

Standing Committee on Alberta Heritage Savings Trust Fund Act

Tuesday, August 17, 1982

Chairman: Dr. Reid

2:05 p.m.

Mr. Musgreave in the Chair

MR. ACTING CHAIRMAN: [Not recorded]

MR. RUSSELL: Thank you, Mr. Chairman. On my left is Joan Nightingale, the program planner of special services from the department; on my immediate right, George Beck, assistant deputy minister of finance and administration; at the far end, Don Brandell, the director of financial planning and control for the department.

By way of introductory comments, just to refresh the members' memories, our department has five projects funded with Heritage Savings Trust Fund dollars. Three of them are strictly capital in nature: the Alberta children's hospital in Calgary; the southern Alberta special treatment centre, which is an addition to the Foothills hospital, also in Calgary; and the Mackenzie Health Sciences Centre in Edmonton, attached to the University of Alberta campus.

In addition we have two programs of applied research in the fields of heart and cancer diseases. Last year was the final year for the heart projects to be funded specifically as Heritage Savings Trust Fund projects. They have now been rolled into the global budgets of the hospitals wherein those programs have been established, so are now built into the operating budgets of those particular hospitals and will be carried forward on that basis.

The last thing I want to say is that it's always nice to report some kind of progress. Two of the capital projects are virtually finished; that is, the children's hospital and the Foothills project were both officially opened last year, and the bulk of the funding has been spent. The beds in the units are now in the process of being occupied and phased in. There are still some funds flowing because of the way the cash flows work through our specific fiscal years, but those two projects are essentially finished. I think that anybody who has seen them can be very proud of the investment of those trust fund dollars.

Mr. Chairman, that's probably a good place for me to stop and start to take questions.

MR. NOTLEY: Mr. Chairman, perhaps we could start with the Mackenzie Health Sciences Centre. Mr. Russell, could you give us an update of the final cost of that project? I'm just going over my records. Last year we were looking at \$400 million, and during the trust fund discussions last fall that had reached \$500 million in 1981 dollars, if it's completed in 1986. Do we have any final figure on the project at this stage?

MR. RUSSELL: Those figures were April 1981 dollars. The \$361 million figure had been the final agreed-upon budget. When I appeared in front of the committee last year, I said that because of inflation, depending on what it might be, that would probably result in somewhere between \$500 million and \$600 million actual dollars.

We have a review process in place similar to the Department of Education and the Department of Housing and Public Works in reviewing what historic inflation has been. Last year, the figure we were using for construction was 15.1 per cent. Applying that to tenders or awards that had been committed but not spent, and the remaining dollars for that fiscal year but weren't committed, the \$361 million, with that 15.1 per cent inflation figure for last year, became \$401 million in April 1982. Of course that will be reviewed again each succeeding April.

MR. NOTLEY: Do you have any figure on what the final will be, Mr. Russell, because my recollection is that you mentioned that during the capital works discussions last fall. Do you have any estimate at this stage for the final completion cost?

MR. RUSSELL: I believe I've given three figures to people who ask, depending on the rate at which work can be done. They range anywhere from just under \$500 million to very close to \$600 million. The rationale behind each figure is, number one, starting with the base approved budget of \$361 million, established after all the review and auditing was done, and then applying three different rates of inflation against three different construction periods. So you get a very optimistic final figure if you have a low rate of inflation combined with a very fast construction period. You get your worst scenario if you have a very high rate of inflation with a long construction period. There's a range of about \$100 million between those two extremes.

But I suspect this building is going to cost us about \$525 million or \$550 million in actual dollars by the time 1986 rolls around. That's only an educated guess. The most accurate updated figure I have, as of April 1 this year, based on the fact that we're adhering to the construction schedule and that last year's inflation rate was 15.1 per cent, is \$401 million. But that doesn't recognize future inflation.

MR. NOTLEY: Mr. Russell, during the session last fall you indicated the problems in the initial phases: the lack of synchronization, I guess, among the trades and what have you, that planning had fallen down, and that there had been periods when people were just waiting. Has that been satisfactorily resolved? You indicate that everybody seems to be working on schedule. Are there now no problems? What specific steps have been taken to overcome some of the deficiencies in the planning process you outlined last fall?

MR. RUSSELL: A number of very specific organizational steps have been taken, starting with the administrative organization within the hospital itself and going down through the various consultants and companies that have been hired, the implementation committee, the audit committees, and those kinds of things. I did want to mention that when the project reached its low point, if I can use that term, they were spending about \$1 million a month, which was far too small for a project of this size. They've brought that up to \$3.6 million a month, so that's a considerable improvement. In the future, they are aiming to get it closer to \$5 million a month.

MR. NOTLEY: I don't pretend to know the construction business, but are there obstacles in the planning process? We're on stream, are we? Is every aspect operating as it should, on schedule?

MR. RUSSELL: Yes, they are. Those of you who have had the opportunity to visit the site will notice the large amount of demolition of existing buildings that has taken place to clear the way for phase two. The tender for the shell of phase two has been let. The architects and cost consultants are

working together to do the detailed drawings for the departments that go into the finished shell. As those drawings are approved, they're checked again by the cost consultants and the user committees. "Signing off" is a term they use when they believe that the budget is set and the plan and equipment arrangement is set for all those departments. Those are on schedule, so they're able to let their sequential tendering and their contract packages out at a rate they feel is accelerating and which gives them some mood of optimism about this project that wasn't there a year ago.

MR. NOTLEY: Mr. Chairman, to the minister. How much research space will there be when the project is completed? Perhaps you could put that in square feet for most of us who aren't totally metrified yet. It might be a little simpler, at least for the rural members of this committee.

MR. RUSSELL: I just learned it in metric. I should qualify that by saying it's a difficult question to answer, because there is teaching and research space *per se* throughout the building. There's a much larger per-bed space allotment in this building than there is in a standard hospital. It's designed so that what they call applied or clinical research activities can take place right at the bedside and in other parts of the nursing units. There's also considerable teaching space, including a large auditorium and library.

