

[Chairman: Mr. Kowalski]

[2 p.m.]

MR. CHAIRMAN: Good afternoon, ladies and gentlemen. At the outset, I think I would like to convey congratulations on behalf of all members of the committee to Mrs. Cripps, who today has arrived at 25 years of marital bliss and happiness. I'm sure that's been a great accomplishment for her. I think it's also an indication of her enthusiasm for what we're doing here to be with us today rather than perhaps with her family for the whole day on this very important day in her life.

Mrs. Cripps, we're going to put you right to work. This morning we began a review of the proposed recommendations before the committee, and we came to the point in our discussions where we would now ask you to introduce Recommendation No. 12.

MRS. CRIPPS: Thank you, Mr. Chairman. I understand that you're reading them into the record. On a motion? Then I would like to recommend that the Heritage Savings Trust Fund continue to have savings and investment objectives as its dominant goals, rather than spending.

In discussing the motion, Mr. Chairman, I was hesitant to even put in a recommendation — although I have another couple of recommendations — because I really think that at this time we have to take a look at the trust fund and its advantages for the future. When I see that there are 42 recommendations, and possibly more after yesterday and today and the Premier's discussion tomorrow, it seems to me that that's an awful emphasis on spending the trust fund; after all, it is a savings trust fund. So I really want to emphasize that I think the aspect of saving must be highlighted and that the spending priorities — and I realize that when the trust fund was set up, provision was made for spending in certain areas. But when we're looking at the spending, I think we have to look at these expenditures as being in the best long-term interest of Albertans.

MR. MARTIN: This brings us basically back to a lot of the same discussion we had this morning. There are two differing views: one is as a savings account, and the other is as a vehicle to diversify the economy. I think it was clear from the discussion this morning that my colleague and I certainly feel that there will not be a tax base left, there will not be a savings account left, if we cannot use this as a vehicle to diversify the economy. I believe some of the other recommendations from government members indicate that they too would like this as a vehicle for diversification, rather than just as a savings.

As I said earlier, that does not mean that we have to spend everything all at once. But I think the key point we are making, and I believe some other members are making, is that if we do not develop a tax base, even if we want this as a savings fund in the future — we were into it for \$2 billion this year — if the price of oil happens to fall again, we could be into it much more just to cover the general revenues of the province. It only makes good sense to us that we use this as probably the major vehicle we have. If there's going to be any serious diversification in this province, if we do not have the availability of the trust fund to do this, I don't see how we will continue to have a savings account, either. So I don't think it's either/or. If we're going to err at this time, I hope that we would err on the side of diversification, because we see that as an absolute necessity. We had this discussion earlier, but I think it's important to put it in the record at this time.

MR. CHAIRMAN: Mrs. Cripps, would you like to conclude your opening discussion?

MRS. CRIPPS: In conclusion, I agree with Mr. Martin that we have to look at

diversification, and that's why I indicated that any expenditure made out of the fund at this time should take into consideration the long-range benefits to the province of Alberta.

MR. CHAIRMAN: Thank you. Before going to Recommendation 20, I keep looking at members of the committee, and they're always looking over their shoulder to speak to other colleagues in the committee. Has anybody had the thought that perhaps four or five could move on that side, and then we'd be looking at one another when we're talking to one another? If it's inconvenient to speak over your shoulder, you might find that more useful. If not, we'll just continue.

MR. NOTLEY: We like being on this side. [laughter]

MR. MARTIN: There's this feeling of power over here.

MR. CHAIRMAN: I see. I keep looking at everybody turning around all the time, and over their shoulders.

MR. MARTIN: Mr. Chairman, Recommendation 20: that the committee should urge the government to introduce the necessary legislative changes which would permit trust fund investment in a publicly owned and operated hazardous waste disposal facility.

I almost hesitate to talk about a disposal facility, because this has certainly been a topic that's been around the province — and I mean "around the province" — with various municipalities wanting it and others not wanting it. I think we all recognize that we're going to have to do something quickly, and the point that we make is that there are probably going to be some tax dollars in this anyhow, and we suggest that it be publicly owned. There's a reason for that. I think there's an appropriate place for private enterprise, and we recognize this. But in my opinion, dealing with hazardous waste is not a particularly appropriate place for profit. The reason we think we should get on with this is economic. Besides doing something we need, it would create jobs in a time when we need jobs.

The other point that I'd make, and what we're going on, is the report and recommendations that came out of the public hearings on hazardous waste management in Alberta. It was done by the Environment Council of Alberta. They said very clearly that the council believes that the best guarantee that safety will remain the overriding criterion — and, after all, that should be the main criterion in a hazardous waste plant — is to put the responsibility for the treatment and disposal of hazardous wastes management system within the control of a Crown corporation. They go on to explain how this Crown corporation would operate, but it's clear that they think it should be publicly owned. We're just following the documents of the Environment Council of Alberta.

