital asset as far as the heritage fund is concerned.

MR CHAIRMAN: I take it, Mr. Stewart, that that's a comment related to the illustration of the principle, not the principle itself?

MR STEWART: That's right.

MR NOTLEY: Just a little concern, again going to recommendations 1 and 3. If we support Recommendation 3, are we not in fact making Recommendation 1 redundant in any case? We're talking about removing the capital fund as the deemed assets, period, from our accounting. So if Recommendation 3 is accepted, what is the point of Recommendation 1? Conversely, if Recommendation 1 is accepted, except in the very narrowest context dealing with airports which Mr. Stewart indicates is going to be paid back by the federal government anyway at some point, do we not then remove our ability to deal with Recommendation 3? I ask for clarification on that, Mr. Chairman.

MR CHAIRMAN: I welcome comment on that question. Mr. Pahl.

MR PAHL: It's not with respect to that question, but it is with respect to Recommendation 1. If we're talking about an accounting system that will reflect the net value of depreciating capital projects as opposed to investment costs, I think we have to be prepared to have an accounting system that would also reflect the possibility of appreciating capital projects. It seems to me that there is an accounting industry being generated in deciding in which direction the asset is going and at what rate it would be depreciating. I do have a problem with carrying on the books assets such as Capital City Park, Fish Creek, and others, where it would be very, very hard to suggest to the people of Alberta that we would be selling those assets at some point in time to offset declining renewable resources.

So the whole concept of deemed assets creates a problem for me that I'm not sure could be addressed in a full way with Recommendation 1.1, albeit addressing the issue in part.

MR CHAIRMAN: Thank you. Mr. Sindlinger.

MR SINDLINGER: Mr. Chairman, in my opinion, recommendations 1 and 3 are distinctly different. Recommendation 1 deals with an accounting procedure, whereas Recommendation 3 deals with a reporting function, which in itself is conceptually misleading. I think the two recommendations ought to be dealt with separately, and each can stand by itself.

MR CHAIRMAN: The Chair must confess that that's his view, incidentally. Any further comment or discussion? Mr. Notley, may I take it from the vertical movement of your head that you agree with that? Any further discussion?

MR KNAAK: I was just thinking that the point that Mr. Pahl raised will become more adequately discussed when Recommendation 3 is discussed. I'm wondering if Mrs. Fyfe would consider postponing discussion of 1 with the discussion of 3, and see where that leads us at that time. Mr. Pahl made an interesting point. If we're going to devalue the fund by a capital cost allowance or by actual depreciation, meaning wear and tear of a facility as opposed to some schedule, it may not be inappropriate to also work the other way. What I'm thinking now is that it may be that this whole question will be aired more fully when that recommendation is discussed and the reason for that recommendation.

MR CHAIRMAN: I'm not so sure that that speaks directly to the subtle distinction drawn by Mr. Sindlinger, the distinction between an accounting procedure and a reporting function.

MR KNAAK: No, it wasn't intended to address that question. I guess I'm asking Mrs. Fyfe whether she would consider postponing it to that point in time so it could be more fully discussed, in order to eliminate the confusion that seems to be developing now. There will be no confusion after we deal with 3 and this one.

MR CHAIRMAN: Mrs. Fyfe, it's your motion, so I defer to your judgment as to the disposition of your motion in light of the comments that have been made by various members of the committee.

MRS FYFE: Thank you, Mr. Chairman. I have no objection, as I said before, to discussing 1 and 3 in the same light. I appreciate that deemed assets were

set at the investment costs so that we didn't have to include depreciation and appreciation of those assets. But my concern related to a specific, which I had given an example of. I'm sure there are others, such as hospitals, that will require maintenance and replacement in the long term. When the hospital is torn down, do we still have it on the books that we had invested so many millions of dollars in that particular facility? I think it is an accounting problem that we have to resolve.

So I have no problem in referring it to future discussion when we get to number 3.

MR CHAIRMAN: Well, the Chair is having great difficulty in drawing a consensus from all those comments. It seems to be shifting back to a deferral of discussion until we reach item 3. Motion 1, then, is deferred until further discussion at the time discussion takes place relative to Recommendation I.3.

Mrs. Fyfe, would you care to speak to Recommendation I.2?

MRS FYFE: Thank you, Mr. Chairman. Once again, I think this recommendation is self-explanatory. In my travels throughout my constituency I know there are always questions; there is a general misunderstanding, I think, as to what the nature of the fund is. It is certainly well known that there is a fund, but I think the purpose of the fund -- that it is moneys set aside to offset future revenues -- is not particularly well understood. I think part of the mandate of this committee in reviewing might be to recommend that we give our best effort in trying to communicate to the people of Alberta what the policies of the fund are and how they relate to individual Albertans.

MR CHAIRMAN: Thank you. Discussion of Mrs. Fyfe's recommendation?

MR PAHL: Mr. Chairman, I agree wholeheartedly with the recommendation, but in view of the fact that we're obviously non-partisan in our approach here, perhaps we should -- or at least I wonder if Mrs. Fyfe might consider ending the recommendation slightly differently. In other words, I would suggest that from the fourth line down, it read "Alberta residences setting out in layman information terms, if you will, the objective and operation of the Heritage Savings Trust Fund."

MR CHAIRMAN: I take it, Mr. Pahl, that you're recommending that Mrs. Fyfe amend her recommendation, to replace the words "objective of investments and benefits" with "operation of". Did I get that correctly?

MR PAHL: That's correct. And deletion of "and" between "Savings and Trust Fund".

MR CHAIRMAN: Mrs. Fyfe, do you wish to speak to Mr. Pahl's suggested amendment to your . . .

MRS FYFE: The "and" was a typographical error. I have no objections to the amendment. If that makes it politically acceptable to this committee, I wholeheartedly support it.

MR NOTLEY: Just a couple of questions. Do we have any estimate of what the costs would be? A householder mailing would be quite substantial. I think the argument can be made to do it, but I am just a little concerned about one comment Mrs. Fyfe made about the role of the fund. We can have some fairly substantial disagreement over the question of the emphasis in the fund between setting money aside, if you like, for revenue purposes, on one hand, and its

role as an agency to strengthen and diversify the economy of Alberta. I would suggest, Mr. Chairman, that anyone drafting this kind of information document would have to be extremely careful or the thing would become a very partisan question. Mr. Pahl raises the thing in the sense that we hope it's not a partisan issue. It certainly could, unless it were very, very carefully drafted.

So I would underline that caution, because there are differences in the nuances that we all have in how we perceive the fund.

But the specific question: do we have any idea of what the costs would be?

MR CHAIRMAN: Mrs. Fyfe, do you wish to respond to the two questions raised by Mr. Notley: the question of costs, and the question of the risk of partisanship?

MRS FYFE: Firstly, for the costs: no, I don't. Obviously the recommendation is that "consideration be given" to it, and that would have to be put in the context of budgetary expenditures which would receive the normal approval.

Secondly, related to the format, the information contained, I agree that it would have to be set out very carefully, but I think just in general terms, information coming from the legislation and information on where the fund has been invested to date. That information is already available in non-partisan terms, but perhaps never gets to an individual household in a complete package. So my objective, in submitting this recommendation, is to try to have a document that would be as informative as possible and not partisan.

DR BUCK: If it's going to be non-partisan, maybe it should be fluorescent green and blue on the package.

MR PAHL: Mr. Chairman, I think we had some debate over the language in the Heritage Savings Trust Fund annual report, about its ability to speak to the layman. Quite frankly, I feel that my constituents are entitled to the same level of information that I receive. I suppose after thinking about what I've said and the discussion to this point, and recalling earlier discussion, I recommend we think about sending out the annual report to all households. That cost is probably more definable than a brand-new effort that would, presumably, do the same thing.