The public controversy was about the pure or bench research space available. The figure for that in square feet -- we'll get it for you; we'll work it out. It's not very much. It was a few hundred square metres net, and we'll convert that to square feet for you.

I asked the board to submit a detailed request in the form of a report showing how much space they figure they need for the latter category of research. I'm having this checked by the board of the medical research trust as well as the University of Alberta, because there will be a co-ordinated use of that space by those other groups. At present, I don't have an answer as to what the final space allotment will be.

It will probably be provided in three ways: number one, the space that is allowed for in the project as approved to date; number two, there are two existing buildings, Clinical Sciences and Clinical Services, which are being renovated or reorganized to provide substantially more clinical research space. Beyond that, it's possible that we will review again what is called phase three, which would be an adjunct by way of more physical space to the building. But there is certainly a wide range of opinions as to how much research space that institution ought to have or needs.

MR. NOTLEY: I'd just follow that up, Mr. Chairman, and ask you, Mr. Russell, whether or not the bench space research area was reduced during the months and years that we've been working on this project. You may not have those figures now, but if you could supply us with whatever reduction or increase there may have been during the course of the planning and the final execution of the project.

MR. RUSSELL: Mr. Chairman, I'm advised that that is not the case. The media reports about that space being reduced are simply not correct. The space that had been approved is in fact there. It's not in one lump sum; it's throughout the building. That's excluding the little pure research space I mentioned. But the research space that was envisioned in the original Clarkson report is in fact in the building complex, because it's in more than one building.

MR. NOTLEY: You have suggested though that you would be taking a second look at phase three.

MR. RUSSELL: Yes.

MR. NOTLEY: What would that cost if you proceed with it?

MR. RUSSELL: Well, it depends on how much space they come up with. I've seen everything from 30,000 square feet to 150,000 square feet. Obviously something's wrong when you get groups submitting ranges that broad. So we could be looking at something for a few million up to several million, but that would be a separate phase and would have to have a great deal of examination before it was approved.

MR. LITTLE: Mr. Chairman, to the minister. I see that there is a very significant number of research projects listed in this report. Could the minister tell us a little more about them, in general terms? The sort of thing I'm looking for are: are there any significant breakthroughs? How does our research facility rate with others throughout the continent and internationally?

MR. RUSSELL: Number one, there are no significant breakthroughs. I believe that's what all our experts and advisors have told us, that medical research is not of the nature where somebody is suddenly going to jump up and say, I've found a cure for something. There is a very detailed list of the specific projects that have been carried out, particularly under the cancer research programs. You'll see that the individual projects generally are very narrow and very, very specialized and, I think, tie in with other projects that are being done by similar groups throughout the world.

The heart applied research projects are really heart treatment. They have permitted the Alberta hospital system to substantially upgrade, in a very significant way, the level of services by way of examination, treatment, or rehabilitation for heart patients. So that money tends to have been spent on space and equipment that establishes programs that have been developed by the medical community as being beneficial for heart patients. For that reason, they're being blended into the global budgets of the hospitals. We don't yet have the evaluations that are to be done by the University of Calgary and the University of Alberta. Both those faculties of medicine are to give us evaluations of heart research projects.

Cancer research is of a different nature. A lot of it is academically oriented and involves students on fellowships and scholarships. There's very little applied research; that is, research that is actually carried out on cancer patients. As a matter of fact, it is of such a nature that it will probably be of a more ongoing nature. You will recall that we have extended that program by three years. So in cancer research, the original five-year program has been extended to eight, to allow some of these projects that have been started to develop and carry on a few years. The heart research was cut off at the end of five years and is now incorporated into our health care system.

MR. LITTLE: The second part of the question: how do our research facilities and projects rate with those going on right now in other parts of the world?

MR. RUSSELL: I think we can be very proud of what we're doing. For instance, the work by doctors at the University of Calgary with respect to interferon is in the world leadership class and achieved some level of publicity during the last days of Terry Fox. Interferon and its potential is a very exciting thing of world scale, and in Calgary we have one of the leading researchers being funded by that money. I can't say that all the projects are that exciting, but I think there's a very exciting example of what is being done.

MR. LITTLE: And we've been able to attract very good people to our research areas too, have we?

MR. RUSSELL: Oh, yes.

MR. KESLER: Mr. Chairman, my question to the minister is in relationship to the transition of control of the building projects, the building of these new hospitals, from the hospital boards to the government control they're now under. My concern is: how much time was lost in that transition, and how many extra millions of dollars would be involved in that delay? When you take a project of that magnitude out of the hands of one group and it goes to the hands of another group, certainly there has to be a great deal of loss somewhere in time and money. I'm wondering if the minister's department has been able to do a study and assess that value.

MR. RUSSELL: None of these hospitals we're discussing today was involved in that transfer. Four other hospitals that are not funded by heritage funds were subject to that transfer. There wasn't a delay involved. In fact, there was a speeding up.

MR. KESLER: I guess that's probably a case for discussion, because I certainly have information to the other point of view on that.

MR. RUSSELL: Well, somebody's giving you the gears.

MR. KESLER: It may be coming from the other side of the House.

MR. RUSSELL: I have that research space that Mr. Notley asked about. It's 743 gross square metres, or 8,000 gross square feet. That's in addition to the expanded ward space throughout the rest of the building that I mentioned.

MR. KESLER: A supplementary question to the minister, Mr. Chairman. From 1976 to 1981-82, heritage trust fund involvement has virtually quadrupled. As we're into economic depression, for lack of a better word, I'm wondering if there has been some consideration of scaling back the number of millions of dollars currently being invested in these projects.

MR. RUSSELL: The Provincial Treasurer could probably better answer that question. It's my understanding that virtually no new capital projects are coming forward this year, certainly none from my department. Other ministers I've spoken to don't have any. So that's the course that is being followed.