MR. THOMPSON: Mr. Chairman, I agree that not only is this hazardous waste problem a problem today but I think it's going to increase. However, I think it's the responsibility of the government in general, not the heritage trust fund segment, to deal with the problem. I've heard the opposition say many times over the years that we would be using the heritage trust fund more or less as a slush fund. And I have no problem with your concept, Ray, except that I do think it should either be a Crown corporation or come out of general revenue, not out of the heritage trust fund, as such. I can't see that that's diversification. I don't see it's investing. I think it's a responsibility of the government of the day to deal with that problem, not this committee or the trust fund.

MR. R. MOORE: Mr. Chairman, I look at waste as being waste, not hazardous or otherwise, and it has to be disposed of. That is the responsibility of government. It's an

ongoing expense any government has to face. When I look at the heritage trust fund, I don't think it's there to take over the financial obligations for general expenses or general running of the government. I can't see where we would use that type of money for that purpose. I don't even like the idea of a Crown corporation. I think the private sector could handle this very, very well, if given the opportunity. If they fail to take up the challenge and provide that service, then I don't think it fits anywhere into the plans of the heritage trust fund. It comes from general revenue because it's an ongoing expense of government operation.

MR. R. SPEAKER: Mr. Chairman, I can only agree with the last two speakers, in terms of it being an ongoing operational cost. As well, the terms of reference, the stricter legislation that we need in this province, is the responsibility of the ongoing Legislature. We just passed a resolution a few moments ago saying that we want to have a savings fund. That got so distorted and corrupt in the last election that it's amazing we can even say it at this time. Yes, I agree with the fact that it must be from the general revenue. I think the massive amount of expenditure that is going to be requested here will have to be dealt with, with other priorities of government. The heritage fund, as I examine it, no longer has that capability anyway.

I support the intent that we should have this kind of funding, but I certainly only support it out of general revenue and, as well, with ongoing accountability to the Legislature.

MR. NOTLEY: Mr. Chairman, I guess there are two questions here: whether this is appropriately public or whether it should be a private proposal. We think the ECA has made a good case for a public Crown corporation. It would be a Crown corporation which would return a profit, hopefully. If it ends up going to the private sector, obviously it's going to be set up on that basis. Should it be a Crown corporation, in my view, the same principle would apply.

The second issue is whether we should be looking at this kind of investment from the trust fund. I suppose you could make an argument that a hazardous waste disposal plant is not something which a trust fund should consider but is something that is an ongoing responsibility that the Department of the Environment and government in general should take up.

The only problem with that argument, if one is extremely literal in arguing it, is that we have other types of things that involve ongoing expenditures. We're going to be talking about irrigation in a moment, and there is no question that it is a capital project with ongoing capital expenditures to government in total. More relevant, Mr. Chairman, on page 15 we have land reclamation. We have spent a lot of trust fund money on cleaning up garbage dumps, sewage lagoons, gravel pits, and mining sites. Almost \$17 million, as a matter of fact, has been invested from the capital works division of the trust fund to do something which is worth while — land reclamation — to deal with the unsightly eyesores that these dumps have become and also the problems they pose to health in different areas of the province. So we have already accepted the principle that money from this trust fund will be directed in that area.

The question now is whether it's appropriate to get into a hazardous waste disposal facility. I guess I would argue that there is no question that we need one. The ECA has recommended that it be a Crown corporation, not operated at cost. It would be a Crown corporation the same as Edmonton Telephones, which makes money for the city, or AGT, which makes a small profit for the province. The same sort of proposition would govern the waste disposal facility.

Mr. Chairman, just in closing, I think that rather than being money poured down the drain, it would be a source of revenue to the fund, not in a major way but in a small way. You don't diversify in one great swoop; diversification is a series of things. This is

one thing which would, in a small way, contribute to expanding the tax base of the province.

MR. MARTIN: I will just be very quick in summing up. Mr. Notley has talked about the fact that we have a precedent; we have capital projects already in the heritage fund. This would not be new in that sense. The problem with general revenue is that I think we recognize the fact that we're going to need this; it's going to be a necessity. I remind people that we had a shortfall of some \$3 billion out of our general revenues by the time we shifted over, plus the deficit. So those general revenues aren't going to be able to take many more expenses, I would suggest.

Private versus public enterprise shouldn't be a debate in this specific case. The key thing, I remind you — and this is what the ECA has been talking about. It is the best guarantee that safety will remain the overriding criterion, not profit making. That's the only reason they suggested it should be a Crown corporation. This Crown corporation, they suggest, would have a relationship with other health and environment regulatory agencies, but it would have an arm's length relationship to avoid any conflicts of self-regulation. The reason they suggested a Crown corporation is simply the safety factor. When we're dealing with hazardous wastes — as anybody who knows anything about it can tell you — that has to be the overriding criterion. We are going to have to do it anyhow. We can't keep the amounts of hazardous wastes that we have around the province, and we can't keep this up year after year.

We are suggesting that this is appropriate for the capital projects division. If I thought there was money in the general revenues — it's not important to me in that sense whether it comes out, but I don't see any extra money in the general revenues at this particular time.

MR. CHAIRMAN: Mr. Hyland, would you proceed with Recommendation No. 21?

