

Standing Committee on The Alberta Heritage Savings Trust Fund Act

Wednesday, August 26, 1981

Chairman: Dr. Reid

9:30 a.m.

MR CHAIRMAN: Good morning, ladies and gentlemen. We are going to have the Premier in front of the committee this morning, and he's already here in his usual prompt fashion. I'd like to welcome him to the fifth annual set of hearings, and I suppose that of itself has some significance. I would like to point out to members of the committee that the Premier is not going to make any initial statement. He is available until about 11 o'clock this morning, and he would like to devote the time to questions from members of the committee. For that reason we'll go straight into questions from members of the committee. I notice the hon. Member for Little Bow already has his hand up.

MR R SPEAKER: Mr. Chairman, I'd like to make a remark or two first of all, then possibly lead into one or two questions of specifics. In terms of the Heritage Savings Trust Fund, I think we've come to a point in the fund where demands are different from the public of Alberta than they were a few years ago. I think that Albertans see the fund in a different perspective, directly related, as we all can recognize, to inflation in Alberta and Canada, demands upon the consumers, demands upon the producer. In that light, I'd like to make my remarks this morning.

The opening statement of the Provincial Treasurer in the report raises the question which is raised by Albertans. In determining our responsibilities and also in making recommendations, I think that we as a committee have to address that question as well. That is the question I'd also like to direct, after I make some preliminary remarks, to the Premier. The question: "What has the Heritage Fund done for me?". That's on page 2 of the report.

At the present time when we as Albertans look at things that are happening, individual Albertans have a very difficult time in answering that question. I think the government and the Premier, as well, recognize that at the present time. The government, in my view, has done two things: one, has attempted to address it in this report -- but we all know that very few Albertans have a chance or take the opportunity of studying or reading reports, whether it's Heritage Savings Trust Fund or any other report of government or even of a private corporation. Secondly, the government has initiated an advertising program, through television and various other forms of media, to indicate to Albertans that the fund is really doing something for you and attempting to bring that message to Albertans.

I would have to say from discussions and reading the response on the other end that Albertans are saying, we still are not convinced that the fund is doing something directly for me in my private business, whether it's farming, business corporation, someone retired and living on pension, or otherwise. It's not coming through on the other end. The whole question of how the advertising program is set up is another question, which I don't intend to address.

When I look at this, that Albertans are saying it is time to look at the Heritage Savings Trust Fund from a different perspective, I'd just like to relate some of the impacts of the programming in terms of capital expenditures or through the Heritage Savings Trust Fund. I'd like to look at two areas: in terms of ADC support or AOC support. When we look at the farmers supported, for example, in 1980-81, through the program -- this is through direct loans from ADC or the beginning farm loan program -- we have 649 farmers out of some 58,500 farmers in Alberta, which is about 1.1 per cent. This is mostly capital loans. At the same time, when we look at AOC support, we have 353 businesses out of some 140,000 companies that are registered in Alberta, which is around one-quarter of 1 per cent that are actually helped. Now that's a very few number of individuals who are out in Alberta attempting to take on the responsibility. Farm support, in terms of dollars, some \$60 million; AOC support, around \$37 million in the year '80-81.

When we compare that to expenditures or allocations of funds through the Heritage Savings Trust Fund, for example -- and I'd like to list seven -- Kananaskis Country, \$210 million; loans to Gulf Canada, \$118 million at 8.125 per cent; Canada-Cities Service, \$117 million at 8.375 per cent; Calgary Power, \$19.7 million at 13.75 per cent; Bralorne, \$5 million; and Syncrude, \$179 million. Along with that we have the provinces of Canada that have been provided loans from the fund -- we can look in the record -- and they total some \$1.5 billion at an interest rate of around 12 per cent.

So when farmers and small business men look at that and, as we recognize, many of these dollars were put into the general operating budget of the provinces, raise the question: what has the heritage fund done for me -- and we should take that question in hand here as members of the Legislature -- they say, not much, because I really do not feel that I'm part of it. And we can say, well, most farmers are independent, have their own funds, and can live in good free-enterprise Alberta; businessmen can do it on their own and can handle bank rates of 22 to 25 per cent. But when they started their operating loans and went into business, and when the farmer committed himself to an operating loan, he didn't have that kind of interest rate. He didn't calculate his future on an interest rate that high. So he was led into a situation not created by himself.

At the present time people say, well, how many bankruptcies are there? I don't know that number. I've tried to check it out with financial institutions, and they won't provide that for me. They say that's private information. But I know from walking on the street and talking not only to farmers but to individual businessmen that the pressure is tremendous. When you have an increase in your interest rate on your operating loan of some 10 per cent, most of their profits were not that much. And it's very, very marginal. Maybe they're surviving out there. Maybe they're carrying on. Some are not going to survive. I see in my predictions and my calculations that the impact is going to hit somewhere into next spring; some this fall.

So the question is raised: what has the heritage done for those people? And they say, I don't feel anything, but I know that over \$2.5 billion of that heritage fund is at interest rates at a reasonable rate that would keep me in business and take the pressure off.

I just spent a day last week in the Cold Lake-Grand Centre area. I talked to business people and people on the street. Certainly in those areas there are some people who are -- I haven't got the statistics on the number who are out of business. But talking privately to the businessmen, going up and down the street, I found there's a terrific pressure. And they said, we're trying to survive, but it isn't easy. Esso Resources is moving out of one of the

buildings, and the guy says, I'm just not sure what happens after that happens; I was banking on that rent. The pressure is there, a pressure they say isn't created by themselves.

In that area they have a double impact: one, the general economy, inflation, and high interests. But secondly, a situation -- and I am addressing the report. The question is raised in this report and the whole . . .

MR CHAIRMAN: To the hon. member. I've now given you some 10 minutes, and I've heard a question about what has the Heritage Savings Trust Fund done for me. As I said, the Premier is here until 11 o'clock. Other members may wish to make 10-minute statements as well, and we'll run out of time on that alone.

MR R SPEAKER: Good, then the Premier should hear the 10-minute statements. If each committee member here feels that a 10-minute statement should be delivered to their Premier, then that's what the committee is for.

MR LOUGHEED: Well, Mr. Chairman, I must be here under false pretences then, because if this is going to be a debate situation, I welcome the debate. But the time for the debate, I thought, would be at the time that the special appropriation Bill was presented to the fall session of the Legislature.

MR CHAIRMAN: Well, I feel the same way, and if the member could come to the question. There is a debate on the estimates, and there is a debate on the 30 per cent -- normally 30 per cent -- allocation.

MR R SPEAKER: And in that question, Mr. Chairman, we are here responsible to make recommendations to the Legislature and make a report at the end of our hearings. One of the questions that has to be answered in that report is: what has the heritage fund done for me as an Albertan? I'm raising the question with the Premier: does he see the situation as I do at the present time? Has the Premier any plans to deal with that particular instance?