MR. KESLER: So no attempt would be made to initiate these other phases under consideration at this time?

MR. RUSSELL: That's right. This is a review of work done during the last year. In a few weeks we'll be back, asking for money to carry us forward another fiscal year, but only to finish these projects which are under way, not anything for new projects.

MR. SINDLINGER: Mr. Chairman, Mr. Russell, I'd like to ask a supplementary to Mr. Kesler's question in regard to control. When you appeared before the committee last year, I seem to recall that in the explanation of the cost overruns, one of the problems identified was the fact that the hospital had authority but on the other hand the provincial government had responsibility for funding. The funding was remote from the authority, so it left the question of accountability up in the air. I guess the short question is: who

is now in charge of this project, so we will know who should be held accountable?

MR. RUSSELL: As in all cases, except for the four projects Mr. Kesler referred to, it's the boards. They're building it. The problem is -- and it's not just with capital; it relates to operating as well -- that the only source of income those boards have are grants which this Legislature approves. If the grants don't meet the needs or desires of the hospital board, there's a crunch. Last year we had the most classic case of that in Alberta hospital history.

MR. SINDLINGER: Specifically with regard to the Walter C. Mackenzie Health Sciences Centre, can we now be assured the project is under control and suitable cost procedures are in place so those cost overruns that occurred then will not recur?

MR. RUSSELL: I think we can. I've received a draft of the annual report of that project. When the final printing is done, which should be any day now, we're going to distribute it to all members of the Legislature. In the front of that report, there's a pretty detailed section that deals with the management moves that have been made to control the deficiencies we've identified which bothered everybody so badly. It starts with a reorganization of the board's executive structure at the vice-presidential level, goes on down through the consultants and user groups, the implementation committee and the review groups, as well as the auditors and cost consultants.

I can now say that I'm satisfied this project is being well managed and that the design and costs are under control. Eighteen months ago, I could not have said that.

MR. SINDLINGER: Again relative to Mr. Kesler's question, Mr. Chairman, in regard to the commencement of phase two and phase three, what criteria were used to determine whether to proceed with phase two, and would similar criteria be used to commence phase three? Both questions are asked with the viewpoint of curtailing or at least controlling government expenditures in a time of hard economic conditions.

MR. RUSSELL: You may recall that we did ask for very detailed reports to be submitted for phase two with respect to giving us the alternatives to finishing the project, either by way of new construction or upgrading and renovating existing buildings. We examined the capital and operating costs involved with each alternative. On the basis of that information, which was again reviewed by construction and cost consultants, we made the decision that phase two would go by way of new construction and that there would not be a phase three. When we relayed the answer to phase three to the board, they objected very strenuously to the fact that they thought they would be short of necessary research space which was allocated to phase three. That's the part of the last decision I said we would review, and we're waiting for information from them and have promised to review it for them.

MR. SINDLINGER: A final supplementary, Mr. Chairman. Has a target date been established for a go or no go decision on phase three? Secondly, how much will your department be requesting from the heritage fund in the next few weeks?

MR. RUSSELL: We'll be asking what we believe is the cash flow requirement for phase two, which is now under construction. I don't know what that figure is.

If it's in the neighborhood of \$4 million or \$4.5 million a month, we'll be asking for \$50 million or \$60 million for that project.

MR. SINDLINGER: And the target date for decision-making?

MR. RUSSELL: The target date for decision-making on the research space, or phase three, hasn't been set. I understand there's no particular urgency to it, but hopefully we'll have that decision made by the end of this year.

MR. SINDLINGER: In regard to the money that will be requested in the next few weeks from the capital projects division, or the heritage fund in general, are you unable to give that to us now just because you don't have it, or has it not yet been developed?

MR. RUSSELL: It's been developed. In fact I have it on my desk. I just don't recall a figure. I'm simply taking somewhere between \$4.5 million and \$5 million a month cash flow and giving you that figure. But it has been developed; the estimates are ready to bring to the fall session.

MR. PAHL: Mr. Chairman, my question to the minister is a general one. My concern is that multiple sclerosis, for example, has a very, very high incidence in the province of Alberta. Information I have received has indicated that with the very high public profile of cancer -- particularly with respect to the success Terry Fox had in firing the imagination of the Canadian public, plus, I guess indirectly, the emphasis of Heritage Savings Trust Fund allocations to heart disease and cancer, although the Medical Research Endowment Fund may be more general; as I understand it, it's really not what I would call an effective force in terms of research funding -- something like MS has fallen between the cracks a little because of the increased public giving directed toward cancer and the programs that we as a government have instituted that haven't really covered that. Is that a misguided perception, or could you comment on whether there's an opportunity for diseases like that perhaps to be more effectively funded than appears, at least from the information I have?

MR. RUSSELL: It's my opinion that there's a great deal of truth to what you've just said. For example, we know that after the Terry Fox marathon there was a supply of cancer research funding that was almost more than the Cancer Society could allocate. They've since done it, of course. I too hear the complaint that other ailments that don't have the high profile that cancer and heart do are underfunded. Hopefully, Alberta can do its share through the medical research trust fund of \$300 million, which we're not discussing here today. But these two programs were set up in the '76-77 fiscal year, before the medical research trust was in existence, as an attempt to take some of those early heritage trust fund moneys and apply them in a practical way to the two major killers, heart and cancer diseases. I think you can see that they're now being phased out or rolled into the global budgets of the hospitals, and I'd expect the kinds of activities you mentioned to be carried on in an expanded way by the medical research trust of \$300 million, because it's generating very substantial funds at today's income rates.

MR. PAHL: Has there been or is there a sort of bridging mechanism for those types of research endeavors that have been left a little high and dry; in other words, perhaps a pre-funding plan until the medical endowment gets in place? Or is this a fluid thing that really will happen and there aren't any great big gaps?

MR. RUSSELL: I'm not aware of any special activity that's been undertaken.

