

Standing Committee on The Alberta Heritage Savings Trust Fund Act

Wednesday, October 15, 1980

Chairman: Mr. Payne

1:40 p.m.

MR CHAIRMAN: Inasmuch as this appears to be the final meeting of the committee before the fall sittings, there are several matters I want to discuss with the committee, to get the benefit of your views, the first of which is the question of winter and/or spring meetings of the committee. That suggestions has come up on a couple of occasions, I don't believe in the current round of our meetings but in the past it has. In the current year, when I gave some thought to scheduling some summer meetings of the committee, that proved to be somewhat of an idealistic goal, primarily because of conflicting vacation schedules. It was just very difficult to find full days or a two-day period when I had a good number of committee members available to come to Edmonton. As a consequence, if my memory serves me correctly, we weren't really in gear until late August or very early September -- which forces me to the conclusion that if we are going to meet earlier, we have to consider winter or spring meetings. That of course raises the question of scheduling conflicts when the spring sittings are in session.

With that somewhat open-ended introductory comment, I would like to invite member comment. Then at a subsequent time, I will perhaps canvas you further and try to determine a consensus that's feasible.

MR PAHL: Mr. Chairman, it's not in response to your comment, but I wonder, as a matter of interest, have we had the full, agreed to, recommendations of the committee in a summary form, that we might be able to review?

MR CHAIRMAN: The 18 recommendations?

MR PAHL: The 18 recommendations.

MR CHAIRMAN: No. I have them here in handwritten form, but have not yet had an opportunity to get them properly typed and distributed. I can indicate to you now and you can simply mark in your orange binder those that have been passed. Would that suffice for your current need?

MR PAHL: I have the same material, but I wanted to look at them in the context of the consultant's report. That's an aside; it's not crucial.

MR CHAIRMAN: Perhaps Miss Ballard would care to comment. How long would it take?

MISS BALLARD: Probably tomorrow.

MR PAHL: Okay. I guess they won't be available to us to work on in the context of this report.

MR CHAIRMAN: Not today.

MR PAHL: Thank you.

MR CHAIRMAN: It's simply a logistical problem of getting it typed and reproduced.

MR PAHL: I understand.

MR CHAIRMAN: It will only take a few seconds to read off the 18 recommendations that have been passed. Perhaps I could just read that for those of you who have an interest.

In all instances, unless I say otherwise, there was an amendment. I.4 was Mr. Knaak's recommendation on public identification of heritage fund projects . . . yes, Mr. Knaak?

MR KNAAK: Could we do that perhaps later. I have to leave in an hour. I wonder if we could address ourselves to the report first and leave that until after the hour. We'll be getting the recommendations tomorrow in a complete form. It will take 15 or 20 minutes to read them all out. I'm not certain whether that would be a good use of the Chairman's time.

MR CHAIRMAN: That's a useful suggestion. I had intended to take about 90 seconds, not 18 minutes, but that's fine.

Could the committee then return to my first question, which is the subject of between sittings meetings of this select committee.

MR KNAAK: Mr. Chairman, this committee's function under The Alberta Heritage Savings Trust Fund Act is to begin with a review of the report, then follow that by making recommendations. I believe it's essential that we have the annual report before we start. We can try to speed that up if possible, but I think the earliest we could meet would be immediately after receipt of that report. In terms of scheduling, we shouldn't schedule it until the report is in our hands.

MR CHAIRMAN: These past two years, the report has actually been made available around the third or fourth week of July. I had tried this year to speed that up somewhat, but ran into some difficulties with the auditors, who had held up publication of some of the statistical data. I had been shooting for an end of June or early July report availability.

MR R CLARK: Mr. Chairman, I would suggest that sometime during the spring session the committee hold a short meeting and decide what projects we would like to look at. My own recommendation to the committee at that time would be that we spend a couple of days with the AOSTRA people, looking not in their offices but on site, the experimental work they are doing at Peace River, also the experimental work they are doing in the Cold Lake-Lloydminster area.

The reason I pick the AOSTRA people is that they have now had -- what? -- about four years to become involved, in co-operation with the private sector, in the kind of work it's doing. Secondly, the fund is funding a pretty sizable portion of those projects. Thirdly, that has the potential for a remarkable impact on the Alberta economy, especially in the northern part of the province, in the future. I'm one of those who feels that the committee should not do an extensive amount of travelling, but I think it would be timely for us now to spend two days with the AOSTRA people and look at some of those projects.