MR. HYLAND: Mr. Chairman, Recommendation No. 21: that the Alberta Heritage Savings Trust Fund provide funding for the development of an on-farm drainage program that would be cost-shared between landowners and the provincial government. This program should be designated to work in conjunction with existing cost-sharing of major projects, as outlined in Position Paper No. 5.

I think it's more or less self-explanatory. It is suggested that consideration be given to this recommendation and that it receive high priority when the funds become available. On-farm drainage programs are something we've talked about for some time. We have some drainage programs in Position Paper No. 5, but they are related more to a group of farmers, setting up drainage districts, et cetera, than they are to individuals. I think we should have something to tie in with that.

I have purposefully left out how the percentage should be shared, so the debate can be wide-open.

MR. CHAIRMAN: I guess that's all that has to be said on that one, Mr. Hyland.

We will move to Recommendation No. 22. Mr. Nelson is not here, so we will just hold that one and move to Recommendation No. 23. Mr. Musgreave.

MR. NOTLEY: Nos. 22 and 23 are the same.

MR. HYLAND: Mr. Chairman, on a point of order. Could you just read it in for him, and then it's there?

MR. CHAIRMAN: I will read 22 into the record: that the Farming for the Future Program be continued for a further five-year term.

Mr. Musgreave, 23.

MR. MUSGREAVE: No. 23 is a recommendation that there be a continuation of the Farming for the Future research program, with specific times intervals and amounts to be established by the agriculture councils so programs are effective within reasonable time limits and money limits.

This gets back to the earlier resolution that Mr. Moore had about investing in renewable resource industries, such as agriculture and forestry. The sort of caveat I have placed on it is that I don't feel these research programs should be open-ended, which they have a tendency to be if there is not some sort of evaluation system, and continue ad infinitum. At the Research Council we are now doing Farming for the Future programs, some of them with the Department of Agriculture. We have incorporated a specific review period so we can assess how the program is going. My main recommendation here is that the program be continued but with more specific guidelines than perhaps it had in the past.

MR. HYLAND: Just a question to Mr. Musgreave. In the resolution you refer to "agriculture councils". I'm not sure what the right name is, but they do have a Farming for the Future council chaired by the minister, composed of some people at large, some departmental people, and a member of the Legislature. Is that what you're referring to in that line?

MR. MUSGREAVE: Yes, that's right.

MR. CHAIRMAN: Perhaps between now and October 17, Mr. Nelson and Mr. Musgreave might get together and amalgamate the two into one — much the same input or intent. No. 24: again, Mr. Nelson is not here. Mr. Moore.

MR. R. MOORE: I have no comment on it at this time. I'll read it into the record for Mr. Nelson: that funding for the fund continue to be used to further Alberta's efforts in the areas of research and development. Research and development should focus on electronics, computers, science, and space technology. As a province, we should endeavor to attract the finest scientists and companies into Alberta with the creation of high technology jobs as the objective.

MR. CHAIRMAN: No. 25, Mr. Notley.

MR. NOTLEY: Mr. Chairman, inasmuch as historic sites are the foundation of any healthy tourism industry, that a portion of the Heritage Savings Trust Fund be invested in the preservation, restoration, refurbishing, and marking of historical sites.

If I might just be permitted, Mr. Chairman, one advantage of this is that we could call the Minister of Culture at some point and actually have her report to our committee. I think the observation that needs to be made is that, in terms of tourism, there is no question that the preservation of history is a very real plus to the tourist industry.

When we think of diversification, actually one of the advantages we have is potential for the expansion of the tourist industry. We presume that the tourist industry is going to be based on the geography of the province and, to a large extent, that's true. But we also have an important history in Alberta. When I travel through the United States or other provinces and look at the way in which history has been preserved and then marketed, if you like, in an effective tourist promotion campaign, I often think, as I travel around Alberta, that there are just as many sites that have potential.

We did not put any figure on this, because it seems to us that one would have to start in a very modest way. We realize that culture already has some programs in place but, for the most part, those programs are stalled at this stage because there just isn't

funding available from the general operating funds of the province. When I think of other things we have invested in from the capital works division — our parks, for example; we've supported those — I wonder if we wouldn't have enhanced the process by underlining the historic sites more than we have in the past.

MR. CHAIRMAN: No. 26, Mr. Moore.

MR. R. MOORE: Mr. Chairman, item 26: that the development of the province's hydropower potential form part of the long-term involvement of the Alberta Heritage Savings Trust Fund.

I feel that the hydropower potential of this province should not be neglected or left too long into the future. It's one of our renewable sources of power. We're going to need it eventually, and we should plan along this line. It's one of the cleanest types of power we can look at. When I brought this recommendation forward, I didn't mean that we should take the leading role in this area. The private sector should be encouraged in the development of this area, too, rather than us putting our encouragement to the private sector to develop the thermal end, nuclear end, or whatever. Hydropower should be the area we look at in the long term. It will be what we'll need in the long-term future of Alberta for our energy needs.

MRS. CRIPPS: Two questions, Mr. Chairman. First, are you envisioning effectively utilizing the dams that are already built, say, the Dickson dam? Secondly, how do you tie in the private sector with the heritage trust fund?