MR. PAHL: Okay. To put it another way, I guess the case hasn't been made for doing something before the medical endowment fund becomes what I would call a major funding force.

MR. RUSSELL: No. The major thrusts are those carried out by the various societies through public subscriptions they raise, and I'm not aware of any significant government funding, provincially or federally, towards any specific disease. There are some; there are exceptions, naturally, to what I'm saying. But I'm not aware of anything significant, and I don't think we should judge that on the basis of these two programs, which were put together some six years ago in an attempt to take a practical approach to cancer and heart. But we're aware that that other great list out there needs attention.

MR. PAHL: Thank you. I didn't want to take away from the existing programs other than, I guess, an unintended effect that you've substantiated. Thank you.

MRS. FYFE: Mr. Chairman, just to follow on the same subjects. The time limit of the project proposal: the funding now is an eight-year period. Does that in any way inhibit the list of projects that have received partial approval, or have you received any input that these types of projects need a longer period of time they can rely on funds for?

MR. RUSSELL: No. In fact the three-year extension was a response to concerns that had been brought to us by the Provincial Cancer Hospitals Board, in that they could see the five-year program coming to an end. They said that some projects that were in a start-up period would be left sort of high and dry. Secondly, they were worried about continuing work that had been encouraged but was approaching a start-up time at the end of the five-year period.

So the three-year extension was given, plus a commitment of at least \$3.5 million a year, plus a rollover of unexpended funds, to try to give some assurance to scientists and scholars that several years were left to complete their work, even to commence new projects that would have a one- or two-year life span, and to do their academic paper writing, bench work, and other scientific activities. That seemed to satisfy the cancer board. Of course, I'm sure we'll be reviewing it again before the three-year period has ended.

MRS. FYFE: As a follow-up then, would ongoing projects of a similar nature qualify under the heritage medical research foundation?

MR. RUSSELL: Now that interested researchers in those two fields see either that the program in heart research has ended or that in cancer it's coming to an end, I think you're going to see them put their applications into the heritage medical research trust board. They're starting to get applications now. So I believe we're in a period of transition at the present time.

MRS. FYFE: I was going to ask you a question: the difference between approvals, in layman's terms. One really was an initial project to get our money into the research field quickly and the research foundation, which was very careful in its development and very slow to begin approving projects because of its nature and the approval process and evaluation that's part of it, but will in the long run approve the same types of program but has a much larger body of money to draw from.



MR. RUSSELL: I think I could say that's true, except for one exception. That's in heart research. The five-year program for heart research was in reality a four-year program. Very little was done in the first year. But once they got organized, they very quickly developed a number of programs in what's called applied research; that is, things carried out right at the bedside or on the patient. They proved to be very practical and very exciting. As I said, a number of major hospitals in the province have these programs established now. It simply became unrealistic to keep them separated for accounting purposes as heritage trust fund projects, so they've been rolled into the global budget. I wouldn't even attempt to call that research any more, because the ideas, the equipment, and the programming have been established and people are now using it. So the conclusion in heart has been an upgraded series of programs for heart victims.

If you've read or had a chance to look at the report I got out to you yesterday, just by the titles of the projects you'll see that the research in cancer, by its very nature, is more academic and laboratory oriented than bedside oriented, although there is a significant investment in equipment used for examination and treatment, particularly in nuclear medicine.

MRS. FYFE: If I could just clarify, when you say that those projects were included in global budgets, you're speaking of the global budgets of the hospital programs?

MR. RUSSELL: Yes. For example, from now on the global budget for the Royal Alex hospital will include the costs of their cardiac rehab centre, which was funded originally as a heritage trust fund project.

MRS. FYFE: As a follow-up to the previous member's questioning on research on diseases such as multiple sclerosis or, for another example, which perhaps is a little further out, nutritional research or research that would relate to life styles, do you envision that the medical research foundation would ever approve that type of research program, or are we really looking at another separate program in the future?

MR. RUSSELL: No. I hope that the medical research trust would look at all those kinds of applications. They may say that some of the applications are strictly applied research and not pure research, and turn down requests on that basis. But I don't think that should stop this committee from considering new programs of medical research as a future consideration for the heritage trust fund.

MRS. FYFE: I'd like to change the subject and ask another question. It relates to the Alberta Children's Provincial General hospital, which I had an opportunity to visit this last year. As this project was approved under the capital projects division, and the Walter C. Mackenzie Health Sciences Centre also was approved under this division, we're all aware that there has been a lobby and a lot of comment related to the needs of upgraded children's facilities within the Edmonton region, at least for northern Alberta. In phase two and in the work you have done reviewing the Walter C. Mackenzie Health Sciences Centre over the last year, I wonder if there has been any change in direction related to children's facilities specifically. Secondly, in the reports you are about to receive, have you had a chance to consider any of the material that you asked the Edmonton area council to look at?

I ask these, I guess, specifically with the opinions that were given to us in Calgary that they had been able to attract specialized people to come to Alberta that they otherwise wouldn't be able to, because they were able to

work in one referral facility. Those are general comments, and I wonder if you can make any comment.

MR. RUSSELL: Well, it's a very complex issue. Children's health care tends to be an emotional discussion very often. I guess the objective has to be to decide how a particular region can best deliver children's health care programs. The experience we've gained in Calgary has been very interesting, because we rebuilt a hospital that had been there for many, many years. The children's hospital was an established hospital of long standing. While they were under construction, bit by bit, in conjunction with the board of the Foothills hospital we expanded their role to the extent that the pediatric ward at the Foothills hospital is now closed out. All work that had been done there has been brought under the roof of the children's hospital. It has also become the major emergency facility for pediatric care in the city of Calgary.

We're getting comments pro and con about that. People who had been used to being served in the northwest region of Calgary by the Foothills hospital are annoyed and, in some cases, angry that pediatric care is no longer there. Other people are very delighted with the incredibly good service that the children's hospital provides. So based on experience in Calgary, we're getting both sides of the argument.