It seems to me that the most reasonable time to do that, given the fact that when we get into July and August we all go different ways, holidaywise, and everything else, would be in the second or third week of June. That's on the assumption that the House would be finished.

That's what I'd like to see us do.

MR CHAIRMAN: Mr. Clark, I want to be clear. The short meeting you referred to in the spring sittings: its primary purpose would be to select those projects that merited committee examination or committee visit?

MR R CLARK: Yes.

MR PAHL: I'd certainly support that, both the idea of a short meeting in the spring and looking at the AOSTRA projects across the province, or at least a selection of them.

DR BUCK: Is there no statutory requirement when the annual report should be handed down?

MR CHAIRMAN: No.

DR BUCK: Is there any way that we could make a recommendation that the report be made available to us by such and such a date? At least that gives us a base date, when we know the report can be done. If this is going to be an ongoing committee, in perpetuity, maybe we should make a recommendation that there be a set date for the report to be available. That way we as a committee can plan our time. The Heritage Savings Trust Fund report can be made available at that time. I would like to see that be considered as a recommendation, Mr. Chairman.

MR CHAIRMAN: That is a subject I have, to a certain extent, discussed with the Provincial Treasurer, not so much the question of a specific date but just getting perhaps a first draft, without the glossy pictures, so we could begin our work earlier. Certainly I would be prepared to take up that subject again and see how feasible it is.

Any further comment?

MR PAHL: Is that a recommendation of the committee? Would you choose to make it that way, Dr. Buck?

DR BUCK: If you'd like, Mr. Chairman, I will make that in the form of a motion.

MR CHAIRMAN: Certainly. Would you care to phrase that motion now, Dr. Buck? Or would you like some time to prepare it while we deal with other matters? We'll give Dr. Buck a moment or two to settle his thoughts on that question.

Mr. Stewart, did you care to comment on the question of between sittings meetings of this committee?

MR STEWART: Mr. Chairman, I heartily support the philosophy that has been expressed here, that we should have a meeting in the spring. I believe a tour of the AOSTRA projects would be a useful endeavor for this committee too. I personally would like to see a recommendation, that I think Dr. Buck is drafting, that would have our report to us by July 1. I realize that the first part of July is a difficult time to start holding meetings, but I think we deserve that report at least a couple of weeks prior to our meetings commencing. With the assumption that we could start our meetings in the latter part of July, assuming that holiday season for a lot of people with families is the first couple of weeks of July, it would at least give us a couple of weeks to do a little study on the report and come in a little more

prepared. I'm reluctant to be presented with thick documents that I'm supposed to have an instant knowledge of in this committee. I feel that we should have at least a couple of weeks to digest the annual report before we commence our regular meetings.

MR CHAIRMAN: I might just make a comment on the practical considerations of producing a volume such as the annual report. As you can appreciate, there is a great deal of typesetting, photography, art work, which adds a great deal of time to the production process. I assume the committee would be prepared to accept the annual report in its draft form; that is, words and numbers on paper but without pictures, graphic instructions, and so on. May I take that as a given?

DR BUCK: Mr. Chairman, rather than make a motion, could I make a suggestion that you, Mr. Chairman, take a look at the feasibility and find out the problems involved in when the report should be made available. If the report can be made available as the other annual reports are made available by a statutory date -- and you'll have to check that; some reports have to be done 15 days after the start of the spring session. I don't know if that is possible. But, Mr. Chairman, if you could find out when the report could be made available, when their fiscal year ends, that will give us a thing to start from. Until that time, I don't think we should make a motion. But I think you should have a look at when it could be made available at the first opportune date.

MR CHAIRMAN: I'd certainly be prepared to pursue that suggestion, if that's the will of the committee.

We have 10 of our 15; that's a fairly good representation today. I can see a consensus of two-thirds of the group, though, that there is some interest in meeting, for an undetermined time, during the spring sittings. As Mr. Clark has suggested, one purpose of such a meeting might be to determine those projects that we as a committee feel we should look at prior to the committee's receipt of the annual report.