MR. CHAIRMAN: Mr. Moore, did you want to respond at the end? Mr. Musgreave.

MR. MUSGREAVE: Mr. Chairman, this is interesting. I have this recommendation I made when I was first on this committee. I think the only person who supported me at the time was Mr. Notley, so you can understand that the resolution was not passed. The concept is a good one, though.

To answer Mrs. Cripps, the conception we had in mind was that the heritage fund would invest in, say, large new plants. It would not invest in any existing facilities, but could invest in, say, the one that's under review right now in northeastern Alberta, and then in turn could wholesale power to municipalities throughout the province.

Like my colleague Mr. Nelson, I was a brand new alderman from the city of Calgary concerned about the utility bills, and they weren't nearly as high as they are today. This would be one way that we could share revenues with the cities on a per capita basis and not get into all the other problems we get into of sharing revenues and, you know, those that tax should raise the revenues, et cetera. However, in the utility industry at the present time, I think that the creation of capital isn't their problem. What is of more concern is the revival of the economy and the continuation of their projected business to accommodate the facilities they have put in place. In the long run, I think it is an excellent idea, but it's a very difficult one to put in practice.

One other thing I was going to mention is that the plants I had in mind would be run by the private companies on a management contract, but the actual cost of construction would have come out of the heritage fund. Really what we're getting to is what we have in Ontario and all the rest of Canada. When other provinces talk in an envious way about our heritage fund, I say to anybody from Ontario that I'll trade the Alberta heritage fund for Ontario Hydro any day of the week.

MR. R. MOORE: I didn't envision this going back to the Dickson dam and turning it over to a hydro project. I'm looking at other areas in the province that have hydro potential. They would assist in the financing of the capital investment, similar to the Prince Rupert grain set-up, where the need is there and we will reap the long-term benefits in the years

ahead. Through the heritage trust fund, we would assist in the development of our hydro potential for future use. I don't visualize us going alone or going as joint ventures, but we provide the financing package for them so this goes ahead and does not get misdirected into more thermal, coal-burning, or electric generating plants, which are detrimental to the environment, in my estimation, and will run out eventually. They are not renewable.

MR. CHAIRMAN: Recommendation 27: does somebody want to volunteer to read it into the record on behalf of Mr. Nelson.

MR. ANDERSON: On library funding: that a program with a five-year commitment to upgrade and improve our library system be developed. The funding should be for the benefit of all community and school libraries and not for the exclusive use of postsecondary colleges and universities.

I read it without comment, Mr. Chairman.

MR. CHAIRMAN: There are no comments forthcoming, so we'll go to No. 28. Mr. Martin.

MR. MARTIN: Thank you, Mr. Chairman. Recommendation 28 is that the committee recommend substantial trust fund investment in the expansion of Calgary and Edmonton LRT during this time of economic recession, to take advantage of lower costs and provide much needed stimulus in those centres.

We're coming back to a point we think is important: that this should come out of the capital works part of the heritage trust fund. There are a couple of reasons we're advocating it, mainly dealing with economics. First of all, like the hazardous waste plant, we know these things are going to have to occur at some point. I recognize that the province has made some indication to Edmonton about a modest expansion. It seems to us that this is the cheapest time to get on with public works like LRT. We certainly have the people power out there right now in both cities, with unemployment over 12 per cent. The materials are the cheapest right now in a recession. In other words, we get much more bang for the buck, and it would be much cheaper in the long run. If we wait till at some point there's a boom economy, and we're having to do these things at the same time, we'll pay much more than we would ordinarily.

The other point I make is that we think this could have some impact on the unemployment rate. Besides the humanitarian aspect of having people out of work, we're suggesting that it doesn't make much sense in terms of economics either. While we're paying out welfare and unemployment insurance, these people have diminished purchasing power, they're not buying goods at the local store, and we have a high bankruptcy rate. I could go on and on. So we think, even if just for economics — but there is also the humanitarian aspect here — we'd rather have these people paying taxes, working on something as important as LRT. It's not something we're wasting money on; we're going to need it. We'd rather have them paying taxes instead of paying them poge, if you like. We think this would be an appropriate investment from the capital works division of the Heritage Savings Trust Fund.

MR. R. MOORE: Mr. Chairman, I agree wholeheartedly with Mr. Martin in all his statements; they're very, very true, to the last one that it should come from the heritage trust fund. I think this is part of our overall transportation system in the province, and all those things he says about unemployment, providing jobs, economic downturns, and so on apply. I think when we look at our overall transportation package for this province, every area has transportation needs that are just as urgent and just as costly per capita as the LRT and Calgary Transit system. I feel that we should not pick one small segment of a system that affects us all, the transportation system, to give stimulus from the

heritage trust fund. I think we should continue to finance transportation out of general revenue, and in that way we will go ahead with transportation within the means that we can afford.