What I would like to say is that the people in Cold Lake are raising the question even more than other Albertans, because they're bleeding a little more in terms of the energy negotiations going on.

So the question then to the Premier: does the Premier see at this point in time a change in the emphasis of the program? In the government's thinking, will there be a change in emphasis towards looking at some of the individual needs of Albertans under these special circumstances we face not only in Alberta but the rest of Canada?

MR LOUGHEED: Mr. Chairman, I'm not sure what your procedure is, whether you rise or sit.

MR CHAIRMAN: We have normally stayed sitting down.

MR LOUGHEED: Well, I would respond to the submissions made by the Leader of the Opposition in a number of ways. First of all, my understanding is that we're here debating and discussing, and this committee is charged with reviewing, the annual report of the Heritage Savings Trust Fund. So we have to deal with what are the objectives and the purposes of the Heritage Savings Trust Fund.

It's become evident to me quite clearly over the number of years since 1976 that the hon. Leader of the Opposition and his colleagues really don't basically believe in the fund. I think that's clear. Basically we have a

savings fund. We are putting aside 30 per cent of our non-renewable resource revenue. The objective for doing that is that when we reach a stage that the non-renewable resource revenue begins to decline dramatically, which it will, this province will be in a position to go through a transition period. That transition period will permit us -- our successors here -- to go through that period without dramatic increases in taxation or dramatic reduction in services. Those will be the choices if we don't have a Heritage Savings Trust Fund. It is a savings trust fund.

The position is that 30 per cent has been put aside by way of a savings trust fund for the future. The Leader of the Opposition knows full well that 70 per cent of the natural resource revenues of this province are used today in our current budgetary operations, and that consists of approximately 55 per cent of the total revenue of the province in our budgetary accounts. It is clear that when a citizen asks what the natural resource revenue of the province of Alberta is doing for me today, he can look at the fact that 70 per cent of that natural resource revenue is going to meet his needs currently in Alberta today.

Those needs come about and are met by a very high level of services in our budget, which by capita is by far the largest in Canada. It also permits our citizens, in whatever field they're involved in, to have the very lowest level of taxation by far in Canada. They have a very low income tax level; they have a very low tax level for small business; and they have no sales tax, no gasoline tax, and low property tax. They're permitted -- and we're able and fortunate as Albertans to be in the position of low taxation -- because we have those natural resource revenues. So when a citizen asks, what is the natural resource revenue doing for me today, I think we have a very long and extensive case that we can present both in terms of very high quality of services and very low taxation.

We have said to citizens -- and we approached citizens for a mandate in 1975, to set aside 30 per cent only of the natural resource revenue, depleting resource revenues, of this province from oil and natural gas, in a savings trust fund. I believe that in 1975 the citizens of this province gave a strong mandate to us and believe in that concept. The hon. Leader of the Opposition and his colleagues may not believe in it, but I believe that the citizens do.

Since that time and during the period '75 and '79, the Heritage Savings Trust Fund evolved as a savings trust fund. We have had appearances here before the select committee, under Section 13 of the Act, to ascertain and review the investment decisions of this fund.

In 1979 I was asked questions with regard to subsidies, and I said this isn't the place for the issue of subsidies. If one wants to deal with the issue of interest rates or subsidies, that's a matter for the budget of our government. If our subsidies in housing, our subsidies for beginning farmers, or subsidies in any way, are inadequate, then that's a matter for the fiscal decisions of this government made as part of our budget. We have established that position -- and I believe the citizens agree with us -- that we have a Heritage Savings Trust Fund that is established as a fund. That's why I'm here today, to try to respond to you on policy questions.

If there should be greater subsidies for the people involved -- and they appear, as they now appear, within the expenditure estimates of our government, which are brought in in the spring as part of the spring budget -- this is not the place for that issue. The issue of what this fund is about is whether or not we are properly putting aside 30 per cent of those non-renewable resource revenues in a savings trust fund in a way that when the

time comes and the citizens of this province will need to call upon them, either first by way of investment income or laterally by way of the capital, they'll be there and will permit us as a province to go through a transition period.

So for those of us who believe in the fund as a savings trust fund, that's the concept we present. I could go on in a number of other ways, but perhaps a more definitive question might permit me to respond.

MR R SPEAKER: The Premier can make all the comments he wants about whether or not we believe in it, and I think we supported the legislation earlier. But the matter is that when changing times occur, you have to take changing attitudes and changing responsibilities.

The Provincial Treasurer mentioned in his remarks that dollars were taken under Section 9 of the legislation and placed to take other responsibilities of the Heritage Savings Trust Fund. In terms of that change, does the Premier see the 30 per cent matter being impacted at the present time? Is the government considering whether the 30 per cent figure can be held? Will we possibly have a further discussion on that in this fall Legislature?

MR LOUGHEED: My feelings are that the 30 per cent remains today the appropriate amount. We're here on this occasion in the circumstances of having a difficulty in forecasting our revenues. We're aware that we brought in a budget where there was a 22 per cent increase in expenditure and only a 10 per cent increase in revenue. That is of concern to us. We're aware, as the Heritage Savings Trust Fund annual report notes to you, that there has been a decline in real terms in the revenues to the Heritage Savings Trust Fund. We do not see an adjustment at this time in the 30 per cent.

We recognize that we're going to therefore be involved within the Heritage Savings Trust Fund investment policy in some very crucial decisions as the degree of increased revenues begins to decline. As the demands continue to be increased, particularly by the Crown corporations of this province, we're going to be involved in some very difficult policy decisions ahead in terms of balancing the question of yield with the need to respond to the legitimate demands of the corporations and Crown corporations that serve the people of the province. But I would not see at this stage an alteration in either way, less or more, of the Heritage Savings Trust Fund from the 30 per cent.

MR R SPEAKER: Mr. Chairman, a follow-up question to comments of the Premier. This is with regard to whether a discussion should take place with regard to interest subsidies or some interest program with regard to farmers and small business men. It's difficult for me to feel that we can't have a discussion in this Legislature on that subject. When I look at the two reports, the Alberta Opportunity Company and ADC, the Heritage Savings Trust Fund purchases debentures from the ADC in numbers \$200 million, and the Alberta Opportunity Company as well uses our dollars.

I'd like the Premier to address that question to a greater extent. Is there any consideration being given by government in terms of broader low-interest loans to farmers and businessmen, whether by purchase of debentures by the Heritage Savings Trust Fund or otherwise? It's interrelated. I don't know how to distinguish one from the other.