MR KNAAK: I agree with that.

MR CHAIRMAN: Okay, good.

In view of the fact that Mr. Knaak has indicated a requirement to leave at midafternoon, perhaps we should turn our attention to what I regard as the primary matter today; that is, the draft final report of Western Management Consultants, copies of which, I believe, were distributed to all of you at day's end yesterday. I realize a report of this substance requires more than a half day's reading, but I hope that that half day's reading has been sufficient for us to at least have a preliminary discussion today of that report. With that opening comment, I would like to invite comments from committee members on the report, what we do with it, and the question of the consultant's recommendations, and so on.

MR R CLARK: I'd be prepared to make a few opening comments, recognizing that I was not able to be here when the consultant was before the committee. I would certainly like a chance to discuss the report with the consultant before the committee. I must confess, not being very sophisticated in this area, but when I come to the conclusions, on page 56, when it talks about "appropriate ongoing research and analytical capacity be established to . . ." "investigate", "examine", "determine", "examine", "examine", "examine", "determine", "establish", and "explore". I suspect it's one of those reports

that Western Management Consultants would be available for the work that's recommended. I become very, very suspicious of that kind of report.

MR CHAIRMAN: Mr. Clark, I guess you've raised two points. You'd like to discuss the report with the consultant, and you have expressed some scepticism about some of the recommendations.

MR KNAAK: Mr. Chairman, I want to reflect on the purpose of the study. One of the reasons for commissioning this particular study and setting out the guidelines for the study was to get a clearer and more definitive understanding of what the Heritage Savings Trust Fund's impact is on the Canadian capital market with respect to the capital investments of the fund, and what the impact of the fund is with respect to its capital project investments under the capital projects division or the Alberta investment division.

Prior to the study, there were general impressions but no real, definitive answers to any of those questions. I think the conclusions, although not earthshaking in a dramatic sense, are very valuable. Perhaps, with the indulgence of the committee, I'll read some of the conclusions that were reached by the consultant. The conclusions of the consultant partly reflect the opinion poll they conducted among the experts.

In a numerical sense the Heritage Savings Trust Fund only constitutes 1.2 per cent of the capital market. Even if it grows at 20 per cent per year, and the Canadian capital market continues to grow at 16 per cent per year, it would still be less than 2 per cent of the Canadian capital market by 1990. That is significant, because it indicates that the Alberta Heritage Savings Trust Fund does not have a negative, or any significant impact on the capital market. That is also the conclusion reached by the experts. All of them answered the questionnaire that there was no negative impact of the Heritage Savings Trust Fund on the capital market.

The other thing that is interesting, even though not earthshaking, is that 30 to 50 per cent of all materials and equipment on capital projects financed by the fund are purchased from outside Alberta, meaning the rest are purchased in Alberta.

Another interesting result: for every \$400 million invested in capital investments in the fund under the capital projects or Alberta investment divisions, 3,200 new jobs are created in Canada.

The other interesting conclusion: even though there is no general impact on the market there is a suggestion, because of Alberta's policy on charging equal rates to all provinces, that the interest spread on bonds between the various provinces has narrowed and that, in fact, this has reduced the interest costs for all provinces in Canada, to some extent.

The other thing that's interesting is that there is no negative comment at all about the management of the fund, although 18 per cent of those interviewed seemed to suggest that, because of the size of the fund and the control under one management, good management is essential. I think we all agree that good management of the fund is essential.

Notwithstanding that the conclusions aren't dramatic in any way, I think they have more or less confirmed what was generally felt to be the case by a lot of individuals. It has also allowed experts throughout the community in Canada to have input in the study. I think in a previous, preliminary study or presentation by the consultants, we did in fact receive an outline of those experts who were interviewed.

Mr. Chairman, to continue on the recommendations made by the consultant, I have some -- and again, I'd like to reserve the right to comment on this after we've had more time to study them. But on first glance, it seems to me that

the findings, as we have them, are sufficient to answer the questions we had: what is the general impact of the fund? We don't need to know whether the multiplier is 1.8 or 1.76 or 1.53. The kind of research that's suggested would be research that would allow us to identify much more specifically the multiplier impact or some other impact of investments of the fund. But I don't think that's necessary for purposes of this committee, nor do I think it's necessary at all. If that information were so useful and important, we could do that for virtually all investments that are expended in Alberta.