MR R CLARK: Mr. Chairman . . .

MR CHAIRMAN: May I just clarify something, Mr. Clark? We have a recommendation from Mrs. Fyfe. Mr. Pahl has now got into this twice, with a suggested amendment changing "objectives" to "operation of". Mr. Notley has raised the questions of costs and the risk of partisanship. And now we have an ancillary recommendation, that we send out the annual report either in lieu of or in addition to.

Mr. Clark, then back to Mrs. Fyfe, to speak to the two amendments.

MR R CLARK: Mr. Chairman, rather than trying to keep score on the amendments, perhaps we might withhold the amendments until somewhat of a consensus has developed, with great respect, if there is.

I would raise two points. Number one: two years ago, members will recall the discussion we had on the southern Alberta cancer centre and the whole problem we had with pictures in the report, the whole situation that developed there. Then this year we have the argument of, you know, in what is supposed to be the annual report of the fund, just on the question of rate of return itself. This report doesn't include a rate of return for the year that the

annual report is all about. Frankly, I have some concerns about the report itself.

I would draw to the attention of all members, though, that last time I checked the treasury branches, at least in my own constituency -- and I'm sure it isn't any different from other ones -- copies of the annual report are available in the treasury branches for individuals to acquire. Where I don't have any hang-up at all about getting more information out on the heritage fund, I think it's pretty important that it be factual and, at the risk of being presumptuous, I might say more factual than we've had for the last couple of years in the annual report, because we're going to get involved in whether the annual report reflects what has happened this year, whether it's a projection for investments made to their maturity.

MR KNAAK: On a point of order, Mr. Chairman.

MR CHAIRMAN: Mr. Knaak, on a point of order.

MR KNAAK: I believe it's not possible for this committee to accept that broad statement and the insinuation that the report has not been accurate and factual. I believe that kind of statement should not be accepted by the Chair.

MR CHAIRMAN: Mr. Clark, do you want to speak to that point of order?

MR R CLARK: No. I will give it the kind of attention it deserves.

MR KNAAK: Well, you just don't know how to rebut it, that's all.

MR CHAIRMAN: Mr. Appleby, please.

MR R CLARK: Mr. Chairman, let me just finish the point, though.

MR CHAIRMAN: I'm sorry

MR R CLARK: I have no objection to our sending out additional information, but let's remember that with a legislative committee you're going to have to have people from both sides involved in what that information is going to be.

MR APPLEBY: Mr. Chairman, with regard to the cost of such a mail-out, of course it depends on the type of information that is sent out and the form it is in. But having just done some work for the Members' Services Committee on what the allowance could be for mail-outs in this respect under the appropriation we approved last year, I would think that if it were just in a letter form, probably a single sheet or two within it, it would cost something in the neighborhood of \$150,000. If you were mailing out the complete report, you would be looking at probably two and a half times that figure, if it were a first-class mailing.

With respect to the remark Mr. Pahl made, that he thought his constituents deserved to have the information he receives and is able to be exposed to, I agree with that, and I think it's his position that he should go out and give that information to them once he gets it.

As far as saying that this would be a non-partisan type of mail-out, my opinion is that anything that comes from government is considered government type of propaganda. I would think it would be looked at in that light by the public. I wouldn't be in favor of this motion.

MR CHAIRMAN: Any further comment?

MR KNAAK: There are some recommendations coming up in some of the subsequent sections, some of which I don't agree with, but most of them suggest we should have public hearings, invitations to attend here, and so on. Aside from that, it seems to me the public of Alberta is entitled to have information brought to it, so that the public can examine for itself really what is going on, without necessarily having to rely on newspaper and other media that isn't in a position to give a detailed explanation of what the fund is all about.

So I would suggest that the idea of sending an annual report, along with a copy of the Act -- so I'm adding a copy of the Act; some people will read it and some won't, but it's easy to read; it's not a complex document -- that those two documents be sent out so that those who are interested can inform themselves on the operations of the fund.

MR NOTLEY: As things presently stand, these reports are available in the treasury branches. What is the distribution of the present report? Does anyone have that information? How many copies are produced? It is important to make information available to people who want it, so that they can get it easily. But the question is whether or not you should send everybody in Alberta a copy of this, or just make sure that in places where people go to, whether the treasury branches or schools, for example, they have easy access if they wish a copy. I think there's a difference between that and automatically sending everybody a copy of it in the province, which could be an expensive proposition. Mr. Appleby's point is rather well taken in many respects. Where would we stop this? Would we just send them one copy of the report and the Act? Would that be a one-year proposition? Would it be done every year? If we're looking at sending out this particular report, Mr. Appleby says it's going to be -- what? -- two and a half times \$150,000: half a million dollars. Is this what we want to do every year?

Again, and I underline, it's important that people who want the information can easily get it. It seems to me now, through the treasury branches, they can. But is there much point in sending it to everybody, who may or may not even read it?

So if any committee members have any information about the present distribution, I think it would be helpful before we vote on this recommendation.

MR CHAIRMAN: I regret that I'm not in a position to respond in any detail as to the method or extent or cost of present distribution of the annual report. Can any committee member shed any light on that question?

MRS FYFE: I can't shed any light on the annual report. I don't think we should be discussing sending out the annual report; that's not the basis of the motion. I'm prepared to comment on some of the other questions, if it's appropriate at this time.

MR CHAIRMAN: That's an entirely appropriate comment, Mrs. Fyfe. I'm ready to call the question, the question being the committee's evaluation of Recommendation I.2, as amended initially by Mr. Pahl, which amendment changes the words "objective of investments and benefits" to "operation of". Those in favor of that recommendation as amended?

MRS FYFE: A couple of comments before we vote.

MR CHAIRMAN: I'm sorry. Before I take the answer to that question -- Mrs. Fyfe.

MRS FYFE: I would just like to make a couple of comments on comments that were made by other members of this committee. Firstly, this is a fund that is unparalleled as to its magnitude, and I think it's extremely important to the people of Alberta. My objective was only to get information to each household that would give them some very general understanding. There are those who would like to study the fund in depth and detail, and would like to read Acts, but the average Albertan does not pick up legislation and read it for a pastime. Most of us have to be elected before we get interested in that type of reading.

Secondly, an annual report is available, not always through a treasury branch. I don't happen to have a treasury branch in my constituency. I have the largest constituency in Alberta and no treasury branch; therefore no annual report is sitting on the counter. Regardless, for anyone who wants it they can come to my constituency office; they can call: there are ways they can get it if they are interested. That's not the public I was primarily thinking of. I'm thinking about the average household that has a very sort of limited understanding of what the fund means to them, their family, their future -- their offspring in the future.

Coming back to the original motion, I don't mean that this should be propaganda. Obviously everything that is written has some bias. Hopefully this would be written as factually as possible, and done in the light that it is a service to the people of Alberta.

MR NOTLEY: This would be one effort, not a yearly affair?

MRS FYFE: One effort. In most public communications, if it were deemed this were beneficial, it would be up to the committee some time in the future to make another recommendation. But I would move it only on a one-time basis.

MR BORSTAD: What would be wrong with putting a real good advertisement in the paper? You would cover the same thing. If people wanted to read it, it is there. Otherwise, it just goes in the garbage when it comes as a flyer anyway. We do not now presently put our Bills out and publicize them throughout the province. They are made available if people want to know what is going on. I see no difference between a Bill and this type of leaflet we're trying to put out.

MR CHAIRMAN: Those in favor of the recommendation as amended by Mr. Pahl? Mrs. Fyfe, Mr. Pahl, Mr. Knaak -- do you have a problem, Mr. Knaak?