MR LOUGHEED: Mr. Chairman, I have difficulty -- and this is about the third time when this matter has come up. The issue of the degree of subsidies or subsidized interest rates by the Alberta Opportunity Company or the

Agricultural Development Corporation comes clearly and appropriately right from the budgetary estimates and appropriations. There is where our decision shows up, and that's where the debate should be. If there should be a higher degree of subsidization for Alberta Opportunity Company borrowers or Agricultural Development Corporation borrowers, it's part of our annual review of estimates.

This Heritage Savings Trust Fund provides funds, at a current market rate, to the Alberta Opportunity Company for small business and to the Agricultural Development Corporation for beginning farmers and others, at going rates of interest. It provides them on that basis. The decisions then made by those organizations as to the degree of subsidies are ones they then make and are then determined as to whether or not we then want to enter into further subsidization through the estimates of the government. But they're an expenditure item when they're estimates, and we're dealing here with investments.

MR CHAIRMAN: We had the Minister of Agriculture here on Monday. At that time there seemed to be adequate funding of the Agricultural Development Corporation, which is really the parameter of this committee.

MR R SPEAKER: Mr. Chairman, you can defend the Premier as much as you want. But the fact is the Agricultural Development . . .

MR CHAIRMAN: It's not a matter of defending . . .

MR R SPEAKER: . . . Corporation issued \$200 million in debentures, and they're purchased by the Alberta Heritage Savings Trust Fund. I'm just saying that was the principle established. Can we broaden that principle? Are we prepared to look at further debentures? That's directly related to what kind of capability and how we can respond to this new demand in Alberta at the present time.

MR LOUGHEED: I'm just repeating myself, Mr. Chairman, to the Leader of the Opposition. I think it's absolutely clear, and I think our ministers have made it clear. If the Alberta Opportunity Company or the Agricultural Development Corporation require more funding, they will come to the Heritage Savings Trust Fund and we'll provide it.

MR R SPEAKER: A supplementary. My question is with regard to policy, and that's what we're talking about here. The ADC and AOC must work within government policy established by the Premier and cabinet, hopefully, through the Legislature. So I'm talking about policy. If we're looking at broadening that policy so that in turn to carry out the policy they must request more debenture funding, then they will. But if the policy stays the same as it is right now, then they don't have to. And I say to the Premier: is the Premier looking at broadening that policy?

MR CHAIRMAN: As I said, the Minister of Agriculture was here on Monday afternoon, and there was no indication then of insufficient funds to the Agricultural Development Corporation.

MR R SPEAKER: I want to direct my question to the Premier, and that's why I'm here, to do that.

MR LOUGHEED: I'll repeat myself again. The position of the Heritage Savings Trust Fund investment committee is that as we receive requests from the Alberta Opportunity Company and the Agricultural Development Corporation for funding, we will meet those requests.

MR R SPEAKER: My point is that they do not make the changes in policy or attitude. It starts here in this Legislature or through cabinet.

MR CHAIRMAN: I think we'll go to a supplementary from the hon. Member for Edmonton Mill Woods, followed by the hon. Member for Spirit River-Fairview.

MR PAHL: Mr. Chairman, I have trouble understanding why we're debating the legislative mandate of the Alberta Opportunity Company in this committee. It's clear to me that how we extend that is in the Legislature under review of the Alberta Opportunity Company and the Agricultural Development Corporation. I support the concern, but I don't understand why we're at it here. I hope we could move on to other matters.

MR NOTLEY: Mr. Chairman, a supplementary question dealing specifically with the Alberta Opportunity Company. I'd just like to refer the Premier, however, back to *Hansard*, April 23, 1976. You're quoted:

Mr. Speaker, the investments of the fund must meet both of two important challenges . . . It must offset the probability of declining revenue in the future by its appreciation and by its income. [That's a savings aspect.] At the same time, it must be a vehicle for diversification and for strengthening our economy . . . It must do both . . .

I particularly draw your attention, Mr. Premier:

At the same time, it must be a vehicle for diversification . . .

My position has always been very clearly of the view that the diversification aspect of the heritage trust fund is probably more important than the savings aspect. We all recognize there has to be a savings aspect. But the diversification aspect, in my judgment, is crucial.

I want to come back to this business of the Alberta Opportunity Company. The allocation last year, out of a total appreciation of the fund of a little over \$2 billion, was \$15.8 million to the Alberta Opportunity Company. When I put the question to the minister yesterday, he indicated that that amount of increase, that purchase of debentures in the Alberta Opportunity Company, was made by the investment committee on the advice of the minister. We'll certainly talk to the minister about that in more detail.

But I would just look at the report of the Alberta Opportunity Company and observe that last year, of the applications made to the Alberta Opportunity Company, only 38 per cent in fact were met by the Alberta Opportunity Company. In other words, a significant number of applications are being turned down. Now the question really is: in the interrelationship between our role as a committee and the overall government policy . . . Certainly it's government policy as to the degree of subsidy, as you've pointed out, and that's something that can be debated in the Legislature. It's overall government policy about the basic concept of the Alberta Opportunity Company. But the two do interrelate very clearly. Because if we are going to change the role

of the Alberta Opportunity Company -- to give an example, to move somewhat away from the concept of lender of last resort. If we're going to move in that direction, then that is going to have very significant applications for the Heritage Savings Trust Fund in terms of the purchase of debentures. And whether or not this committee recommends that is something that, in my judgment, relates very clearly to the question of how vital we see this agency as a vehicle of diversification.

I say to you, Mr. Premier, that the Alberta Opportunity Company is probably, as far as the small-business sector is concerned, the best potential vehicle for diversification we have in the province. With that in mind, the purchase of only \$15.8 million worth of debentures shows a limited horizon on the part of either the company, the minister, or the investment committee.

MR LOUGHEED: Mr. Chairman, I'm prepared at some other occasion to debate the policies of the Alberta Opportunity Company. Frankly, I'm surprised that 38 per cent of the applications have been received, in any organization, and provided with financing. I would have thought for most financial institutions that would be a very high figure.

I would also take issue with the Member for Spirit River-Fairview on the priorities. The priorities of the Heritage Savings Trust Fund are implicit in the preamble to the Act. The preamble to the Act quite clearly refers to the concept of a savings feature. If I can just refer to the preamble in the Act, which was brought in in 1976, it's quite clear:

. . . a substantial portion of those revenues be set aside and invested for the benefit of the people of Alberta in future years.

So the prime objective of the Heritage Savings Trust Fund is an investment savings fund for the future.

We have said, in a secondary way -- as I've mentioned on other occasions -- that if the fund can be used by way of diversification, it will do so. But I don't see, in my appearance here before the Heritage Savings Trust Fund committee, that this is an appropriate time to be involved in the question of the policies of the Alberta Opportunity Company. There are those policies -- and I think it's been a major success story -- and has been a lender of last resort. It's an entity that we developed entirely from scratch as a government. It's been considered as a significant success. It's had its policy of giving loans by way of preference to those small businesses outside Edmonton and Calgary, and it's been successful in doing that. It's certainly a success story.