In Edmonton there has been a lot of public discussion on the need for a special children's hospital. I've received resolutions from the boards of two hospitals, the Mackenzie Health Sciences Centre as well as the Royal Alex. They would like to see a special children's unit attached to their hospitals and under the administrative control and management of their boards. I only mention that because that's the only direct suggestion there has been that the children's hospital talked about for Edmonton be attached to the Mackenzie Health Sciences Centre. So it's just in the talking or suggestive stages now.

I'll just finish by saying that the reports we've asked for via the Edmonton area hospital planning council have been received, and I expect to get their recommendation by the end of September.

MRS. FYFE: Could I make just one comment. By the fact that you've received resolutions from those two boards, I think the crux of the problem within the Edmonton region is that we've had two parallel facilities develop rather than one specific referral centre. I certainly don't favor the closure of all pediatric beds throughout the region. I think that does not serve the outlying areas, where often there are primarily younger families and young children. But to continue to allow two parallel facilities to develop perhaps compounds our problem in the long term. I leave that as a comment.

MR. RUSSELL: It's a good comment. The other part of the Edmonton dilemma is that there is currently a surplus of pediatric beds for the region. They're running at about a 52 per cent occupancy rate. So a lot of existing pediatric beds would have to be either closed or reduced in number if another children's facility is built. I'll just leave it at that.

MRS. FYFE: Thank you, Mr. Chairman.

MR. D. ANDERSON: Mr. Chairman, most of my questions have been asked by the hon. Member for Calgary McCall and the Member for St. Albert. However, if I could just pursue briefly the question regarding life skills and applied research, are any tentative plans being developed within the department which might require heritage fund funding for those kinds of research programs in the future, or is the department awaiting to a large extent the results of the Alberta foundation for medical research determinations?

MR. RUSSELL: I would say that insofar as pure research is considered, we don't have much under way for developing proposals. Our department has been working with Social Services and Community Health on a program of what we call preventative medicine, which is simply life style, to try to encourage people not to get sick, rather than react and treat them after they are sick. But I think our priorities have to be in upgrading the nursing homes, doing something about ambulance service: those sorts of things.

MR. D. ANDERSON: Mr. Minister, you're saying the department does not see applied research as a priority, be it in the life styles area or with respect to family health?

MR. RUSSELL: Yes, it's a high priority. Ironically, it's something government doesn't have to do. It's really common sense, so we shouldn't have to have government programs or new Acts of the legislature to get people to eat, work, and play properly, and keep healthy. That's easier said than done. Some of the programs are already under way, particularly in the occupational health and safety field. A lot is being done in Bill Diachuk's department to try to keep people out of the hospital by way of industrial accidents and that kind of thing. Our own highway safety programs and the use of seat belts is another way of keeping people out of hospitals. The programs AADAC is carrying out to try to get people to use tobacco and liquor with some discretion are moves in that direction. There are other obvious things that can be done, but because of other priorities we've simply had to put them aside at this time.

MR. D. ANDERSON: I appreciate all those things the minister has mentioned. I had hoped the department might want to recommend to the committee some directions in areas regarding applied research. Mr. Minister, my opinion may well differ from yours on that. I feel you can apply a number of the problems we face in direct health problems to psychosomatic conditions of various sorts that can potentially be alleviated. Is there nowhere in the department where that continues to be looked at or considered, even on a low-priority or long-range basis?

MR. RUSSELL: Not really. I'm going to ask Joan Nightingale to comment on this in a moment. Each year we get a number of proposals from hospital boards throughout the province that would like to do certain things in their institutions. Those are considered B budget items and go through the Treasury Board approval process. But the basic responsibility of my department is to fund two things: the health care insurance plan and the hospital system. We don't really initiate research projects. The ones in the committee's purview today are exceptions to the rule and will disappear once a medical research trust, which is better equipped and organized to do that, gets rolling. Joan, you may want to comment further.

MS NIGHTINGALE: Some of the applied research projects in cancer dealt with stress-related situations and how people with cancer coped with their disease. A lot of cancer clinics, heart clinics, and cardiac rehab have a large teaching component in them. All hospital-based programs have patient teaching. Many of them reach out into the community, where they attempt to teach preventative health maintenance to any people who access the health care system. But from a formal point of view, for the department to fund programs in a healthy environment, I'm not aware that we are taking any initiative in that regard. A number of organizations do preventative health care associated with universities.

MR. D. ANDERSON: Thank you. I appreciate those comments, and I'm aware of some of the excellent programs in that regard in the cancer area. Once the Alberta foundation for medical research has proceeded a bit further, perhaps the minister could see whether the criteria it evolves takes those dimensions into account. If not, as a member of this committee I'd be very interested in other proposals, either that evolve here or from the minister's department, to take a more coherent look at that whole area, which I think is not dealt with as often as the physical medical problems because it's much less obvious and much more difficult to handle.

*Dr. Reid in the Chair*

MR. RUSSELL: As this exchange was taking place, it brought to mind that we are funding some organizational and research studies with respect to the establishment of a palliative care program that would cope with terminal cancer patients. That is one example of the kind of thing you mention. The specific title of it is, Descriptive Study of the Palliative Care Program for the city of Calgary. It's a two-year program, with \$61,000 involved in researching and setting that up. I've met with the fellow in charge of it. The Department of Hospitals and Medical Care is looking at that as a program that would apply to the whole hospital system; that is, the hospice or palliative care program. In an organizational sense, it's being funded under these heritage funds particularly for cancer patients.

MR. KESLER: We're in a severe economic slowdown, and every department or every sector of society has been asked to cut back and reduce in unrealistic percentages, 5 and 6 per cent by the federal government. Certainly the private sector has had to reduce personnel and overall costs. My question to the minister is whether they have done any kind of review to see if some fringe areas or luxury items are involved in their programs where they could cut back to reduce some of the additional costs.