MR KNAAK: I don't quite understand what we're voting on. I think Mrs. Fyfe suggested she would prefer her motion rather than the amended motion.

MR CHAIRMAN: Mrs. Fyfe, were you satisfied with my rewording of the resolution.

MRS FYFE: Yes, I agreed with the motion as amended but did not feel we should be discussing the annual report distribution, because that was not the intent.

MR CHAIRMAN: The recommendation as amended did not carry.

Turning now to Recommendation I.3: Mr. Knaak, would you speak to your recommendation, please?



MR KNAAK: Thank you, Mr. Chairman. First of all, I want to say that I think the time I've spent on the committee here and generally dealing with the fund has led me to some better understanding of the way it is set up and the way it is explained in the annual report. As I've expressed before, I believe the fund is there as a piggy bank primarily, that any additional benefit, such as diversification and so on, is a side benefit in addition but not at the expense of the savings fund approach.

The way the Act is now set up, it is set up by definition that "fund" includes "deemed assets". The deemed assets now amount to \$733 million, based on the cost of acquiring those capital assets. Since the purpose of the fund is to be available at some future time when our oil and gas royalties decline and when they are not able to fund the operating or capital budgets of the government on a current basis, that this fund would be drawn on, first by way of income and then by way of capital, I think it is key that some portion of the annual report conceptually identify what pool of capital or what pool of funds will at some future date be available for the government's future use. In other words, what is the size of the fund that is available at some point in future, that the government can draw on either for its budgetary expenditure current or capital?

The present way of doing it is that the capital items are deemed assets merely by way of definition. They in fact confuse the issue that I'm now addressing: what will at some future date be available for the government's use? There is no thought of ever disposing of the capital assets. Although that might be a possibility, that is certainly not the intent of those investments. The reason for my amendment, therefore, is to permit the Treasurer to identify that portion of the total investments of the fund that remain available to the government at some future date.

Most members had only seen this suggestion a few minutes ago, and some of them -- my own colleagues -- have asked me to defer further consideration on this until they have time to study both the implication of this and how it relates to the way the Act reads now, and see if there are broader ramifications. I would like to suggest, Mr. Chairman, that discussion on this be deferred until my colleagues and other members of the committee have had an opportunity to examine both the recommendation as to its merits and how that recommendation relates to the existing wording of The Alberta Heritage Savings Trust Fund Act.

MR CHAIRMAN: Discussion on Recommendation I.3 is deferred at the request of Mr. Knaak.

Recommendation I.4: Mr. Knaak.

MR KNAAK: Mr. Chairman, I think this recommendation is in spirit somewhat similar to Mrs. Fyfe's. It is to permit the people of Alberta to have a better perception of what the fund is doing. The recommendation is that projects in which the people's funds -- and we are merely trustees for the people of Alberta -- that capital projects in which those funds have been invested be identified, so people can in fact assess each project as to its investment and the advisability of that investment. So generally what I had in mind there is that the parks, for instance, under the capital projects division be identified, and other investments made under the Alberta investment division, where some of the funds are invested indirectly, also be identified.

MR CHAIRMAN: Any further comment on Mr. Knaak's recommendation?

MR SINDLINGER: I would support that, and point out that this issue was raised last year when the Minister of Housing Tom Chambers was here. It was noted that in neither the Alberta Home Mortgage Corporation annual report nor the Alberta Housing Corporation report was the heritage fund identified as being the source of funds for over \$800 million. This year I note that those two divisions are the recipients of \$1.1 billion from the heritage fund. But again this year, in neither annual report is that fact identified. I think it should be.

MR R CLARK: Could I ask either the mover or Mr. Sindlinger: would you see projects like the Housing Corporation, where in fact the government is going to the heritage fund to get funds for debentures basically -- would you see that labelled as a heritage fund project? The government could go on the open market and get the money. It's simply a debenture arrangement.

MR KNAAK: Well, that hadn't been completely clear to me, but if we assume that Alberta Home Mortgage and Alberta Housing are totally funded by the Heritage Savings Trust Fund, then I would suggest that the insignia or logo -- if this recommendation is accepted -- be identified on such projects.

MR R CLARK: Could I follow along, just to clarify my own thinking before I firm up my mind when we get this back on the agenda. Would we have a logo on Syncrude?

MR KNAAK: No, I think Syncrude is more of a portfolio investment. It's really not a project. But that would be a question that someone else would have to decide. It's difficult to identify, but to identify areas like that -- I think the only thing we own in Syncrude is a certain percentage share. Isn't it Alberta Energy that owns it?

MR R CLARK: Well, okay then. Would we have half a logo on the Alberta Energy Company because we put up half the initial funding for it?

MR KNAAK: I think what you may want to do if you own some shares in the Alberta Energy Company is have the logo printed on your share certificate.

MR CHAIRMAN: Mrs. Fyfe, would you like to add to the quality of this particular debate?

MRS FYFE: I would make a motion that we delete "and the Alberta Investment Division". I would support the concept of displaying a logo on the capital projects division, the park development, the areas . . . I would also suggest that the logo be displayed where possible. It's not going to be able to be displayed on research funds, for example, but on the structural capital projects. I can support that. I would not support it further, because I think it does confuse it.

MR CHAIRMAN: Mrs. Fyfe, you're suggesting the deletion of the phrase, "and the Alberta Investment Division"?

MRS FYFE: Yes.

MR CHAIRMAN: Comments on the amendment?

MR KNAAK: I think both Mrs. Fyfe and Mr. Clark have pointed out some flaws in identifying some portions of the Alberta investment division. I'm prepared to accept that amendment.

MR NOTLEY: Just to follow along, I think Mrs. Fyfe's amendment is a reasonable one. It's fair and sensible that we have a logo on things that can be clearly identifiable, but when we get into shades of gray, really, I think that creates all sorts of potential problems that we needn't get into.

MR CHAIRMAN: Those in favor of the recommendation as amended by Mrs. Fyfe? Those against? Carried unanimously.

Recommendation I.5: Mr. Clark.

MR R CLARK: Mr. Chairman, this basically is a restatement of the recommendation of last year that where funds are allocated for ongoing programs that will take more than one year to complete, the Alberta Heritage Savings Trust Fund annual report incorporate amounts expended in the reporting year, the total expended to date, and the total budgetary figure for the program. Members will recall that basically that was one of the recommendations the committee agreed upon last year. I would think it's worth reaffirming our recommendation in light of the fact that that's one of the recommendations the government didn't accept this year.

MR PAHL: A question of Mr. Clark. Could you indicate in the progress report which recommendation that was?

MR R CLARK: Mr. Chairman, I think the hon. member will find it under "Miscellaneous", page 11, Recommendation 2. The recommendations from last year:

That where funds are allocated for an ongoing programme that will take more than one year to complete, the Alberta Heritage Savings Trust Fund's Annual Report incorporate amounts expended in the reporting year, the total amount expended to date, and the total budgetary figure for the programme.

That was one of our recommendations from last year. I'm asking that it be reconfirmed this year. It was approved and passed by the committee last year, but the government did not see the same wisdom in the recommendation that the committee did.

MR NOTLEY: I would just indicate support for it and point out that, basically, Recommendation 6 that I drafted under Part II is the same thing. If we deal with Recommendation 5 on this page, then in fact we've dealt with Recommendation 6 down the road. We could in fact deal with the two together; they are essentially the same.

MR PAHL: Mr. Chairman . . .

MR CHAIRMAN: I'm sorry. Just allow me to make sure I've got that straight, Mr. Notley, because I do not have it.