But as to whether its policies, which I gather is the real thrust of the hon. Member for Spirit River-Fairview, should be altered from being a lender of last resort to something else -- if I understand him, that's the heart of the question that he's putting -- I don't think this is the place for it and would welcome debate on another occasion.

MR NOTLEY: Mr. Chairman, a supplementary question. For the committee to make recommendations as to how we might invest the Heritage Savings Trust Fund -- the Premier now tells us that diversification is a secondary role. I would argue that in 1976 there was a more equal emphasis. There's been a not so subtle shift, I think, in the position of the government in the last five years from one of a twin approach, which I think is fundamentally sound, to one where we now are talking essentially savings, with a secondary element of diversification, although yesterday we had the Provincial Treasurer defending

the Bralorne investment on the basis that it tended to strengthen and diversify the economy of Alberta. I'm not quite sure how that was done, but that was the argument.

I would just put again to the Premier that before this committee can seriously recommend whether we should be putting more money into Alberta Opportunity Company debentures or Agricultural Development Corporation debentures, we also have to look at the policy of those two agencies. The policies of the agencies are such that we are now accommodating their needs in a very narrow way, but not the needs of the small business men and not the needs of the farmers. And that, I think, is the crucial difference. The question of changing the policy direction, if you like, can't be divorced from whether or not we as a committee want to recommend additional investments in either of those two public agencies.

MR R SPEAKER: Agreed.

MR PAHL: A supplementary on that point. I can't help but take the opportunity to be on side with the hon. Member for Spirit River-Fairview on the point of perhaps looking at venture capital as being part of an area to diversify our economy. If we're going to diversify our economy, it really means moving into areas of economic diversity that haven't been extensively pursued heretofore. When you move into a new area of economic activity, that implies some risk. In the interests of diversification of our economy -- and not the lender of last resort role that we have -- has the investment committee considered dedicating at least a portion of the Heritage Savings Trust Fund moneys to a venture capital funding or something in that area?

MR LOUGHEED: Mr. Chairman, the answer is yes. The investment committee's view is that when a venture capital vehicle has been established that is satisfactory to both the government and the Legislature, the policy of the investment committee of the Heritage Savings Trust Fund will be to provide whatever financing is required for that venture capital entity.

MR PAHL: Thank you.

The Heritage Savings Trust Fund has provided the wherewithal to invest in the Alberta Energy Company. As a 50 per cent owner, in effect, of the Alberta Energy Company, why hasn't the investment committee directed that company to seek profit maximizing opportunities by acquiring assets, particularly in the energy industry, that have been in reality, I think, seriously discounted by the actions of the Ottawa government's national energy program? I'm thinking specifically of the purchase of all or parts of multinational companies that have not had favorable treatment under the national energy program as proposed.

MR LOUGHEED: First of all, when we established the Alberta Energy Company, we made clear -- and a letter was tabled in this Legislature to make clear -- two aspects of how the relationship would evolve with regard to the Alberta Energy Company. The first one was that we would not be involved in the management of the company. We felt we could only attract the shareholders and only sustain a good value for that share in the market place and what we call the after market if it was clear that the government of Alberta did what other governments had failed to do in the past in similar entities: basically leave the management to a management group essentially selected by the shareholders,

some 75,000 to 80,000 of them in Alberta. And we have followed through on that.

Secondly, because of the important lessor/lessee relationships of our oil and gas leases, we said to the Alberta Energy Company that we did not want them, at least in their initial period, to become involved in the conventional oil and gas industry. We excluded the Suffield and Primrose areas, which were special circumstances, and we excluded the oil sands and related activities.

As a result of the decline in drilling activity that has occurred since the federal energy program of October 28, 1980, we were approached by the Alberta Energy Company as to whether or not they could be relieved from that constraint of becoming involved in the conventional oil and gas industry. We considered that matter in the spring in a very long and difficult way, and considered it in relationship to service, drilling, and supply companies that were under such strain within the province, and are as well today, and felt that it would be useful to at least have the Alberta Energy Company move into that position of being involved in the conventional oil and gas industry. That position was made clear by the president of the Alberta Energy Company at its annual meeting in April. It was a decision that we felt could be taken without upsetting the investment climate that is so essential and so delicate, if you like, with the conventional oil and gas industry. And it has proved, I think, since that decision to be working out properly.

But in our direction to the Alberta Energy Company, we did make a clear constraint upon them that they would not pursue a program of attempting to acquire other petroleum companies. That's very important in the investment climate of the conventional oil and gas industry. It would be folly in the extreme for the government of Alberta or any entity controlled by the government of Alberta at this time, after all the history we've had of lessor/lessee relationships, to be both the lessor for everybody and compete with the lessees in Crown lease sales or compete in a direct way. I can't think of a more foolish course of action for the government to take.

MR PAHL: So if I understand the answer, it's that the Alberta Energy Company is indeed investing in the development of new oil and gas, but not in the takeover of existing assets.

MR LOUGHEED: That's right.

MR PAHL: Thank you.

MR LOUGHEED: There has to be a minor qualification, because in the essence of acquiring land plays, there is some element of acquisition. But that's not the thrust of their approach.

MR NOTLEY: Mr. Chairman, last year, during this reporting year, on July 25, the Premier outlined a number of proposals to the Prime Minister, most of which would have significant implications for the Heritage Savings Trust Fund. Just a very simple question first of all. Is this offer still on the table?

MR LOUGHEED: Not as of August 26, 1981.

MR NOTLEY: Is the offer completely withdrawn, or are elements of it now being considered as part of the package?

MR LOUGHEED: I just can't answer that question today with any degree of certainty.

MR NOTLEY: Mr. Chairman, perhaps realizing that certain aspects of it may be part of the negotiations, I do want to, however, probe one or two questions that are relevant to it. Hopefully, this won't draw the Premier into elements of the current negotiations that might be difficult to discuss.

The question of oil sands plants: last year the government indicated that Alberta would invest up to \$7 billion in the next three plants, and that that would increase Canadian ownership to 50 per cent. Surely that would not be the case today with the accelerated costs of building these projects.

MR LOUGHEED: I think I understand the thrust of that question. If I follow the hon. member, the current estimates of cost of the plants are such that \$7 billion in itself of debt and equity wouldn't reach the 50 per cent level of the valuation, even in the two plants. The Al sands, I think, is now hovering around 9, and the Cold Lake is around 12, if I'm following the question.

MR NOTLEY: So at this stage of the game, either the 50 per cent would have to be changed to a somewhat lower figure, or the government would have to call upon the heritage trust fund for a somewhat larger investment of money.

MR LOUGHEED: That's right.