MR. MUSGREAVE: Mr. Chairman, I'll reverse my normal stand of being opposed to LRT. It's going to help my constituents because the ones planned for Calgary won't go anywhere near my constituency. However, I don't think it's going to put geologists, geophysicists, chartered accountants, or those kinds of people to work. If you decide to build more LRT in Calgary, you just continue with the groups of people that are now employed and, at this time, I just don't feel that we can afford the capital expenditures necessary to do all the things that would put our 40,000-odd people in Calgary back to work, much as I regret the fact that they're not working. One of my children is not working and hasn't been for almost a year, so I'm well aware of the difficult situation.

Having said that, I do feel that it is necessary that Calgary get on with building the northwest link of LRT. I say that because we are in the process of building a \$100 million coliseum, we are just finishing a \$70-odd million arts centre, and the natural link which was advocated for years by city hall was to connect the northwest part of the city, serving the university, SAIT, and all those other institutions, to downtown. Now we're going to build more Olympic facilities, and we don't have an LRT; to me, it's absolute nonsense.

Having said all that, I think the new city council should be encouraged to take the Hillhurst-Sunnyside group to court to battle as soon as they can. I live in Hillhurst-Sunnyside in Calgary, and I'd be quite happy to stand up and fight for LRT. But I think it should be funded by the city of Calgary. I think it should come out of the tax dollars of the city of Calgary, and I think we should be prepared to pay for it.

MR. ANDERSON: Mr. Chairman, this particular motion puts me in a difficult position. Two years ago I strongly supported a similar resolution that was passed by this committee, asking for funds for LRT. I still very much support the concept of LRT. I'm happy to hear Mr. Musgreave come along that road toward supporting the concept of it.

MR. MUSGREAVE: With reservations.

MR. ANDERSON: We've been around this one a few times.

I do, however, agree with the comments that have been made with respect to the difficult economic time we face and the problem with injecting money into any particular program. Indeed, as an MLA from Calgary, this would be a higher priority for me than for many others. But I realize that the government has to look at the priorities of the province as a whole and at the limited resources that are available, both in the heritage fund and in general revenue, and I'm not sure where the funds would come from. True, we would be able to get maximum benefit of dollars. That's what I say right now when I want to buy a new house, but unfortunately I don't have the dollars to buy it. I think I find myself in a position that's similar to the heritage fund or even general revenue at this point: it's desirable; it's what I want to do; can we do it, is the question. That's true, I suppose, with a number of the issues that we're going to be discussing and that are proposed.

So I'm going to have to think about this resolution. I certainly support the concept without question. I'm somewhat ambivalent as to whether it's heritage fund or other. To some extent it does fit into the framework of capital works projects that we've dealt with before in the fund but, at the same time, Mr. Moore does make a good point for transportation being an ongoing cost. So in general I agree with it, but I think we have a real problem with all spending programs at this time in that there's not the excess funding there was when we discussed this kind of thing two years ago, excess money in the fund where we're looking for investments. Now we're looking at ways to cut

programs in government in general, and I'm not sure where we find this.

MR. THOMPSON: Mr. Chairman, I recall that we had a discussion in the House two or three years ago on LRT and its benefits, economic and otherwise. While he was Minister of Transportation, Henry Kroeger had a commission to do some investigation, and at that time it seemed like it wasn't too economic. The other day I read in The Calgary Herald that they have cut back drastically on the projection of the population increase in Calgary to the year 2000, from over 1 million to 800,000. Maybe sometime in the future, this discussion would be of some use. But at the present time — and I think both Edmonton and Calgary are in this position — growth has slowed down considerably. It was barely justifiable economically with those inflated projections. I would be against getting into LRT at this time, especially with the heritage trust fund.

MR. NOTLEY: Mr. Chairman, I agree with Mr. Thompson that the projected growth of the two major cities is somewhat lower than we would have anticipated two or three years ago. But that doesn't mean, even within the context of current growth patterns, that there isn't an argument for more efficient movement of people. At the present time, we have a pause in world energy prices, but most forecasts that I've seen indicate that while that pause may exist for several years, it's not going to exist forever, and we are going to see an upward spiral of energy prices before the end of the century, which means that once again the question of moving people efficiently in our urban areas is an important one.

At the present time we can get more value for dollars expended. One of the follies, it seems to me, of our approach to government capital works is that we have got ourselves into the situation where we have been going full steam ahead with capital works projects by government at a time when the private sector is going full steam ahead. So we have had situations where contracts were bid to ridiculous levels. That's good for the private contractors, but it's not necessarily good for the taxpayers.

It seems to me that now that we have a slackness in the economy and we have people out of work — and as I see what's happened to our highway contracts this year, where we've had good bids and would be able to make those public dollars go further — is the time that we should go ahead with some of these useful capital projects. I'm not suggesting that we do things that don't make sense. We shouldn't be putting an LRT line where there's no sense putting an LRT line. But there has been a lot of planning in both cities over a number of years, especially over the last two or three years, so we now have in place routes and plans. It seems to me that this is the kind of investment that frankly makes more sense, in the long run, than some of the investments we've made; for example, investments that have been supported by the majority of this committee in airport facilities. It's very nice to have a nice airport terminal building. But frankly, is it as important that we have a new terminal building in Red Deer as it is to have adequate transportation facilities in the province? I'm not just talking about LRT.