MR NOTLEY: Part II, Mr. Chairman, Recommendation 6, "Complete Disclosure". That is essentially the same -- it's a reaffirmation of last year's proposal, not in the same words. Since Mr. Clark's is in the same words as last year's, I certainly think it covers it just as well. I think we can deal with that

one under resolution 5, so we don't end up dealing two times on the same thing.

MR CHAIRMAN: Yes, I'm sorry I missed that in my review last night. You are of course correct; there is a quite marked similarity between the recommendation under discussion and Recommendation II.6.

MR SINDLINGER: Mr. Chairman, to Mr. Notley. Your Recommendation 7, Part II, is contingent upon number 6, but you've just suggested we amalgamate it with this one under consideration now. Would you leave Recommendation 7, Part II, to stand on its own?

MR NOTLEY: There is a little different principle there. I suppose one could argue that separately, Mr. Sindlinger. In many respects it might be just as sensible to deal with it subsequent to dealing with Recommendation 5, but it could stand on its own. I don't think it really has to be brought in. But I just wanted to inform the committee that resolution 6 in Part II is the same as 5 in Part I, so there is no point in doing them separately.

MR CHAIRMAN: Any further comments on recommendations I.5 and II.6?

MR PAHL: Mr. Chairman, with respect to Recommendation I.5, I note that the report from the Provincial Treasurer indicates, in response to that recommendation:

The Report [and, I assume, that means the annual report] does show amounts expended in the reporting year, and the total amount expended to date. The annual report is not an appropriate vehicle for forecasting total project costs. Such total costs on multi-year investments can be subject to change from time to time due to changes in annual estimates approved by the Legislature, inflation, etc. There is a full opportunity for discussion of total costs during the annual debates in the Legislature on the Capital Projects Division Estimates.

In reflecting on that answer and the recommendation, I would ask for clarification from Mr. Clark whether he is talking about the original budget for the program

MR R CLARK: Mr. Chairman, if I understand the question accurately, I would see the total budgetary figure for the program maybe one year the amount that is started out and the next year taking into consideration inflation or changes in the program, so people who are reading the report have a good indication of how far the project is along and what the total commitment from the fund is. Once we start a project like that, we put the wheels in motion for the total call on the fund for whatever the total capital cost is. So I would not see it useful to put in an initial total capital cost if that capital cost is adjusted upward. It would only be sensible to put the adjusted cost in.

MRS FYFE: Mr. Chairman, I've given this question very serious consideration, because I believe I moved a motion similar to this last year. I moved it with the intent of trying to communicate as much information as he could on a project that has a lapse of more than one year expenditure. I've considered the answer that we've received. I know there is ample time within the estimates discussion to examine the total budgetary projections of any project. But I wonder if, in order to communicate it's not feasible

include a yearly updated budgetary figure, which maybe would make it confusing from year to year -- maybe that's not exactly possible. But if in the discussion of each project -- which, in the capital projects, there is a description -- we could give some kind of idea as to the time and terms of construction, how long we estimate we might be involved in such a project: just some kind of general idea as to where the project is. If we estimate that such and such project will take five years, that we're into the second year . . . I know it's very difficult in an annual report, and I know that accountants think in actual specific dollars and cents and not in 'guesstimates'.

What I would like to see is just some kind of idea as to where we are in a project, so that that can be communicated to the people of Alberta. For example, the Walter C. MacKenzie Health Sciences Centre is slated for completion on such and such a date. As I say, I recognize the folly in that, so I'm prepared to accept the answer that we've received, as long as we can have some kind of general information given to us to help us in understanding the completion dates.

MR KNAAK: Mr. Chairman, I certainly agree with the intent of the motion and, to some extent, it has been complied with and historical costs and expenditures are now being recorded, if not before. I also agree that an estimate or a budgetary project, based on real dollars, which is probably the only thing that can be done, has to be made available at some point. But the question is: should it be this committee or should it be the Legislature as a whole? I think the answer there is that the budgetary process has been reserved for the Legislature as a whole rather than a subcommittee of the Legislature because it is such an important matter. It really involves future expenditure of the province of Alberta. That was a point raised by the Treasurer. Although I agree that those kinds of numbers and projections must be made available to the Legislature of Alberta, and they are, I don't think we as a committee can insist on it because it's really within the purview of all members of the Legislative Assembly.

MR NOTLEY: With respect to the suggestion that we are somehow undercutting the prerogatives and the powers of the Legislature by asking for this information, I would argue that it just isn't the case. We are not demanding it as a committee. We are asking that a certain procedure be followed. The Legislature is always free to change estimates and to decide on different priorities. That would be true of any government funding of any project, whether it comes under the heritage trust fund or not.

However, it seems to me that in this situation we're dealing with as accurate as possible reporting to the people of Alberta who are interested. We had some discussion a few moments ago about getting information to the people who are interested. In the annual report of the Heritage Savings Trust Fund, it seems to me that it is not inconsistent with legislative control over the purse strings that the projected costs be included in the report. In actual fact we do that with a number of these projects. Last week I quizzed the Treasurer on it, because we have estimated costs for a number of the projects. That being the case, all we're asking for is a consistent approach. Where the Legislature decides in the fall session to change a project -- expand, reduce, or whatever the case may be -- that's the kind of information, too, which should be included in the annual report of the Heritage Savings Trust Fund.

We are talking about a report which should be as accurate as possible in order that people in this province who are interested in the investments of the Heritage Savings Trust Fund know where it's at. I don't see how we cannot

make the information available, as we requested last year. I agree with Mrs. Fyfe's comments completely about the time frame and this kind of information. With great respect to the Provincial Treasurer, his answer to Recommendation 2 on page 11 doesn't, in my judgment anyway, alter my view that the recommendation we made last year was a good one and that it is consistent with this committee's responsibility of making sure there is as much public information made available publicly, and not going to interfere with the budgeting process of the government at all.

MR SINDLINGER: Mr. Chairman, I would support this recommendation and take another viewpoint as well, if I may place it before you. We can think of an example where we are given an expenditure or a project in the fund and just given the actual total expenditures to date, and the project in our review may seem quite reasonable. However, if we had the additional information that that project would incur an expenditure of, say, a large quantum increase over the ensuing years, it may make that project seem unreasonable and, therefore, it is important to have, in our assessment and review of the expenditures.

I think also that if that budgetary figure for the program were made public, it might provide some incentive to those in charge of the funds and accountable for them to be more conscious of cost control. There would be more guidelines for them in which to live. An example might have been that Kananaskis highway project. Looking at that, if the expenditures for roads were forecast at \$40 million, we might have judged that that was a reasonable expenditure. If, however, we knew before the fact that that expenditure was going to rise to \$102 million, we might have had reservations, or at least asked additional questions.

So I think it's important for us to have that information to do a responsible assessment of the expenditures.

MR KNAAK: I think Mr. Sindlinger made the point I was going to raise, but then disagree with that it should be here. The Alberta Heritage Savings Trust Fund Act legislation charges this committee with reviewing the annual report. If the estimates of total cost of a project were in the report, we would then debate -- as just was pointed out by Mr. Sindlinger -- the advisability of such expenditure in this committee. We spent more than two weeks last fall in Committee of the Whole assessing the capital projects expenditure of the various projects that are reflected in the annual report, and that information is available to the public by way of *Hansard* or other ways, through the media. My concern is that we as a committee would then be usurping the place of debate, or double debate a matter that should be appropriately in the Legislature in the whole.

Again, I repeat: the reason that that becomes a reality is that we are charged with reviewing the annual report. If the annual report contains future budget estimates, we would have to debate them. And that's really for the Committee for the Whole, for the whole Legislature, not for us.