MR NOTLEY: What consideration did the investment committee give in this particular set of proposals to what would be a very significant almost imbalance of investment in the energy field? Because we're talking about \$7 billion here, which could be more if we're going to continue with the 50 per cent Canadian ownership; investment in Q & M Pipe Lines; hundreds of millions to the Oil Sands Technology and Research Authority; \$2 billion to western transportation, which is one area that would certainly help the energy industry, but it would help the entire prairie economy.

But as I look over the totals of this July 25 proposal, some of the features of which I agree, the one thing that does seem to me to come through rather strongly is that it would tend to lock Alberta more clearly into the non-renewable energy resource area than ever before. To do that would be a massive call on our Heritage Savings Trust Fund, of at least \$10 billion.

MR LOUGHEED: Mr. Chairman, I agree with the figures of the Member for Spirit River-Fairview. It would be a massive involvement of the Heritage Savings Trust Fund.

Perhaps I could explain the reasoning of the government at that time. It was in the atmosphere of a negotiated arrangement with regard to oil and natural gas with the federal government. It was in relationship to our forecasts of revenues that would flow from a period of years -- say, five years -- and the projection to some extent that would fall by way of the royalty revenues that would flow to the provincial government from the oil sands plants. So there are two elements that to some extent balance the valid concern the hon. member raises, that that July 25, 1980, proposal would overbalance the heritage fund in the energy field.

The two counterbalancing factors are, first of all, that they were submitted in the atmosphere of a revenue position for the government of Alberta, hence 30 per cent of it which would flow over a four-year period into the Heritage Savings Trust Fund, reducing somewhat that balance; and secondly, that they

would be involved in a commitment in oil sands plants at international prices that, by way of royalty flowback to the province, should sustain in itself the non-renewable resource revenue past the decline in the conventional oil period, hence postpone, if you like, to some extent the time in which the Heritage Savings Trust Fund might be realized. But that was predicated on that atmosphere at that time.

I know the final aspect is that it was certainly, I think, a proposal that was well received by many, many Canadians who were aware of it during the summer of 1980 and were puzzled why the federal government didn't accept it.

MR NOTLEY: However, Mr. Chairman, it seems to me that before the committee can evaluate whether this kind of massive investment might or might not be a good thing -- although the investment committee will make the decision, our committee has charge of the responsibility of making recommendations. I'm somewhat concerned that we do not have the kind of information that, in my judgment, we as a committee need. Perhaps the investment committee has it, but certainly this watchdog committee doesn't have it. On the basis of operating costs now -- with the one project where we are heavily involved, the Syncrude project, our 8 per cent equity is \$300 million; our 50 per cent of AEC is \$180 million; 50 per cent of the power plant is \$176 million; and we have the convertible debentures in the neighborhood of \$335 million. So there's something in the neighborhood of \$1 billion -- not all of it equity, a portion of it shared, and some \$300 million in convertible debentures.

We did pass a motion for a return in the latter part of the spring session requesting a detailed annual report on the Syncrude operation. I would ask, Mr. Premier, whether there's any prospect of that information being given to the committee before we make our final recommendations. I know it presumably will be filed in the fall session of the Legislature. But it would seem to me that if we're going to look at either debt or equity, we have to have some idea of what the operating costs are of the one project where we now have a substantial investment -- the same kind of information any other kind of shareholders would require.

MR LOUGHEED: It's a difficult question on the information part of it. But first of all, keep in mind that at the moment Syncrude has decided not to proceed with its expansion. The Syncrude project is subject to the federal PGRT tax. The Syncrude project is subject to threats by the federal minister not to receive international prices. I just think it's almost impossible today to do the forecast the hon. member asks for.

Secondly, I don't know that it will be possible before the event for this committee to have the information in terms of investments that we may make in future oil sands plants to the extent that future oil sands plants do in fact proceed. It certainly has not been the way it has occurred in the past. I realize the hon. member is right in his view that the commitments we made to oil sands on July 25, 1980, are vast. We do not, I recall, in the proposal automatically commit the Heritage Savings Trust Fund to being the source of all that funding. It's possible if the proposal had been accepted that it might have been a balance between the General Revenue Fund and the Heritage Savings Trust Fund. But it is true that we would have conceived of some significant portion of investment in the three oil sands plants from the Heritage Savings Trust Fund.

MR NOTLEY: Mr. Chairman, perhaps the Premier misunderstood my question. The question really related to the motion for a return dealing with the reports,

the accounting of Syncrude. That was passed by the Legislature; that information presumably will be tabled. It seems to me it would be helpful to the committee, Mr. Premier, if that could be expedited. If we're even going to look at the question of whether there should be debt or equity -- and surely we have to do that. That was one of the major issues that arose during this reporting year, so we have to look at it. We may say, well, it's not a matter now because it's subject to energy discussions; we may or we may not. But if we decide that we want to look at it, then surely we have to have some idea of the financial information and data which would normally be available to any other shareholder in a private company.

My point -- it's really a request -- is that since the Legislature has passed the motion for a return, it would be helpful if we could get the information before the committee makes its final set of recommendations.

MR LOUGHEED: I'm still puzzled by that. Because, first of all, I started off this series of questions by saying that proposal was not on the table today. So to that extent, I think it's academic. Secondly, the motion for a return, I can't answer. I'm not aware of it. It wouldn't be my responsibility. It would be the responsibility of the Minister of Energy and Natural Resources. I'm sure he would have some difficulty in forecasting the Syncrude situation when both the pricing and the tax position are so uncertain at this time. He may be able to, but I'm not certain that he can.

MR PAHL: Mr. Chairman, if I may interject. If I'm not mistaken, I think that was the question asked of the Provincial Treasurer yesterday -- a calculation on the advisability of exercising our option to convert the debenture to two of the Syncrude participants into an equity position within the project. Now surely that is the issue that this committee should direct itself to in reviewing the report of the Heritage Savings Trust Fund for the year ended March 31, 1981. Are we not on the wrong topic?

MR NOTLEY: No, Mr. Chairman. It seems to me that, first of all, if the committee is going to be able to even seriously address the question of whether we should convert the \$335 million of convertible debentures into equity, we have to have an accurate assessment of what the profits or losses of Syncrude are. We don't have that at the moment. There is a motion for a return which will supply that information. What we got yesterday from the Provincial Treasurer was a categorical statement that, no, it wouldn't have been wise. And he wrote a letter to *The Calgary Herald*. Well, that's very interesting. But *The Calgary Herald* is not the legislative committee on the Heritage Savings Trust Fund. That's the kind of information we need to know. With great respect, a letter to *The Calgary Herald*, however prestigious a newspaper that may be, is not a substitute for an accurate financial statement.