It seems to me, when I look at the investments we have made from the fund — and this is not necessarily an argument that because some of these investments may be a bit questionable, therefore we should get into equally questionable ones. No. What we should be doing is looking at whether an investment in transportation makes sense. If the province is to have any real future, I think the infrastructure that we build in sound transportation investments will pay us dividends many, many times over down the road. By George, it seems to me that the time to do that is when our public dollars go someplace, not when we're competing with the oil sands when they get going again or major capital projects in the private sector. Then our dollars are just used up in a whirlwind of inflation. Now is the time to push ahead with some of these worth-while projects. I emphasize "worth-while projects", projects that can stand on their own merit. I think LRT in the two cities is one of those examples.

MR. MARTIN: Certainly Mr. Notley and I see eye to eye on that. The only other point I would make — and I say this to Mr. Anderson — concepts don't put anybody to work. It's all right to say that we are for it in theory. But the point is, if it's a good concept — and I think we've tried to make an economic case that now is the time to get on with it — then we should do it. As Mr. Notley says, if we wait, if somehow OPEC gets its act together and drives up the price of oil and we start to look at more megaprojects here, then we will say: well, the population is coming in, now we need LRT. We are going to pay three or four times more for that LRT than if we get on with it now. I am not suggesting that we don't have a road in Lacombe for Mr. Moore. I think it goes without saying that we have to look at the whole transportation system. When we talk about economics, we say we cannot afford it. Frankly, Mr. Chairman, I suggest that we can't afford not to.

I go back to the unemployment rate. I agree with Mr. Musgreave that it's not going to put everybody back to work. If it keeps a few working, that's worth while. It's just one thing that we should be doing about unemployment. Remember, every time we have somebody unemployed, that's hurting us economically. It's hurting us in terms of the money we're paying out for welfare and unemployment insurance, but they are not spending the money either, so there is no stimulative aspect to the economy. There is that part, a very important part, I think, as to why we should get on with necessary projects.

Being a city member, I believe this is a necessary project, not a spendthrift one. I think everybody recognizes that we may need to do it. If you agree with the concept, quite frankly now is the best time and the cheapest time to get on with it. I hope they support the recommendation.

MR. CHAIRMAN: Mr. Notley, Recommendation No. 29.

MR. NOTLEY: No. 29: that the trust fund be employed to support a new frontiers program along the lines of that called for in the Horner report of October 1981, with a target of 5 million new acres of agricultural land being available by 1989.

I might just point out, Mr. Chairman, that the Horner report estimated an inventory of land in the neighborhood of 35 million acres. I think that's somewhat higher than the figures I've seen from the department of Public Lands and Wildlife, which put it at a much lower figure, more in the neighborhood of between 5 million and 10 million acres of arable land.

We have in this province, I guess, the last agricultural frontier. The question is whether we should proceed at our current pace, which is modest, or whether we should quicken that. Again, I think the advantages of quickening it are that we would (a) offer opportunities for younger people to get into agriculture, and (b) we have many people in various operations who have had to sell their equipment now because of the slowdown in the energy industry, and this would be a way of putting the equipment to work cutting brush and this kind of thing, which is involved in any major clearing program.

The committee dealt with this on several previous occasions and did not endorse the specific proposal but one somewhat similar to it and more general in nature. As in the past when the committee has endorsed a principle, I think it has merit, and I hope members will support it this year.

MR. R. MOORE: Mr. Chairman, I am not too familiar with the Horner report. If I remember rightly this was one small segment of it. There were other factors of diversification in the agriculture industry. We are all aware that in the past Dr. Horner was not known as being overenthusiastic or overoptimistic in any of his recommendations. But I think he got a little carried away on 5 million acres of agricultural land being available.

MR. NOTLEY: He said 35.

MR. R. MOORE: Well then he did get a little carried away, which is out of character for Dr. Horner, as we all know.

Before we even consider this, we have to look at the dollars we're looking at for 5 million acres by 1989, the tremendous cost factor here related to the return. I just don't think a cost/benefit study would even consider such a recommendation. To my way of thinking, the other thing that makes it very, very unrealistic is that if we brought 5 million acres of new agricultural land into production by 1989, where in the "h" would we sell it? How would we move to market, or what would we do? We would just have one tremendous glut on the market. The whole thing just isn't realistic.

MR. NOTLEY: I think that where Dr. Horner may have been a little more optimistic, Mr. Moore is entirely too pessimistic. However, there is quite a difference between 35 million acres and 5 million acres. In terms of the trust fund, keep in mind that opening up agricultural land on a major scale would involve some capital outlay, but it would be recovered from the farmers as the land was sold. So there would be money coming back into the program, as we now have for that matter with the approach we take to homesteading; we sell the land. As a matter of fact, land goes for various amounts, as members in rural areas would probably be well aware. The question is whether we quicken that pace.

No one is suggesting we're going to be bringing 5 million acres in, in one year. But can we do a little better than 200,000 acres a year at best? Can we do a little better than a 40-year program? I think Dr. Horner saw the advantages of moving more quickly. Now, of course, we have problems with markets and always will. I suppose, Mr. Moore, we would have had farmers in the Red River valley saying: my god, what are they opening up that godforsaken Saskatchewan and Alberta for; that's going to provide a glut on the market. That's true, but we're all the better for it. At some point you have to decide: are you going to expand, move forward, open up new frontiers, or not; that's going to create problems.