As far as public information goes, I don't disagree that the public deserves the information. But the problem is, what are we as a committee supposed to do?

MR SINDLINGER: In response to Mr. Knaak, Mr. Chairman, I recall a television commercial of about five years ago, where an individual went into a store and was being sold a bill of goods, or a product. He kept asking the question, how much? But the person selling the product would not tell him how much it cost, which is an absurd situation.

I think we're in a similar situation if we're to sit here and review and approve projects when we don't know what it's going to cost. I think this

total budgetary figure for the program would give us a good indication of what it would cost us to do. That's something we have to take into consideration in assessing and reviewing expenditures.

MR NOTLEY: Mr. Chairman, as far as the argument of double debate is concerned, I'm willing to admit that could well happen. However, I would suggest to Mr. Knaak that that always happens in our parliamentary system. There are very few committees that are doing the job where there isn't the risk of double debates, that when the thing gets back into the Chamber there is a debate again. And that's a good thing. I don't think there is anything wrong with that at all. It's part of our system. The fact there may be a debate later this fall on something we've already gone over, that's fine. The fact that one has a responsibility clearly in the capital works division doesn't alter the fact that we have a responsibility to assess these investments. I think Mr. Sindlinger's point is very well taken. When we assess the investments, it's not just a case of the money that has been spent. Surely, to be able to put it in context, we have to know what the long-term costs are going to be. That kind of information is not only vital for the public -- and where else are they going to get it? They don't get it in this report. The interested person in the public who wants the information, where are they going to go? Are they going to go through thousands and thousands of pages of *Hansard* to try to figure it out? No. They're going to go to this report. That's where the information should be. Also from our point of view as committee members, we need that information in order to make sensible judgments on whether or not the money has been invested wisely.

MR KNAAK: Mr. Chairman, I just have to really strongly disagree with the suggestion that the information isn't now made available or isn't possible to obtain by the members of the Legislature. Last year in the fall, and every fall the Heritage Savings Trust Fund investments in the capital projects division are debated very carefully. The ministers are before the committee members, having to explain not only the current budgetary figures but also the projected budgetary figures. Each one of us is entitled at that time to make an assessment about whether or not the project is viable and whether it's worth continuing with.

It's the Legislature as a whole that makes the assessment. But, more importantly, the point is that that information, and the total cost of the project, is made available at that time if it's asked. And I can't recall anyone raising any questions very much from the opposition, or from the government side for that matter, about projects under the Heritage Savings Trust Fund. This is not the time or the place to start being concerned. It was last fall, half a year ago, that the members should begin being concerned, not half a year later.

MR NOTLEY: On that point, we're getting into the discussion of a particular item, and perhaps we'll have an opportunity to discuss that in the fall; I have no doubt. But surely the principle of the question is more important. The principle of the question is: is this committee going to have the kind of information which will allow it to make the judgments on investments? Surely if we're to be able to make those judgments intelligently, we not only have to know what has been spent but, as Mr. Sindlinger has suggested, we have to know what the ultimate cost is going to be. That's the important issue, not going back and rehashing what was or wasn't done last fall. Surely, as a committee, if we're going to have any credibility at all, we have to look at the principle of the issue. I think this is information which is vital to the committee.

The other point that I think is very important is information to the general public. Mr. Chairman, sure, the general public, if they wish, can come and get the documents that are discussed in the Legislature, and they can read *Hansard* and everything else. But surely this is the kind of information that goes to schools, that is available in treasury branches. This is the kind of information that should be in one, simple document. If we want the public to know what's going on, then let's have it. It's not unreasonable, in my judgment -- not unreasonable at all.

MR R CLARK: I would just make one additional point. It isn't a question of whether we have double debate or triple debate. When we have Bills, they get second reading, committee, and third reading: there are three opportunities for debate. There are, really, at least two opportunities for estimates. We do the department, then when the report comes back to the House you could do the debate all over again if one wanted to.

I'd draw the attention of my good friend the Member for Edmonton Whitemud to the fact that what we're saying here -- it isn't a matter of the MLAs having the information. I think that's very, very essential. But we're saying that this information should be included in the annual report that is available to those people who are interested across the province.

MR CHAIRMAN: Mr. Stewart, did you want to get in before I call the question?

MR STEWART: I'd like to reflect for a minute the connotations of what we're asking here. What we're really doing is locking in the decision of a capital project. What they're asking for is the total budgetary figure for that capital project at the beginning of the program. To reflect on that in the report, as I understand it, would leave, from year to year, no opportunity to expand upon the program without justification. I find that if we're going to go back and look at the original capital estimate of a project . . . In 1976 -- I guess I'm not specific on the date, but the Kananaskis Country. At that point in time it was a suggested \$40 million project. I think the concern you've shown when the minister responsible was before this committee was the expansion of that project. What we did see was the fact that in the original project, the highway systems that were necessary to make that project function were not included in the total cost. The total highway program anticipated was left, to a large degree, to the Department of Transportation rather than Kananaskis Park project. Kananaskis Country has been a large expansion of the same program.

I fail to see that when the minister responsible brings in his budget with projected expenditures that definitely display an additional expansion of the program, where this has any relation to the fact that at the beginning of the program we've got to have the projected capital costs and use that as a bench mark that can't be expanded upon.

DR BUCK: Surely, when we are responsible as legislators and as committee members to be expending and looking after public funds, it's not asking too much to put this in a pamphlet that's public information, so that it can indicate very clearly what we are proposing to do and how we are proposing to do it. I think that is our responsibility and that's really what Section 5 is asking. So, Mr. Chairman, I have to say that we have to be responsible to the people we represent and responsible for the funds that are expended. That information should be made available.



MR CHAIRMAN: Is the committee ready for the question? Those in favor of recommendations I.5 and II.6, please indicate. Mr. Clark, Mr. Notley, Dr. Buck -- what's the problem, Mr. Pahl?

MR PAHL: I was a little confused as to whether II.6 and II.7 were included in II.5 or whether we're on that alone. In fact we're voting for motion I.5, which really deletes II.6? Okay.

MR CHAIRMAN: Could I call that question again, then? Those in favor of I.5 and II.6? Mr. Clark . . .

MR PAHL: Mr. Chairman . . .

MR CHAIRMAN: Have I called the question incorrectly?

MR PAHL: As I understand it -- and perhaps Mr. Notley could substantiate this -- Mr. Notley has agreed that II.6 does not need to be called because it is embodied in I.5. So we're really voting on I.5 as it stands, with an implicit agreement to delete II.6.

MR NOTLEY: That's right.

MR CHAIRMAN: The Chairman apologizes for that. Those in favor, please? Clark, Notley, Buck, Fyfe, Pahl, Sindlinger, Borstad. Those against? Knaak, Stewart. The motion carries.

Recommendation I.6: Mr. Clark.

MR R CLARK: Mr. Chairman, what this recommendation calls for is the root of the question that I asked the Provincial Treasurer when he was in. That deals with this question of rate of return or how, in fact, you determine what that is. What I've done is to recommend that the annual report contain a rate of return on the fund during the reporting year, as well as -- then the change, Mr. Chairman, that you indicated from the printed handout which would make it possible for the Provincial Treasurer to give a yield on the portfolio if it's held to maturity.

The reason I think it's important we have this kind of reporting done is that by the very name itself, this is the annual report of the fund.

Certainly I don't question the prerogative of the Treasurer to frame the report as he sees fit. But it does seem to me that some place in the annual report there should be a rate of return for the year that the report encompasses. That's basically what the recommendation would do.

MR CHAIRMAN: Thank you, Mr. Clark. Any comments on Mr. Clark's recommendation?