MR. RUSSELL: Those kinds of things are applied more to the regular budgetary items of the department on an operating basis and don't really apply to the work of this committee; that is, a review of the past year of heritage fund investments. Your question comes into play where we try to get a handle on what the ongoing operating commitments will be for these capital projects once they're built. As part of their project approval, each year the boards are required to develop an ongoing rolling four- or five-year budget that will be required to operate the facility they're building. This is important. The children's hospital is a good case in point. To give you an idea of some figures, which I think you will find interesting, the average hospital per-bed day costs in Alberta are probably somewhere between \$150 and \$200 a day, just to keep one bed ready for a patient. Naturally, the tertiary care hospitals, the university hospitals, run much higher. They're between the \$350 and \$400 a day mark. This year, the current budget for the children's hospital is \$1,100 per day bed. That gives you an idea of the financial resources required to support not only that hospital but the programs it administers on behalf of the southern Alberta region, because they have outreach programs in the Drumheller area, for instance.

The question you ask is important because control of operating costs in the health care system is really becoming a national problem. We've seen that an independent tribunal awarded our nurses a two-year contract which is way beyond the six and five. That's a financial bullet we're going to have to bite or close down beds.

MR. SINDLINGER: Mr. Chairman, could the minister indicate what interest was earned on the \$300 million medical endowment fund over the years of its existence?

MR. RUSSELL: I don't have that, but I'm sure I can get it and bring it forward to you. I shouldn't give figures by memory, but I know they're getting good current market rates on their capital. The original \$300 million is closer to \$400 million at the present time, but I'll get those figures for you.

MR. SINDLINGER: How did it get to \$400 million?

MR. RUSSELL: They've invested the \$300 million for the last couple of years, and there's now interest on interest and principal.

MR. SINDLINGER: I know, but to get from \$300 million to \$400 million is quite a compound rate.

MR. RUSSELL: Nearly \$400 million.

MR. SINDLINGER: You mean \$390 million?

MR. RUSSELL: Yes.

MR. SINDLINGER: \$90 million is still a lot of money.

MR. RUSSELL: The chairman recently told me what their accrued capital is, and I can get that figure for you. It's very substantial.

MR. SINDLINGER: You must use that in your projections or at least your assessments of proposed projects, in your cash flow budgeting.

MR. RUSSELL: Yes. They're in a start-up phase now where they're accumulating capital at a more rapid rate than they can invest it. But in a very few years the situation will be reversed, so they'll be biting into this accumulated reserve.

MR. SINDLINGER: Is the investment handled by the Treasury Department?

MR. RUSSELL: I believe they do their own investment; I don't know. That's not my responsibility and I'm ad libbing answers here, which I shouldn't be doing. I can get you the information.

MR. SINDLINGER: Is the endowment fund your responsibility, though?

MR. RUSSELL: No.

MR. SINDLINGER: Whose responsibility is the medical research endowment fund?

MR. RUSSELL: I think the Act says it's the responsibility of the minister named by Executive Council. To date I've been answering questions about it, but an order in council naming somebody has never been passed. I don't know if I'm the appropriate person or not.

MR. SINDLINGER: Would you be able to give us any reason or indication why a minister hasn't been named after this amount of time?

MR. RUSSELL: I think they're giving it pretty careful assessment. I know there was a fair amount of discussion whether a fund of that magnitude ought to be reported directly to the Premier, as president of Executive Council, or to the Minister of Hospitals and Medical Care. There is a significant difference in philosophical attitudes there.

MR. SINDLINGER: It seems to me reasonable to expect it would fall under your purview as Minister of Hospitals and Medical Care. I get the impression it's left in limbo. If no one is looking after that aspect of it, if a person has not yet been assigned, who is responsible for project approval under this program?

MR. RUSSELL: They're completely at arm's length from the government. The Act was specifically written that way. I have tabled in the Legislature the annual reports of the fund's board of directors and answered questions on them. But as far as being named the minister responsible, that's an informal arrangement to date. I'd be glad to get the information for you.

MR. SINDLINGER: That would be very kind. I would appreciate it. I'd also like to know how we could follow up on this and ensure that there is an appointment. Obviously, there had to be a need for that, otherwise it would not have been incorporated in the legislation. Certainly it seems we should follow through on the intent of the legislation.

MR. RUSSELL: I don't know if there's a critical timing period on that. The clause I've referred to is pretty standard in a number of Acts in Alberta. The clause will say that the minister responsible is the one named by Executive Council.

MR. SINDLINGER: If we were to ask questions in this committee about the medical research endowment fund, would they not be properly placed to you?

MR. RUSSELL: I don't believe that is within the terms of reference of this committee.

MR. SINDLINGER: The terms of reference of this committee are quite explicit, and that is to review the annual report of the Heritage Savings Trust Fund. In the annual report of the Heritage Savings Trust Fund is the Alberta Heritage Foundation for Medical Research Endowment Fund. It's incumbent upon us to ensure that the funds were placed as intended and to review that particular program. There seems to be a void here. Just who do we ask about the medical research endowment fund? As you've said, it's not your responsibility.

MR. RUSSELL: You'll recall that the Act specifically calls for periodic and regular reviews by the Legislature of Alberta.

MR. SINDLINGER: That may be so. I don't want to be argumentative. I'm just pointing out that we appear to have a gap here, a void, in terms of responsibility, first with regard to the assignment of a minister for overseeing the particular fund and, secondly, this committee's responsibility to review these particular programs. If you're not the individual we question about it, then we as a committee must find out who it is and request that they appear before us.

MR. RUSSELL: I have not been named by Executive Council, but in the last two years I have been carrying out the responsibility of the Act. If there's

information that you want on the medical research trust, I'll be glad to get it for you. But I didn't think it was in front of the committee today.