On the very relevant issue you raise of moving the grain — and I think that's important — you'll note that we're just going to come to that, Mr. Moore. I think the question of how we move the grain is darned important. There's no point opening up new land unless we can get the grain to market. I think that's a matter that's dealt with in Recommendation 30.

MR. CHAIRMAN: Okay, then we'll proceed to Recommendation 30, Mr. Notley.

MR. KROEGER: Mr. Chairman, I would like to comment on this resolution, or has it gone by?

MR. CHAIRMAN: Well, if we follow the tradition this morning that after the member has introduced it and other members have participated on it, then they are given the privilege of closing it — that's worked remarkably well.

MR. NOTLEY: Perhaps Mr. Kroeger could comment on 29 in debate on 30, because the two are closely related.

MR. CHAIRMAN: Okay, then we'll safeguard the principle of operation.

MR. NOTLEY: We'll show flexibility. I'm sure that Beauchesne will be turning over in his grave.

Recommendation No. 30: that the committee urge the government to move immediately, in the interest of improved market access for northern Alberta, toward the

completion of the northern rail link to B.C., employing funds from the trust fund as necessary. The linkage of northern Alberta by rail with the massive Tumbler Ridge coal development will be especially crucial for northern economic development.

Mr. Chairman, in moving this, I just make it clear that rather than move immediately, I certainly would be prepared to see some modification, because I think there are implications, and strongly support a study or something of that nature. When we get to the final debate on yes or no, I certainly would be prepared to see an amendment. In several years in the past, I believe we have dealt with the subject in a general way, but urge the government to study rail links.

The reason for bringing this back, however, is that in the past we have talked about rail links from Spirit River to Dawson Creek, or Fairview to Fort St. John, or perhaps across a potential dam at Dunvegan. What I think we have to look at — and I say to members that this is one area that I think Economic Development has to study very closely — is the link southwest of Grande Prairie to Tumbler Ridge. I've flown over that territory; it's about 75 air miles from Grande Prairie to Tumbler Ridge. While I don't pretend to be any great engineer, it is an area that is much easier to put railbed in than most of the really difficult terrain we have tackled; i.e., north of Hinton to Grande Cache, then to Grande Prairie. It would link us with the Tumbler Ridge project where, as you know, both the federal and B.C. governments have poured hundreds of millions of dollars into infrastructure, including upgrading the BCR.

I know that this proposal has been formally advanced to the government by both the north and south districts of Unifarm in the Peace block, and I think it has a good deal of merit. Just in closing, I would say that I think what the committee should do, rather than urging immediate implementation, would be a specific commitment to study this proposal.

MR. KROEGER: Mr. Chairman, I've been exposed to a good deal of pressure on development of the north, and I'm extremely interested in it. Having met with the Northern Development Council and private people, spoken to chambers of commerce in the north, and so on, I guess you could tie these two together. If we have to justify a comment by linking two resolutions, I don't mind doing that.

The suggestion I was going to make on 29, and it relates to 30, is a matter of timing. If you keep in mind that the first recommendation that came from our commission to cabinet — to proceed with the identification of agricultural land that could benefit from drainage in northern Alberta — was approved, and that is under way. That's one side of it. At the same time, through the ECA, in a committee chaired by a former member of this group Charlie Stewart, a study is now going on, on land use. So we have a combination of that study going on and the process I've described that we're involved in. I guess it's more a matter of timing.

I have no disagreement, Mr. Chairman, with the suggestion Mr. Notley has made that we should be looking at beneficial development in northern Alberta. I think it's extremely important. However, I would not like to suggest that we start this process in 1984, for example.

MR. CHAIRMAN: Mr. Notley?

MR. NOTLEY: My arguments have been made.

MR. CHAIRMAN: I take it, Mr. Notley, that by the time we return on October 17 you may be changing a few words in No. 30 from "to move immediately" to "commitment to study". Recommendation No. 31, Mr. Martin.

MR. MARTIN: Mr. Chairman, Recommendation 31: that in the interest of job creation, as well as environmental protection, the committee urge the government to establish a

program which would be financed by the fund and which would have as its mandate the clean up of the North Saskatchewan and other polluted or unsafe Alberta river systems.

Mr. Chairman, we've been deliberately vague about how much here because, as we're well aware, there's some debate on how polluted some of the rivers are. Obviously, we'd have to take a look at it, but I partly use the argument that we've advanced before dealing with hazardous wastes: now would be the cheapest time to clean up our rivers. I think we all recognize there are problems. There are certainly problems in the North Saskatchewan. Whether it's as severe as some of the Journal reports made out, or whether you tend to want to listen to Mr. Bradley — you can take your choice on that matter. But there could be problems, and there will be more problems in the future if we don't do something.