MR SINDLINGER: In my opinion, Mr. Clark is on a very important point here. If we could liken the annual report to a race, the report tells us how fast the race has been run in the last year. That's what he's asking for: the rate of return last year, the actual performance, as opposed to the tack that the annual report is now taking; that is, the yield to maturity, which is an expected or anticipated rate of return; that is, how fast the race is expected to be run next year. Our responsibility is to review the race of last year, what has been the actual performance last year, the rate of return, as opposed to what the Treasurer may think it will be in the future.

MR PAHL: Taking up first on Mr. Sindlinger's point, I think he has expressed the intent, but perhaps I've misunderstood his wording. The rate of return to maturity is the actual rate of return. That is one of those facts we discussed earlier. Whether that return is adequate in the light of alternative investment decisions is what is subject to debate. The rate of return on a debt instrument is fixed. The question is whether that return is adequate in view of other circumstances, is a more proper placement of the question.

Moving to the central point of the motion, I would tend to support it if we would have the motion reflect somewhat that we would, at some future date, make that evaluation. Obviously that evaluation would have to be made with some measure of actual history of the debt instrument to maturity. I don't think that could be reflected to this point in time in this history of the fund.

MR CHAIRMAN: Mr. Pahl, I just want to clarify the intent of your last comment. Was that a suggested amendment or a question for response by Mr. Clark?

MR PAHL: I would invite the response. If I'm anywhere near the mark, I'll make the amendment.

MR CLARK: I would appreciate if Mr. Pahl would elaborate on what he has in mind.

MR PAHL: Mr. Chairman, it seems to me that the life of the fund to this point, or the lifetime of the fund to this point does not enable one to properly do what I understand the intent of the motion is. I suppose it would more properly reflect my feelings of how that could be adequately done -- and I would support the need to do that -- if the motion were:

At a future date the annual report of the Heritage Savings Trust Fund state the rate of return on the fund during the reporting year as well as the calculations of yield on the portfolio assuming it is held to maturity.

simply because you're dealing with 20- and 25-year instruments, and the normal business cycle is something in excess of five years. It just doesn't make sense otherwise, at least in my view.

MR R CLARK: If what the Member for Edmonton Mill Woods is suggesting is that we, in essence, pass the recommendation and basically say that at some time in the future that recommendation be adhered to or endorsed by the government, I must say frankly that I have some difficulty with that. I can appreciate that it's difficult -- in fact some would say it's nigh impossible -- to report accurately upon the rate of return as far as that part of the portfolio that's invested in funds that have to be held to maturity is concerned. But certainly on the funds which are held in short term, things that are in the bond market, from talking to people in the financial community, they indicated to me that there are mechanisms which can be used that will show how we're doing this year. It seems to me important that Albertans have some sense of feel as to just how we are doing this year.

I don't profess, by any stretch of the imagination, to be a financial expert. But certainly in the great wealth of financial experts that we have in this province, some system can be devised to say to Albertans, look, we're 2 per cent ahead of inflation this year or 1 per cent behind, as opposed to this idea of, you know, if we hold everything to maturity that's where we are.

It just seems to me that we're not actually telling the folks how well we've done this year.

MR KNAAK: Perhaps I can address myself just to the last point, then ask a question and make a suggestion. If we consider the calculation of yield as suggested by the hon. Leader of the Opposition, there is a presumption that you dispose of the fund each year and then reinvest it, and that's the kind of yield you get. But there's no intent that we deal with the fund in that way. In fact it's a long-term hold until we require those funds for budgetary considerations. I think there's no doubt that there is some dispute as to what the appropriate manner of calculating the yield is. But I think some consideration has to be given to the purpose of the fund, and then see which is the most appropriate there. I think the kind of yield that we need is a long-term kind of yield, not an immediate yield, because we're not going to use the fund immediately.

The other problem is that over the business cycle -- well, aside from the business cycle, the interest rate cycle. Let's just talk about that. If we have rising interest rates -- and the fund up to last fall could only invest in debt instruments. There's no fund in Canada in a rising interest rate market that wouldn't be losing some capital value due to the reduced value of the assets.

So there is one question: how do we assess the performance of this fund? Should it be assessed in relation to another fund that has the same restrictions? Is that a reasonable comparison? Or do we not have any comparison or bench mark at all, just let it stand on its own? And if we do let it stand on its own, is it appropriate just to identify what the rate of return is without identifying the fact that it's a very low risk kind of investment because of the legislation the way it is? Even the commercial investment division will only be 20 per cent.

The other question I would have: would the hon. member consider amending the motion so as to say, make an assessment in both ways at five-year intervals, the first in 1985 -- instead of annually, make it five years, 1985 then 1990; in other words, so we don't miscommunicate to the public an unreasonably low yield when in fact that annual yield is irrelevant to what we're trying to accomplish with the fund: have it available, say, 15 or 20 years from now.

MR CHAIRMAN: Mr. Clark, do you wish to respond to the question?

MR R CLARK: Thank you, Mr. Chairman. I would respond to the hon. Member for Edmonton Whitemud by saying that from where I sit, when we communicate to the public this year that we really have had an 11.1 per cent weighted average yield, in my judgment that is as -- I guess the hon. member used the term "misleading" -- misleading as I'm sure the hon. member considers my figure of 7.7 per cent. What I'm trying to get in this motion is some sense of balance. I recognize that no fund virtually anywhere else which one can compare. But it seems to me that on the one hand, when we're saying we did pretty well last year -- we had 11.1 per cent if we hold everything to maturity, and I believe that to be accurate. But we all know that if you look at the bond portion of the investment, we didn't do that well. That has happened in the bond market all across the continent. If you look at the shorter term kind of approach that I'm suggesting as a part of the reporting mechanism, you have a balance there between the two approaches. Neither one may convince the hon. member or myself that they're absolutely right, but it does give people a better sense of how we're doing on the longer term, which is what we have here, and also, as best we can, on the shorter term.

MR CHAIRMAN: Any further comments, then?

MR STEWART: Mr. Chairman, I see nothing wrong with the recommendation other than the fact that there seems to be, as Mr. Clark stated, you can look at the yield of the fund or the bond interest of the fund at one point in time and find that for a period of time it has been very low. Consequently you would assume that it wasn't a good investment. We have to recognize that these moneys that go into the heritage trust fund go in on a specified date because this money is invested. What we're really questioning is whether the day that those bonds were bought happened to be a good day to be investing in bonds, or whether we should have let the money sit in the corner for a while, until such time as the bond interest went up, so we could have had a better rate of return for that point in time.

I like to reflect on something I'm familiar with. In the cattle business, you buy your feeder cattle in the spring of the year. You turn them out and hope it rains. In the fall you sell cattle that are 200 pounds heavier than when you turned them out. That's looking at the same thing as the maturity date on a bond issue. I feel that, while some years may be quite significantly different from others, I think you have to look at the term of the investment when you calculate the interest, and calculate it on that basis.

MR R CLARK: Mr. Chairman, could I just suggest to the hon. member, using the same comparison -- the cattle business. What we're wanting here is a report as to how we did one year, on the assumption, sir, that you sold your calves in the fall or whether you kept them over and fed them til next year. What I want is an accurate assessment of both ways, as best we can, realizing that it's not easy to get. But what we're saying is, let's look at a yearly rate of return and let's look at this approach the Treasurer has used this year. Let's have both before us. Then whether you sell the calves in the fall or feed them all winter, you're going to know where you stand.