So on a preliminary basis, having glanced at this document this morning, I would say that the consultant has achieved the objective we have set out for them in the guidelines, and that the information that has now been provided to us is useful to this committee in assessing what the impact of this fund is on the Canadian capital market and on employment, purchase of material, or recycling, as it may be called in other parts of Canada.

Thank you.

MR PAHL: Mr. Chairman, I appreciate Mr. Knaak's analysis, because I'm one who, although I had a half day, was not able to put myself and the report in the same place and haven't had a chance to look at it in any detail. I would like to support the point the Leader of the Opposition has made with respect to wanting to talk to the consultant about the report, after I've had a chance to study it in some depth. I would be interested to know, for example, what "Inflation (% change in GNP deflator)" at "0.32 - 1.64" means. Right now, I'm at a bit of a loss.

So I think the analysis Mr. Knaak has made certainly points out the benefit of the report. I would hope there might be further directions and insights that we can gain after a bit of study. Certainly I would like the opportunity to address the report in more detail, and perhaps talk to its author, and use it to good advantage in our future work. I think it has, in a sense, provided a bench mark, inasmuch as there has been no, if you will, officially sanctioned analysis done on the fund to date. As such, I think we have the responsibility to look carefully at it and learn as we can.

MR CHAIRMAN: I wonder if I could ask Mr. Clark and Mr. Pahl what their recommended timing would be for the meeting with the consultant, given the fact that we have full-day caucuses Thursday and Friday and the House opens Monday.

MR R CLARK: For what it's worth, from my point of view I have no reason why we couldn't do it after the session is over.

MR CHAIRMAN: November, December sort of thing?

MR R CLARK: Yes. If there is a reason we should do it more quickly -- I just get a feeling all of us may be swept up in this constitutional, energy pricing, federal budget thing for the session. If there is some reason to meet more quickly, and someone can explain what the reason is, then I'd be prepared to consider it. That's what I'd suggest.

MR CHAIRMAN: Other committee members feel free to comment on the suggestion of meeting with the consultant at the end of November, early December, after the fall sittings.

MR PAHL: I would find no problem with that. I think the important thing is to have clear in our minds that we have something to ask the consultant. If the "0.32 - 1.64" becomes eminently clear to me after having read the report, I

suppose I may not have a need to talk to the consultant. I'd suggest that within that time frame it might be worth while for members to indicate to you, Mr. Chairman, the extent of their interest in meeting with the consultant. If it is minimal, perhaps we need not do it other than to respond in written form or whatever. If there is some quantity of required responses, a meeting would be in order. I'm only guessing at a need to meet with the consultant, quite frankly.

MRS FYFE: I don't think I have too much further to add. I think there are some very relevant points that come out of it, but, like the rest of you, I certainly haven't had very many minutes to analyse and digest it. Not being a technician in this area, I may need more time than the average. I would think we could proceed with a schedule when we are a couple of weeks into the session. Perhaps the Chairman could poll the members. We may have an idea of how long the session will last, and establish a meeting. Maybe we would be a bit foolish to try to pinpoint a date at this point. Perhaps you could send a note around a few weeks into the session. Then we could get an idea of what would be the most appropriate time for us to meet.

MR CHAIRMAN: I take it you do not resist the notion of a post fall-sittings meeting of the committee with the consultant.

MRS FYFE: I would favor that.

MR BORSTAD: Myrna pretty well expressed my comments. I think if you were to poll us a little bit once the session is in order, we probably could arrange one later in the year.

MR CHAIRMAN: With those comments, then, perhaps at the end of October or early November, by which time committee members will have had two weeks to read the report thoroughly, I will canvass members. But I think there is considerable merit in the suggestion that we meet with the consultant if we can, despite the formality of this room in which we meet and the formality that one associates with parliamentary procedure, have a good dialogue with the consultant. I think it could maximize the opportunity that his engagement affords the committee.

Any other comments on the report itself, or the suggestion of a post fall-sittings meeting?