MR. SINDLINGER: That may be the case. Perhaps I may formally request you to provide that information in regard to the investment of the endowment fund. Exactly who invests the fund, what are the criteria for investment, and what has the performance record for that investment been over the existence of the fund? It's a question of accountability, and that's why this committee is here. I think we must ensure that we fulfil that responsibility.

MR. RUSSELL: I believe that's why the three-year reporting to the Legislature is incorporated in that Act.

MR. SINDLINGER: Notwithstanding that Act and any other legislation, Mr. Russell, under the heritage fund Act we still have the responsibility to review this particular investment.

MR. RUSSELL: I guess that's what I'm unable to answer today. I should refer that to the Chairman, because I'm not sure that you do.

MR. SINDLINGER: Mr. Chairman, I wonder if we might ask you or perhaps one member of the committee to clear this point up. The endowment fund is a very large portion of the capital investment projects division, being \$300 million out of \$1.3 billion. It's one of the major projects here. We should have the minister or whoever is responsible for that at least identified, if not called before the committee.

MR. CHAIRMAN: From the time this Act was introduced into the Legislature, I remember that very specifically there was not an annual reporting to the Legislature. In order to avoid the pressure that exists with many similar foundations, sometimes referred to as publish or perish, the feeling was that if basic research was to be done, the period of time before any useful social return on the investment might be much greater than one year. To avoid those pressures, I'm fairly sure the term before the first report to the Legislative Assembly is three years. That was done with intent. It was not by accident.

MR. SINDLINGER: I still don't believe it abrogates or overrides our responsibility. On this committee, we have a responsibility to review the investments of the heritage fund. That's quite clear. The Provincial Treasurer says that in the preamble to the annual report. This is a major component of the Heritage Savings Trust Fund. Before we make any decision on it, I think we ought at least to investigate our responsibility in this regard. Rather than making a decision today, could we not do that?

MR. CHAIRMAN: Perhaps I'm misinterpreting the member, but if you're asking about the foundation's reporting on what has happened, I think that is to the Legislative Assembly, not to this committee. If you're inquiring into the investment, if the money is still there, then I think the Auditor General confirms that for us.

MR. SINDLINGER: No, it's not that. For example, this morning we spent some time on the Alberta Heritage Scholarship Fund, the \$100 million endowment. That's certainly similar to what we're doing here in regard to the medical research endowment fund. It seems to me we have to ask questions about all these items here, notwithstanding any other legislation. The legislation for the heritage fund is our term of reference.

MR. CHAIRMAN: But with regard to the investment or with regard to reporting back by the foundation?

MR. SINDLINGER: It's just like anything else that has been carried out through the Heritage Savings Trust Fund. There are lots of questions we can ask about them. Maybe some are not properly under our purview, but at least we should have the opportunity to ask them. We should know if it is in fact our responsibility. We should know if this other legislation does dominate our legislation. I don't think that's clear at this time, and I don't know that we have the resources before us right now to establish whether or not it is. Perhaps a query to the Clerk or somebody else who could give us an authoritative interpretation would be helpful, rather than dismissing it right now.

MR. CHAIRMAN: I'll come back to what I was asking the member. Was he referring to the projects and the functions of the foundation, or was he referring to the monetary foundation?

MR. SINDLINGER: I would say both. Those are very broad categories. Perhaps some may not fall within our purview, but other aspects of each might.

MR. CHAIRMAN: What I was saying earlier is that by my memory, there was a very clear three-year period before the foundation had to report on its projects. And that was done with intent.

MR. SINDLINGER: That's to the Legislature? Is that what you're saying?

MR. CHAIRMAN: And this is a committee of the Legislature.

MR. SINDLINGER: I don't know if we would want to accept something like that at this point without inquiring further, because I could see somebody coming along and saying: let's establish this particular program X and, in the legislation establishing that, let's not have a reporting procedure for the next 20 years, or something, thereby taking it out of the review of this particular committee.

MR. CHAIRMAN: I'll inquire of the Law Clerk or the Clerk of the Assembly as to what the meaning of that is in relation to this committee's function.

MR. SINDLINGER: I'm sorry, I didn't quite hear you. Did you say you'd make an inquiry?

MR. CHAIRMAN: Yes.

MR. SINDLINGER: That's all I'm asking. I'm asking that first we see if we can identify who is responsible under the Act and, secondly, if we in this committee may or may not review this particular project.

MR. D. ANDERSON: Mr. Chairman, I think you've clarified the situation. I was going to try to get further clarification regarding our function. It was my understanding that we as a Legislature purposefully determined that decisions by the Alberta foundation for medical research should be independent in nature, because they were purely scientific rather than having a political application. We tried to remove ourselves from that. So I would think that we're not responsible, but I agree that getting clarification from the Law Clerk on that is probably important on this issue.



MR. KESLER: Mr. Chairman, a supplementary to the discussion. It says on the front that this is an annual report. We see a figure of \$300 million in 1981 and \$300 million in 1982. It has already been determined in the discussion that it may be closer to \$400 million. That \$400 million doesn't show up from year to year. Therefore, the figures are out \$100 million right off the top. It makes me wonder how we can do a proper accounting. Obviously, it's an investment division. Those funds are being invested and either accruing or losing dollars. I think it's important that this committee know where those dollars are going and, in fact, whether they're being invested wisely or if we're in a situation where those dollars can be dissipated.

MR. RUSSELL: I think we should clarify this. There's no dissipation or unaccounted funds. Note No. 2(b) on page 18, under capital projects division investments, talks about the amount of fund invested. We invested a capital transfer of \$300 million to another autonomous body called the medical research trust, and we did that by way of a special Act of the Legislature.

The discussion today has been around the issue of whether or not we should be discussing in this committee the operation of that fund, bearing in mind the legislative language of that special Act of the Legislature. The Chairman is going to pursue that matter and report back to the committee. I have undertaken to get the investment income information for the Member for Calgary Buffalo. That \$300 million is what the government invested by way of transfer, and that's what's shown in the report. What the people who receive that have done with it is not part of this report and ought not to be, because they submit their own report to the Legislature.