DR BUCK: It's just basic, Mr. Chairman, what I wanted to say. We have to remember that the layman wants to know what's going on too. He wants to know what's going to happen in five years, in 25 years, but he also wants to know how the fund performed this year, or for a six-month period or for a nine- or 12-month period. The parallel with the cattle is very good, and the man on the street can understand that. Charlie put his cattle out in the spring, but the grass was dry. Therefore this year he didn't do well. But he hopes next year, if he does the same thing -- he got 2 per cent return this year, but next year he gets 22 per cent, over that same interval of time, because the grass was good, or the investments were good, using that same parallel. And the layman can understand that. That's who we are serving: the layman. Put it in that kind of language so he knows what's happening.

MR CHAIRMAN: Yet another rural members wishes to participate: Mr. Knaak.

MR KNAAK: Well, using hogs as an analogy . . . I think members of the opposition, with due respect, misinterpreted the analogy. The analogy would be comparable for Mr. Stewart -- remember, the objective is to dispose of the cattle. That's like disposing of a bond. To him the return was relevant at the time of disposition. If I interpret Mr. Stewart correctly, he says it is irrelevant from the monthly variations whether the price of cattle goes up or down in assessing the yield. In other words, it would be totally irrelevant to him to make a book entry every month to determine whether he has made

profits or losses. The critical time of making the assessment is the time of disposition of the asset; in that case, the cattle.

That's partly the same point I was trying to make. The intent of the government is to hold on to the investments, especially the long-term ones, for a considerable period of time, certainly much longer than a year. The time, therefore, to make the proper assessment in respect to the objectives of the fund is at the time the particular asset is sold. I think that's the way it should be done.

So I had suggested a compromise, that in fact this technique be used in five-year intervals, 1985, 1990, and that it go into the annual report at that time. I think that would give you perhaps a better and more of an average consideration. But I still don't think it's quite appropriate to what we're trying to accomplish in the fund. As the analogy with the cattle -- and it's a good one -- indicates, it is irrelevant what the price of cattle is in June, July, August, or September, if the time of sale is October. That's what is key.

MR CHAIRMAN: Are we ready for the question? Those in favor of Recommendation I.6?

MR PAHL: As amended? I made an amendment.

MR CHAIRMAN: No, you had phrased it as a question and said you would get back to it and make an amendment, depending on the response from Mr. Clark. Did you wish to propose an amendment?

MR PAHL: Yes, Mr. Chairman, I would. I would like to add at the start of that, "At a future date", simply to reflect the confusion that all us plain thinking, down home folks can't agree on the principle. So obviously it needs a little reflection and clarification in terms . . .

MR CHAIRMAN: I'll first call the question on the amendment, then come back to the question. Those in favor of Recommendation I.6 as amended by Mr. Pahl? This is the amendment, as amended; the amendment being "At a future date", which would be inserted at the beginning of the recommendation. Those in favor of the recommendation as amended? Mr. Oman, Mr. Pahl, Mr. Borstad, Mr. Knaak, Mr. Stewart, Mr. Bradley, Mr. Appleby. Those opposed? Clark, Notley, Buck. Motion carries as amended.

I have two urgent telephone calls, plus an . . .

MR R CLARK: With great respect to the Chair, may I ask how you came to that conclusion? You called for the amendment . . .

MR CHAIRMAN: I called for the question on the recommendation as amended.

MR R CLARK: But we only voted once. We had to vote on the amendment first.

MR NOTLEY: So we would now have the motion as amended.

MR CHAIRMAN: I would have to defer to the opposition leader's views there. Parliamentary procedure is not my suit; I'm too busy in the oil business. Would you then suggest, Mr. Clark, that the last vote in fact was a vote on the amendment, not on the recommendation as amended?

MR R CLARK: That's right.

MR CHAIRMAN: I accept that. I will now call for the question. Those in favor of the recommendation as amended? Clark, Oman, Buck, Sindlinger, Borstad, Knaak, Stewart, Appleby, Pahl. The recommendation as amended carries.

The Chair would now like to call for an adjournment of 10 minutes.

*The meeting recessed at 2:40 p.m. and reconvened at 2:50 p.m.*

MR CHAIRMAN: Order please. Several members of the committee have indicated a need to get on with other matters later this afternoon. The consensus appears to be that we will remain in committee for another 20 or 25 minutes, while we discuss one further recommendation.

Recommendation II.1 and Recommendation II.2, the former from Mr. Notley, the latter from Mr. Clark, both deal with the question of public hearings. I haven't had an opportunity to talk to Mr. Clark or Mr. Notley as to how they would feel about a combined discussion. Would that be appropriate, Mr. Notley, Mr. Clark?

MR R CLARK: Agreed.

MR NOTLEY: Agreed.

MR CHAIRMAN: Perhaps I could invite Mr. Notley, then, to speak to the combined recommendation, and then Mr. Clark.

MR NOTLEY: We may be a little like ships passing in the night on certain issues here. Mr. Chairman, the recommendation I have says that this is five years after the heritage trust fund Act was passed, so it's time to take a look at the entire concept, not just as a Legislature, which is something we do from time to time -- last spring amendments were passed -- but to invite the people of Alberta to submit their views, through public hearings, on the Heritage Savings Trust Fund. I think it's important from time to time to evaluate the views of people. From various responses from members of this committee, they sense that perhaps people don't understand what the Heritage Savings Trust Fund is, and the feeling that people are rather sceptical about it. I rather suspect that a series of public hearings, such as I'm suggesting, would immeasurably improve public understanding of what the Heritage Savings Trust Fund is now. Secondly, it would give Albertans an opportunity to present their views on how we might strengthen the concept.

It's fair to say that there are subtle differences, and some differences that aren't so subtle, in what we see as the concept of the heritage trust fund. One general point of view would be the suggestion that Mr. Knaak and others have made, and members of the government have made, that it is essentially a fund to replace revenue from depleting resources down the road. That is certainly one of the arguments that was very forcefully presented in 1976. But the other element that was just as strongly emphasized in '75 and '76 was that the Heritage Savings Trust Fund was a development tool, that it was there to strengthen and diversify the economy of Alberta.

I think we all recognize, as members of the Assembly, that there have been subtle differences in, I guess, all our views in the last four or five years. I would suggest, Mr. Chairman, that it is useful at this juncture to invite Albertans to give us their opinions, through a series of public hearings.

The final point I would make is that public hearings would allow us not only to publicize the Heritage Savings Trust Fund in Alberta, but right across the country. There is a tremendous lack of understanding in other parts of Canada about the heritage trust fund. For one thing, the size of it is being vastly blown out of all proportion in all parts of the country. And the Heritage

Savings Trust Fund is certainly not going to be the solution to Canada's economic woes by any means. But the prospect, it seems to me, of a series of hearings, where Albertans themselves participate with their legislators in reviewing this rather unique concept would, I think, be good, not only in terms of public understanding in this province but public understanding in other parts of the country too. That being the case, Mr. Chairman, I believe the recommendation has merit.

MR R CLARK: Mr. Chairman, following up on what Mr. Notley has just said, might I just suggest that perhaps the recommendation that has my name beside it would be appropriately discussed with the next recommendation, under Public Representation. The reason I say that, Mr. Chairman, is that it seems to me this is really tied to the idea of this being the fifth year of the operation of the fund, now is the time for reassessment. My proposition to the committee is somewhat different in the fact that basically I'm going to suggest that in June of each year the committee might spend a period of time involved in public hearings.

So I would suggest we discuss Mr. Notley's by itself.

MR CHAIRMAN: I must admit, Mr. Clark, the reason I paired them the way I did -- I drew a distinction between a public hearing and a public representation. Perhaps it was an artificial distinction to make. I assumed a public hearing could be elsewhere; a public representation would be in these chambers.