Because the Legislature has already called for and moved, seconded, and carried the motion for a return, I would hope we could get the information. Perhaps the Premier can't answer it today. But when the Minister of Energy and Natural Resources comes, it would be helpful to all of us if we had that information. That's what I'm saying.

MR CHAIRMAN: Perhaps you can ask the Minister of Energy and Natural Resources when he's here.

MR D ANDERSON: Mr. Premier, my question deals directly with the capital projects division of the fund. Currently that division invests in research for the future economic well-being of Albertans. It invests very significantly in recreational development for the future, in terms of the Kananaskis park and others, and most significantly in the physical health of Albertans through the Medical Services Research Foundation and other such projects. Is the government considering rounding off that investment by providing some funds to deal with the mental health of Albertans, particularly in assisting families in dealing with their problems that may have, at least in part, resulted from our rapid growth scenario in this province?

MR LOUGHEED: Mr. Chairman, there's no present contemplation of supplementing in any way the programs that are now within the estimates of expenditure of the government in a normal budgetary process. There's certainly not, that I'm aware of, a capital project in the mental health field that seems to fit in the capital projects division. So it's a question perhaps for the Minister of Hospitals and Medical Care or the Minister of Social Services and Community Health. But there's no contemplation of anything of that nature right now.

MR D ANDERSON: Would the government be willing to consider a project similar to the Alberta foundation for medical research that dealt more with the mental health aspects of Albertans, if such a project were recommended?

MR LOUGHEED: Well, it's difficult to answer that. I'm not sure from memory as to the mandate of the foundation for medical research in the province. It seems to me they might be able to move into the area of mental health research. It's something I hadn't considered as directly as the hon. member from Calgary Currie has pointed to me. I will give it further thought.

MR D ANDERSON: Thank you, Mr. Premier. Just along that line is one other question. There was recommended an institute of gerontology. Has the investment committee given further consideration to that, and can we look forward to the possibility of that being part of the fund in the future?

MR LOUGHEED: My recollection was that the answer the committee received on that matter from the Provincial Treasurer was that that particular project was currently under review by the Department of Social Services and Community Health. I can't add anything further to it than that.

MR R SPEAKER: Mr. Chairman, it's a continuation of my first question related to the principle of the Heritage Savings Trust Fund being a savings fund. When I look, and I'm partly repeating myself, we have over \$2 billion available to the provincial governments of Canada, as well to large corporate groups, in fact, \$2.14 billion at interest rates of around 12 per cent. Before coming to this committee today and talking to a number of constituents, I said, I'm talking to the Premier; I have a chance to ask the Premier Wednesday some questions about the Heritage Savings Trust Fund. How do you feel? And to paraphrase what was said in a number of instances, they said, go there and give him hell about the fact that I have to pay such high interest rates and the other provinces and these corporate groups are getting it at a lower rate. I guess I'm here with that mission, Mr. Premier, to raise that question, and to relay that information to you.

In terms of a principle, here we have just a few million dollars, less than \$100 million, available to business groups and farmers. It's in terms of

capital; there's a minimal amount available for operating. But in principle, where other bodies are able to borrow from our savings fund to operate governments or business, could we not establish the same principle to a larger degree than presently for farmers and small business men in the province of Alberta? Is the government considering that? Now I know the Premier can give me the same answer as earlier: we can consider that in another forum. But that is a question, and a very important one to Albertans at the present time in how they can participate in the fund. It doesn't take away from the savings principle, because it is Albertans.

In my own situation, my grandfather lived on my farm; my father did. I live on the farm, and most likely the generations ahead will live on that farm. For 30 years maybe the loan I use will be money from Alberta, but I as an Albertan will be here forever after. Out of the number of farmers, those 58,000 farmers, who will live on their farms in Alberta and not leave Alberta. There are some 140,000 businessmen who will live in Alberta and always be in Alberta, who want some participation in the fund.

So I'm saying, in principle, not violating the savings part of it, it's still money to Albertans to keep them viable. At present it's unfortunate we have this difficult financial situation in Alberta. But when they look at loans to the other provinces for 15 years they say, well, why not take a chance on me?

Mr. Chairman, I raise that question to the Premier. I think it's one we should confront. We should be able to say, as political leaders, yes, we think there is a principle there, that it should be explored further, and we'll give it a try; or, no, there isn't and, farmers, you're on your own and you've got to live through this difficult situation that may be a year, may be two years -- I hope no longer, but may be longer.

MR LOUGHEED: Well, Mr. Chairmain, just to repeat. First of all, it's obvious to me that the Leader of the Opposition is doing complete violence to the concept of a savings fund because subsidies are expenditures, and if you get involved in a question of expenditures, then fine. If we want to have a debate as to the level of subsidies that we should or should not have with regard to federal policy, let's have that debate. We had part of that debate in the spring session of the Legislature. I'm sure we'll have it in the fall. But let us not confuse the question that the Heritage Savings Trust Fund having subsidies by way of interest which are expenditures. This is not the fund to do that.

Now if the hon. Leader of the Opposition wants to propose a resolution that we eliminate loans to other provinces, fine; let him do that. Then with that, I hope he will also say that in order to maximize the return of the fund it will be necessary for the fund to invest in equities or in other ways in order to increase the return of our savings fund. If that's what he proposes, let him so propose. But if he refers to getting involved with the Heritage Savings Trust Fund expending for subsidies, then he's in the wrong forum. The forum is the question of the budget of this province. I can debate in length -- although this isn't the place for it; I'll welcome doing it in the fall session -- the whole question of interest rates and what the government's response provincially should be to the whole issue of subsidization.

MR R SPEAKER: Mr. Chairman, a supplementary remark and question. The principle is established that we are providing other provinces loan money from the Heritage Savings Trust Fund at a reasonable, fixed interest rate for a long period time. I'm not talking about subsidy of interest . . .

MR LOUGHEED: We must be clear on what the interest rate is. The interest rate is the market interest rate. The interest rate we loan to other provinces is at market. It's the same interest rate we loan to the Alberta Home Mortgage Corporation. It's the market interest rate. It's not a subsidized interest rate. The hon. Leader of the Opposition knows that perfectly well.

MR ZAOZIRNY: Supplementary question, Mr. Chairman, to the Premier on this topic of the savings principle and the question of rate of return. I heartily believe that Albertans endorse the savings principle of the fund. I suspect that some Albertans, when they pick up their daily newspaper or are listening to other forms of media, and it's indicated to them that the rate of return to the fund is running about on a par with the rate of inflation, might become concerned about how well we're doing with the savings fund.

I wonder if the Premier could indicate whether consideration is being given by the government, the investment committee, to ways in which that rate of return can perhaps be enhanced. Are there different strategies we can adopt to enhance that rate of return? If so, what are the implications of that?