MR. KESLER: A supplementary question to Mr. Russell. Who then is accountable for the direction those funds flow?

MR. RUSSELL: The board of trustees of the medical research trust. As we mentioned earlier, they're set up at arm's length from the government, because this medical research fund was designed over a period of several years. The weakness of other medical trusts throughout the world was that the financial tap could be turned off and on at the whim of any particular elected government. The advice we received was that this should be arranged at arm's length so that the capital amount and the earnings therefrom were secure for the trustees of the medical research foundation and could not be turned off or on by an elected Legislature. The Act was written specifically with that as one of its objectives, and it's that background that has led to the exchange here today.

MR. KESLER: A supplementary. On those funds, what is the nature of the accounting to the Legislature or to the government? Is there an accounting every three years?

MR. RUSSELL: Yes. I believe the first report is due five years after the implementation of the board of trustees, and every three years thereafter.

MR. SINDLINGER: An observation, Mr. Chairman. This isn't a question or query to Mr. Russell, but I think it does point out a very significant discrepancy in the accounting policies and practices in regard to the Heritage Savings Trust Fund. I'm glad that the Minister of Hospitals and Medical Care has referred to the note on page 18, item (b). The description under sub-item (b) to Note 2, Summary of Significant Accounting Policies and Reporting Practices, is:

These financial statements have been prepared in accordance with generally accepted accounting principles, except as follows:

So that subsection (ii) of Note 2 on page 18 that has been cited by the minister is an exception to generally accepted accounting practices. And going from page 18 to page 24, the medical research endowment fund in 1982 is reported as \$300 million. That is the total, or part of the total, of \$1,309,322 billion for the capital projects division investment.

Now if we go to page 13 of the Heritage Savings Trust fund, the balance sheet, and look under deemed assets, capital projects division investments, we see that same number, \$1,309,322 billion. So we have established that in fact the \$300 million is still considered for accounting purposes as assets of the Heritage Savings Trust Fund, even though the accounting principles are extraordinary and not generally accepted.

If, as the members have pointed out, the trust fund is intended to be at arm's length and separated from this committee and from the Legislature, that \$300 million should not be included in the balance sheet of the Heritage Savings Trust Fund. It's a misrepresentation, and I think it's something that the Auditor General has been aware of for over four years and made recommendations that it be changed. Here's a very practical illustration, where that exception to generally accepted accounting principles leads to misunderstanding of the Heritage Savings Trust Fund.

MR. MUSGREAVE: Mr. Chairman, on that point, I don't think that leads to misunderstanding, if you read the report carefully and read the notes provided that point out that these are deemed assets and treated in a different manner. Nothing is being hidden there. It's very clear, very understandable to anyone who wants to take the time to read it.

Certainly the \$1 billion is differently handled, and it includes things such as -- I believe the hopper cars are in there. Obviously, they are not going to be coming back. The cars are going to be worn out as they're used. The intent of the \$300 million is to provide ongoing funding in a foundation that will last, hopefully, for many decades. So traditional accounting doesn't ascribe to this kind of procedure. So for the member to try to say that somebody is hiding something or misleading is most erroneous.

MR. SINDLINGER: Just to clarify that, I'm not implying, and I don't wish anyone to infer, that anything is being hidden, because that in fact is not the case. All I'm doing is reiterating what the Auditor General has said for four years about deemed assets. They're not my words. They're the Auditor General's words, and they're in writing in his annual reports.

MR. RUSSELL: While we're discussing this, I'm embarrassed to put this item on the table. I've been given a copy of an order in council that was passed early in 1980. It names the Minister of Hospitals and Medical Care as the member of Executive Council responsible for this report.

MR. SINDLINGER: Look at all the trouble you caused us.

MR. RUSSELL: Under specific sections of the Act I'm to receive two reports, the annual report and the triennial report. I've never been asked a question about it, and certainly never reported to this committee. Quite frankly, I'd completely forgotten about that order in council. But I am responsible for those two aspects of it, and I'll be glad to get you the information.

MR. SINDLINGER: All right. Thank you very much.

MR. CHAIRMAN: If I can have my two bits worth now, I presume that the annual report will be a financial one and the triennial one will be on the projects.

MR. RUSSELL: Well, I tabled the last annual report at the spring session. It deals with their activities as well as their financial statements. All members ought to have that.

MRS. FYFE: [Inaudible] was the review of the international committee that was to review the entire program. It was all laid out when the Premier introduced the Bill and on second reading in 1980, whenever it was.

MR. CHAIRMAN: The first report of the international body is supposed to be five years after setting up the fund. I think that's yet another report on it. I think they report through the directors of the foundation. Part of the problem is that there are different reports by different people at different times.

Did the Member for Calgary Buffalo have another question, or was it just the supplementary that was on the list?

MR. SINDLINGER: No, I haven't. Thank you, Mr. Chairman.

MR. RUSSELL: I have a copy of the Act now, Mr. Chairman. Section 21 of the Act refers to the annual report, and Section 24 to the triennial report. Just a quick review of those clauses makes me believe that the triennial report contains the information the Member for Calgary Buffalo is after, because it makes specific reference to a summary of the financial statements for the years included in the three-year period. But in any event, I'm supposed to table those two reports, and I have been. We haven't received the triennial yet, but I have been tabling the annual reports.

MR. CHAIRMAN: Any more questions for the minister about the Alberta Heritage Foundation for Medical Research? Any more questions for the minister about any other project under the heritage foundation, because I wasn't here for the earlier part of the meeting?

Thank you very much, Mr. Minister.

MR. RUSSELL: Thank you. I learned something today too: who's responsible for that Act.

MR. CHAIRMAN: Perhaps we can now adjourn for five minutes until we arrange for the Minister of Transportation to come and discuss his responsibilities under the heritage fund.

*The meeting recessed at 3:27 p.m.*