Comments on Mr. Notley's recommendation of public hearings?

MR R CLARK: Might I just make this comment. A number of members of the committee, I'm sure, had an opportunity to sit down with the MPPs from Ontario who were out here not long ago. They were here soliciting the views of whoever they could from Alberta on the constitution. They hadn't only been to Alberta but to other jurisdictions. It seemed to me that one thing that was pretty obvious by the evening, when they were ready to leave, is that they had a far better understanding of the heritage fund, they had a better understanding of what use was being made of the amount of money involved in the fund. Frankly I think that there is some merit in the suggestion put forward by Mr. Notley. But I think there is also some merit in this committee at least making a stab at going to Ontario and perhaps doing the same kind of thing the Ontario MPPs did when they came here.

MR PAHL: Mr. Chairman, I appreciate the intent here, but I also think there's somewhat of a danger to suggest that public hearings to gather public opinion on the operations and uses of the Heritage Savings Trust Fund would presume a responsibility on the part of the investment committee to act on those recommendations and suggestions. Over the past four years, or three years, there have been all manner of suggestions in the public forum as to how the fund should be used. I seem to recall that some of them were the basis for some election campaigns. I guess that was the forum that really decided what the operation use of the Heritage Savings Trust Fund should be.

So I would find difficulty with the public hearing process, inasmuch as it would, especially run by this committee, give, I think, the public a presumption of expecting action that really might be a little unrealistic in view of the fact that that's, if you will, a governmental responsibility. I would also lay adjacent to that the fact that there are and have been and will, I'm sure, continue to be ample expressions of public view as to what should be done and what the priorities of the Heritage Savings Trust Fund are. One of them was the seminar that was in part sponsored by the provincial government at the University of Alberta. I would not be opposed to those

sorts of forums. But I would be reluctant to endorse a legislative committee sponsoring the setting up with a public hearing process.

DR BUCK: Mr. Chairman, to Mr. Pahl. Whatever happened to government for the people? The only point I want to make, Mr. Chairman, is that I think if we go this route -- people don't really understand what legislative committees are. But we understand, and I think we will indicate to the people that a legislative committee represents both sides of the House; it's not a government committee. You do get criticized for being a government committee.

So a legislative committee can go to the people. It's fine to have hearings like we had on the Heritage Savings Trust Fund over at the Auditorium last year. But all we get is, supposedly, experts there. What this is proposing, as far as I can understand, is taking it out to the people, because there are many people who feel they have not had an opportunity to express their views on the Heritage Savings Trust Fund.

So I certainly support the principle.

MR APPLEBY: Mr. Chairman, I can see the thinking behind these types of motions, and the idea to get information and bring it back and assess and evaluate it, but I still can't dissociate that process from the role of the MLA. I have to wonder just what is meant by having a legislative committee such as this if we're going to have to go out on public hearings. My understanding of this type of committee is that the members are people who are in constant communication with the public, finding out their views by whatever means the MLA wants to use, whether it be meetings, forums, or questionnaires, and trying to keep a pulse of the thinking behind the people of the province in all these things. I think the MLA also has a role to play in going out there and talking about the fund, explaining the purpose of the fund and how the intent is investment for the future and to strengthen and diversify the economy, as Mr. Notley has said. But we are inviting in that manner all Albertans to give their necessary input. If we go this route, we're somewhat in contrast to what we did with II.1 on the opposite page about mailing out this information and trying to give people an opportunity to get this information in this way.

I think this is an ongoing process that the MLAs at all times, they come in here to this committee and make the views of Albertans known. This is government for the people, just as Dr. Buck has said. What about government for the people? This is what it is all about. This legislative committee is composed of MLAs who are doing this sort of thing, getting this sort of input, bringing it here. I don't see why we have to go out and hold public hearings at all.

MR NOTLEY: Mr. Chairman, just a couple of comments. Mr. Pahl indicated that a seminar had been held at the university, and that's correct. But in a sense I think that's unfortunate that that kind of seminar is held at the university, a small group of people taking part in it. While it was not denigrating the seminar -- I know some of the people who organized it worked very hard on it; it was a good seminar. But it's not the same as having public hearings, where anybody in the province who is interested can attend and make their views known. I think the question of public hearings has to be separated from periodic seminars, which may be useful things to do, but there is a rather important difference there.

On the question of the unrealistic expectation: I don't think that's necessarily a problem. It seems to me that were we to hold public hearings, we would be soliciting views from Albertans. But of course any changes that would be made in the structure of the Heritage Savings Trust Fund would have



to be made by the Legislature, would have to go through the normal process of government, would in actual fact have to be debated in the government caucus, given the present majority situation in the current House. But having a forum where hearings can be heard, where people can be heard, which is a non-partisan, or at least a multi-partisan forum, which represents both sides of the House, as Dr. Buck pointed out, I think is a good approach, a good approach for all of us who basically support the concept of the fund. I can't think of anything that would be more educational than a series of these kinds of hearings.

Mr. Appleby made an observation which, at first glance, reveals some kind of inconsistency: the fact that we voted against sending out reports to every person in the province on one hand, and now we're asking for public hearings. There really isn't any inconsistency there, because public hearings aren't going to attract every single person in Alberta. Public hearings are going to attract the people who are interested, who have something to say, who have views to present. That's the difference. It seems to me that we have to, from time to time, make ourselves available for that kind of review and scrutiny through this kind of process.

It is 1981; it's five years after the Act was passed. It strikes me this is an appropriate time to, if you like, take a public stockkeeping of the Heritage Savings Trust Fund. I would argue that rather than in any way, shape, or form weakening it, it would immeasurably strengthen public understanding of the fund and its role.

MR OMAN: Mr. Chairman, I would like to ask whether or not -- and I don't know whether comment was made; I was out for a few minutes -- but is this within our terms of reference to do so? As I understand it, it is probably not.

MR CHAIRMAN: Perhaps I could speak to that, Mr. Oman. Prior to your becoming a member of this committee, that question in a broader context was referred to the legislative counsel. It was his view that Section 13(3) of the Act, and *Standing Orders*, would not necessarily prohibit public hearings *per se*.

DR BUCK: I just want to add one very brief point, the point Mr. Notley made about the fifth anniversary. I think it's an appropos time for us to get feedback how the people perceive this fund is doing. We, as practising politicians, as Mr. Appleby said, sometimes also get tunnel vision. So this would give an opportunity for people to indicate to us, members of the committee, how they perceive the fund is doing, and how they perceive the direction the fund is taking. I think it's time for that kind of stocktaking.

MR PAHL: Mr. Chairman, after the hon. member from Fort Saskatchewan's earlier remarks, when he indicated that he knew all sorts of people with all sorts of ideas for the fund and yet I see that those people weren't able to have any of those ideas embodied in any recommendations from the member, perhaps there is a case for the public hearing process. In view of that information, I guess I would have to say that I'm in a bit of a quandary.

MR R CLARK: Just to have the record straight, Mr. Chairman, I think it's understood that the recommendations that have my name on them come from the Official Opposition, including all three members.

MR PAHL: Mr. Chairman, I respectfully ask that that remark be withdrawn.

MR CHAIRMAN: Is the committee ready for the question? Those in favor of Recommendation II.1, please indicate. Mr. Clark, Mr. Notley, Dr. Buck. Those

opposed? Oman, Fyfe, Pahl, Musgreave, Appleby, Stewart, Knaak, Sindlinger, Borstad. The recommendation is defeated.

I take it, because of other pressing requirements, a number of our members would be favorable to an adjournment. So we'll do so until 9 a.m. in the chambers tomorrow morning. Thank you.

*The meeting adjourned at 3:10 p.m.*