MR LOUGHEED: Yes, I'd like to respond to that. I think we can increase our rate of return. We obviously can't increase the rate of return if we're involving subsidies in the question of the Heritage Savings Trust Fund. That would mean the rate of return would go down dramatically, obviously. But there are ways in which we could increase the rate of return. But in each one of those cases it involves some trade-offs, and I think this committee, in considering that, has to determine whether those trade-offs are worth it. One way we can do it is we can eliminate the Canada investment division, the \$400 million that's involved in the current year, and invest it under the commercial investment division in equities. We can do that.

Secondly, we can reduce the amount of funding we provide on a debenture basis to the Alberta Home Mortgage Corporation and the Alberta Housing Corporation and invest under the commercial investment division in equities. And we have to consider what that trade-off would be, particularly with the private sector appearing to be so unenthusiastic in the present circumstances in Canada and in investment in housing.

A third way we can do it is to call upon the Alberta Government Telephones and/or the Alberta Municipal Financing Corporation to go to the New York market, or other markets, and to finance their requirements there rather than through Alberta funds here. That's a matter of consideration. But it has to be considered first of all that we would be adversely affecting Canada's balance of payments position by financing outside the country; secondly, considering what the implications or perceptions are of Albertans in doing that, with regard to a fund of this nature. I just might mention that the Caisse de depot in Quebec do not commit themselves to picking up all the bonds, as you know, of Quebec Hydro. They pick up some but not all. Maybe that's something that has to be considered.

Then the final one, and although much less in terms of its impact, would be to reduce capital projects division expenditures in terms of any new programs or commitments over the course of the next period of time by way of investment.

So I think in each one of the cases, to the hon. Member for Calgary Forest Lawn, we'll have a trade-off. But there's one thing that's absolutely clear. One can't be on one side arguing about the rate of return of the fund and at the same time talking about having the fund used as a subsidy slush fund. It won't work.

MR R SPEAKER: Mr. Chairman, that isn't the question that was raised with the Premier, about a subsidy slush fund. I know the remark was related to what I had asked. The question was equal treatment of Albertans as well as other people in Canada.

MR LOUGHEED: Again, I keep responding to the hon. member, and I appreciate his approach. If you want to pass a resolution that we do not lend to other provinces, fine . . .

MR R SPEAKER: That isn't what I said.

MR LOUGHEED: But there's a market rate that you lend to governments and there's a market rate -- and any financial institution does that -- that you lend to individuals. The hon. member is fully aware of that.

MR LITTLE: Mr. Chairman, before I ask the question, I too would like to comment on the interest rates. All the MLAs are under tremendous pressure -- it's not only the Member for Little Bow -- about the interest rates. But I think the Member for Little Bow must take cognizance that this report was filed in March of this year and the interest rates weren't 22 to 25. I personally own some 6.75 per cent bonds which I thought were a marvellous buy the day I bought them. I once served on an investment committee for a pension fund and each year we were asked the question: why was anybody stupid enough to buy 3 per cent bonds? Well, incidentally, some of those bonds were government bonds and even that government defaulted on the payments of the 3 per cent. So I think we're all aware of the problems. They're very difficult to meet at this point.

My question, Mr. Chairman, is concerning the oil sands. Mr. Premier, you made the remarks that it would take massive capital investment and increased operating costs to make further oil sands development viable. Has the committee determined a price that would make the operation viable at this point? I realize there's the tax situation and the price situation.

MR LOUGHEED: I think the feeling is that there has to be either international prices for oil sands or something very, very close to it to make them viable today.

MR LITTLE: And a favorable tax situation also?

MR LOUGHEED: And a favorable tax position.

MRS FYFE: Mr. Premier, I think one of the greatest problems we recognize with the fund is communicating the intention and the purpose of the fund to the people within the province. We spent some time yesterday discussing communications and other problems with the Provincial Treasurer.

The question I'd like to ask you, which you've answered in previous years, relates to the transition period. You've said we must consider a range of years rather than a turning point for the fund. I wonder if you could give us your understanding, if you would see that the fund could ever be maintained and the interest applied to yearly expenditures, or if in fact you think we will be forced into a position of using the principal of the fund over perhaps a declining equal number of years or unequal years depending on the policies of the government of the day.

MR LOUGHEED: I don't think you can judge that with any degree of certainty at this stage of the game. It will depend on so many variables. It would depend obviously on the degree in which our conventional oil production declines, on our limitation of markets for our natural gas supply and our sales into the United States, and the revenue flows that may come from oil sands plants. Those would be the three major factors which would determine the situation, combined with the expenditure levels of the government of Alberta at the time we're in the transition phase. So they're such major items.

Certainly if the budget of the province of Alberta continues to go up faster than revenue, the time frame is going to come more quickly where we'll have to begin the shift back to general revenue account of the investment income of the fund. That will be a very important time when that occurs. But I can't do anything more than emphasize to you and to other Albertans the importance of having the fund and maintaining its integrity. People -- we've seen some examples this morning -- are attacking the integrity of the fund. The integrity has to be maintained. Sure that will put some difficulty and pressure upon a government that is trying to do something unique in the world. No other government has really ever saved before. It's capitulated to the pressures that come, that are based on a sort of crass political approach. We have to respond to that with some integrity and maintain the integrity of the fund. We will do it.

MRS FYFE: Thank you.

MR MACK: Mr. Chairman, my question basically is a comment and a question. The comment is that I can't help but empathize with the hon. Member for Little Bow in advancing the select interests of a very important component of our society. That is the farmer who produces the food for the citizens of Alberta and also the small business. But there are some two other million Albertans who also have equal problems, many of them wage earners. Their wages, the net income has eroded substantively over this particular short period of high interest. Many of them are renewing mortgages on their homes and are having perhaps a much greater, profound impact on their income and their lifestyles than in fact our farmers are. I raise that because I know that from my own constituents this is an area that's of real concern.

I think by a majority, Mr. Premier, Albertans support the concept of the fund today as fervently and strongly as they did the day it was introduced. However, I think we have just begun to communicate. But I believe it must be communicated that the fund is invested. It's not in a bank account sitting there drawing interest. It's invested. Therefore, it's committed. It is only the new moneys that come in from revenue, which have been substantively reduced, that are not. This is an area we must communicate to Albertans, the owners of the fund, as to how these funds, and where they are. Certainly you have explained perhaps the impact, that if we change from providing funding to other provinces in Canada, what that impact might be.

I think these are some of the areas that perhaps we might do a lot more work on in order that our own people, whom we represent, would understand the situation. On the other hand, I would very much like to see initiatives. I realize this may not necessarily flow within the ambit of this committee or the purpose you're here, Mr. Premier. But I'll latch onto the opportunity. That is that strong initiative should be taken -- I realize some have -- in order to deal with the current economic situation in our country nationally with the federal government, to attempt to bring some sense of equilibrium so that our people are not losing their homes to high interest or having to

dispose of their homes because they cannot assume a doubling or almost a third additional amount of money to a renewed mortgage on their homes.