MR KNAAK: I certainly agree that -- in my comments I didn't want to preclude the possibility of having a meeting with the consultant. As a person reads it more closely, questions may arise or may answer themselves. My impression is that the consultant has done a considerable amount of work, especially with respect to interviews and analyses. I don't want to leave the impression that I'm not pleased with the report, notwithstanding that some of the recommendations may not be necessary for the work of this committee. I just want to leave the impression that I think the consultants' report is based on a considerable amount of research, and simply because the conclusions aren't dramatic, in a sense, it certainly wasn't the consultant's fault, because he analysed it as objectively as he could. I agree that if the need for a meeting arises subsequently, or it is the general consensus, we should have a meeting with him, in an informal setting where we can get right to the roots of some of the issues.

MR CHAIRMAN: I might mention that, as you may be aware, the replies to the questionnaires that went out to financial institutions across the land were to

be directed to me. So I had an opportunity to read many of the replies, and certainly the covering letters that came with them. I would just like to point out that quite a number of those that did reply, in their covering letters expressed appreciation for the opportunity to express their institutional opinion, as it were, on the heritage fund and those subjects of the consultant's work.

Any other comments or questions related to the consultant's report? Any other items of business that we need examine today?

MR R CLARK: Might I simply say, as a word of explanation to members of the committee: our office took on Dr. Belden Daniels, and his work is going to be finished at the end of the first week of November. I would like, Mr. Chairman, to extend an invitation to you, through members of the committee, to sit down with Dr. Daniels and Michael Swack when they're back at that time, so members would have an opportunity to sit down and discuss their perceptions of the fund. That opportunity will be made available, Mr. Chairman, just as soon as the date has been finalized.

MR CHAIRMAN: I'm sure I speak for members of the committee in expressing appreciation for that opportunity. Perhaps, Mr. Clark, you could let me know when that date becomes firm. Then I could advise the committee and perhaps we could meet, in either an informal or perhaps a more formal way.

MR R CLARK: I'd even be prepared to take the chance of, having regard for the fact that I'll be leaving a certain office at the end of November, having the meeting in that office.

MR CHAIRMAN: Very good.

DR BUCK: Mr. Chairman, this is not lobbying for another trip to Anchorage, Alaska, but Mr. Clark and I were there last December. As a member of this committee, and maybe I will become a more active member, I really think there is some merit in a closer working relationship between this committee and the people who are our counterparts in the government of Alaska, to look at what the Heritage Savings Trust Fund is doing compared to the permanent fund in Alaska. I know that when we met with these people up there, we were really quite amazed that there has been no relationship, practically no communication between the Alberta government, this committee, our committee, and the permanent fund up there.

Mr. Chairman, I think if we started some communication with those people up there, it would serve a dual purpose for them and for us. I leave it up to your good judgment, Mr. Chairman, and discretion to see if we can start those communications.

MR CHAIRMAN: Any committee members care to comment on that suggestion from Dr. Buck?

MR PAHL: Mr. Chairman, I support that. That's a sensible initiative. If the Chairman would undertake it, I'd certainly be supportive of it.

DR BUCK: If we do go, let's go in the summer. [laughter]

MR PAHL: The question I want to raise, Mr. Chairman, moving beyond the report but related to it, is that in summarizing the report of the committee, as you will undoubtedly do, will we have the timing such that, or can we so indicate in that report, further study of the consultant's report may give us an

opportunity to provide supplementary recommendations or observations beyond the time frame I know you're committed to report in in the first instance?

MR CHAIRMAN: I am planning to table the report at the end of October or early November. I have already written a half page on the subject of the retention of the consultant and his report. I had left blank, frankly, part of that page, to reflect the comments made here today. Your comment, Mr. Pahl, I would intend to incorporate in some way into the report.

MR PAHL: Thank you.

MR CHAIRMAN: So that the Legislature, after having read the report, will be aware that there still remains further action that could be taken as a consequence of the consultant's work.

Any further business today? We'll then stand adjourned until I determine from you, during the fall sittings, the time that's most appropriate to meet with the consultant, quite possibly after the fall sittings.

May the Chairman take this opportunity to thank the members of the committee for their work on the committee. I think the debate has been good. I reviewed at length our recommendations, not only just those that have been passed by the committee, amended or otherwise, but all of them. I think it has been a very worth-while exercise, and I appreciate your support.

The meeting adjourned at 2:15 p.m.