MR LOUGHEED: In response I'd just say two things. First of all, that any general subsidy program, by way of interest rates, can only be fair if it covers all segments of the population. We've selected certain elements within that arrangement today, such as the home-owner on low income. We've selected the small business man and the beginning farmer, essentially. But if we go beyond that, we then have to get into the whole question that the only fair way to go is a total subsidization. If we get into the total subsidization, I would think that in the current situation in three years there would be no heritage fund.

The point you make, though: I think the real answer to that question, and I think most Albertans understand it, is that it's a Canadian issue. It's not an American or world issue, it's a Canadian issue. We do not have to have the interest rates tracking the United States, as I've said on a number of occasions. I made that address in Halifax since the House adjourned. We have such strengths and resources in this country that there is absolutely no reason for us to have interest rates that exceed the rate of inflation or the CPI at the level they're now in.

The reason they're there is because the federal policy is that we must track them or there will be a run on our dollar. There wouldn't be a run on our dollar if federally the Ottawa government had its economic house in order. So we do not need to track the American rates and have the interest rate as high as it is today. I think legislatures would do themselves a service if they went to the real problem, which is national economic policy.

MR NOTLEY: Mr. Chairman, I don't think any of us disagree about the calamitous impact of what in fact are usurious interest rates at this stage and the effect that's having on the Canadian economy. I suppose the interest that has surfaced in this committee -- I think the hon. Member for Little Bow raises it, the member from Belmont raises it, I certainly detect it too -- is to what extent does a combination of a healthy financial position for the provincial government in its general operating revenues on one hand, as well as the financial back-up of the heritage trust fund, permit us in Alberta to look at programs that would be helpful.

While I acknowledge the fact that any kind of subsidy program should be financed by general revenue, the fact of the matter is that that will undoubtedly require changes in the structure of some of the agencies we have. Without getting into a repetition of what I've said before, Mr. Chairman, I think at this time, during the fall session of the House, perhaps if Albertans are going to be looking at this Legislature for anything else, I suspect they will be looking at how we collectively grapple with that, bearing in mind some of the advantages we have, one of which is the heritage trust fund.

I want to ask some specific questions, Mr. Chairman, that really flow from some of the responses of the Provincial Treasurer yesterday. The Provincial Treasurer indicated that perhaps there's going to be some shift away from the bond market. I certainly understand that. We don't want to get into long-term fixed interest investments. One of my concerns in looking over the portfolio is that we have a higher percentage in this report in bonds than we did the time before. To what extent is this a matter of deliberate strategy? To what extent is it a result of our organization's structure?

The reason I raise that, Mr. Chairman, is that we spent, on administrative expenses last year on the fund, \$1.3 million, which is .013 per cent of the

investment assets. Now looking at a number of large investment houses in the States, there's almost in every case, Mr. Premier, a much higher percentage spent on the expertise of making the investments. Just to give you some examples here: John Hancock Mutual, which is a little larger than the Heritage Savings Trust Fund but not a great deal larger, 10.3 compared to 8.5, had almost \$30 million in administrative expenses; Massachusetts Mutual Life, about half the size of the heritage trust fund, had \$17,900,000, or about 12 or 13 times the administrative expenses; Mutual Life of New York, with less than half the size of the heritage trust fund, had about 12 times the administrative expenses.

The question I put to you, Mr. Premier, is: none of us as elected members is going to be able to make the day to day investment decisions. The question is, are we spending enough to buy the expertise, the very best expertise we can lay our hands on, so that in fact this money is invested in the wisest possible way?

MR LOUGHEED: Mr. Chairman, there's no question that as we move into equities with the Heritage Savings Trust Fund our administrative costs will rise. I think in due course, in two or three years, we'll see that. I think that's a factor. The comment made by the hon. Member for Spirit River-Fairview as to the extent of long-term investments in the fund as a comparison to the previous year is a direct relationship to the answer I gave previously to the hon. Member for Calgary Forest Lawn. There are trade-offs. Our policy during the past year, ending March 31, [1981], was to fully meet the requests of our Alberta Crown corporations for housing, municipal services, and for the government telephone system, to fully meet them in total. As a result of that, because they were large and the revenue went down, we clearly have a larger portion in what you might call fixed income investments.

There's no doubt, though, to specifically respond to the administrative cost factor, as we shift into the equity area, our administrative costs will increase.

MR NOTLEY: Mr. Chairman, how many meetings were there of the investment committee in this year?

MR LOUGHEED: We got into that question before, I think a year ago. The investment committee *per se* in a formal way would have a certain number of meetings. I don't have them present in my mind. But those are really meetings of ratification of decisions that have been made. Basically the investment committee, which consists of the Executive Council, is, in a very significant way, almost at every session that it is there, discussing the overall policy position of the Heritage Savings Trust Fund, because it means so much to the long-term future of the province. So you can't relate it to the specific formalized meetings. Often we would have hours of discussion and that wouldn't show up in a minute. Then the minute would be a five-minute meeting to confirm and ratify what we agreed to.

MR CHAIRMAN: Mr. Premier, as chairman of this committee, I've been listening to some of the questions and statements this morning. There's been a lot of suggestions for spending the fund. When we come to consider recommendations, I can see where we're going to have to have some look at the projected income of the fund. Has the investment committee or the government done anything about trying to estimate what the income of the fund is liable to be on a continuation of the 30 per cent allocation of non-renewable resource revenue,

in view of the national energy program last year, and what that may do to the funds that may be available to implement any recommendations this committee may make?

MR LOUGHEED: Well, there's no question, Mr. Chairman, that there is obviously a wide divergence between the estimates we would make if there is a continuation of the Ottawa energy program and any resolution of that matter that might improve the revenue flows to Alberta from oil and natural gas. So it's just the rather unusual stage that we're at right now. Obviously that issue will get resolved one way or another, either with or without an agreement. If it's without an agreement certainly the committee would have the benefit of having some feel for where that forecast would be.

MR CHAIRMAN: Thank you. Are there any other members of the committee with any questions for the Premier?

I'd like to thank you for your attendance in front of the committee and for the information you gave us. Thank you, Mr. Premier.

The committee will now be adjourned until, I believe, 1:30 on Monday, September 14.

One moment, just before the committee adjourns. We did have a meeting of the three of us regarding any possible field trips. We felt, in view of the problems that might be current with weather if the decision was delayed, that we did decide to visit the Kananaskis Park on Tuesday, September 29. If you could communicate to Shelley whether or not you will be able to attend that visit to Kananaskis, I'd appreciate it.

Thank you.

The meeting adjourned at 10:55 a.m.