I use the example of the River Thames in England, that has been documented, where they had to do something about the river. It was certainly worse than anything we face, but they have brought it back from what was officially a dead river to where I understand they can actually fish. Or as Betty Potts, who lives aboard a houseboat notes, says, when a workman fell into the river three years ago, he was quickly rushed to the hospital to have his stomach pumped out. She says, now I don't think the water would do you in. So depending on how extravagant the claims are, they have at least cleaned up the river.

These figures would not be particularly true now, although the figures would certainly have come down in terms of cleaning this up, and there would be the job creation aspect. They worked very closely with private industry along the River Thames, and the estimation is that the government spent some \$400 million through their water authority and private firms paid upwards of \$200 million at that time. But they have done what they needed to do, both in an environmental sense and in terms of getting the river back to where people can enjoy it. As I understand it, there is actually fishing in the river now.

The point I make here is that there may be other rivers. Of course the one that I'm relatively concerned about is the North Saskatchewan, seeing as I'm an Edmonton MLA. We hear reports of the Bow in Calgary being polluted. If it's not as serious as people are making out, then fine; it wouldn't take very much money to clean it up. But we know one thing, Mr. Chairman; if we continue with these rivers not having anything done to them, and we keep having all sorts of things fall into those rivers, it's going to cost more.

Again, it's like the LRT and hazardous wastes: we're going to pay a little now or a lot later. We think this is appropriate. There's a job creation aspect to it, too, but that's not the main reason for this. The main reason is that we need to do something with our rivers before it costs us a lot of money to clean them up.

MR. R. SPEAKER: I agree with what Mr. Martin has said in terms of our concern about the rivers. And it shouldn't only be the one that's mentioned here but, as well, the Bow River through Calgary and, maybe to a lesser degree, the Oldman River.

We've had this discussion in the heritage fund before, and what concerns me about the discussion we're having on a number of topics today is, what is ongoing and what should be special projects out of the heritage fund. In terms of this specific we're talking about, we're trying to pick up neglect by government that hasn't dealt with the problem through the General Revenue Fund. Because we have access to making recommendations on budget, we do it in this committee before it happens. When the budget comes down next March, it's a foregone conclusion that that's what the government's going to do, and if they don't have it budgeted, there isn't much we can do about it. So as a committee, we're trying to pick up what is being neglected by government and should be done by the General Revenue Fund, and that concerns me a bit.

As I talk to groups in the province, they're saying the very same thing Mr. Martin is saying. They're saying: look, we know the problem is there with the rivers; we must do something; this huge heritage fund that sits somewhere should be the source of our funds. They think there are billions of dollars sitting in some room up here in the

Legislature Building waiting to be allocated to special concerns they have. Hopefully, we in the committee know that funds don't exist in a room — and most likely the room doesn't exist as such — to be allocated. That certainly is a frustration in itself.

The problem is there. I think it is an ongoing responsibility of government through some kind of cost-sharing responsibility between the municipality, the polluter, and the provincial government. I don't think we're going to set that up through the heritage fund.

MR. CHAIRMAN: Mrs. Cripps, do you want to get involved?

MRS. CRIPPS: I just want to argue with him.

MR. KROEGER: First of all, if we're dealing with this resolution and where to go to work on it, I don't believe we should be identifying the North Saskatchewan River, for example, because the flow through the North Saskatchewan is about four times what it is in the Bow, and the pollution factor in the Bow is higher than it is out of Edmonton. So I don't think that the identifying of one river would be a good idea in any case.

Beyond that, we know that there are conversations going on now among the city of Calgary, industry, and government, as to whose responsibility it would be. That sort of thing hasn't been determined yet. And then some other options are being looked at on how to avoid some pollution so that this sort of thing doesn't have to occur. So it makes it a difficult resolution to tie to the heritage trust fund.

MR. MARTIN: With almost everything we talk about in the capital projects division, the argument could be made that it should come out of general revenue. I would accept that, and it would be nice if this had been done before. I guess the point I always come back to is that, looking at the general revenues of the province, we had a \$3 billion deficit when we count what we switched over from the heritage trust fund. I just don't see that there's going to be any room for special projects, if I can put it that way; it's probably a bad term. I wouldn't want a clean river being considered as somehow special.

I would perhaps philosophically agree that it should be out of general revenues, but I just don't think the ability to manoeuvre is there in the general revenues and, if it isn't done through the capital projects investment division, I don't think any of these are going to be done. That's my major concern about having it there.

I agree that the thing they were able to do in the Thames that was encouraging was that they were able to bring along the private sector, because they too saw that there was a problem. It was an example of very good co-operation. I mentioned the figures I've been able to pick up: 400 million came from government funds and another 200 million from the private sector, who were polluting, to change over their equipment. It certainly is a long-range problem.

My point about waiting with all these things, though, is that it's going to be more expensive in the future. It's always sort of a pass-the-buck situation, where one group says, we'll study it and we'll study it and we'll study it. Meanwhile, we know that as we wait and study it and study it, it's going to be more and more expensive to clean up the rivers.

I certainly agree with Mr. Kroeger's point about the North Saskatchewan and would be quite prepared to take that off. I didn't mean to specifically mention one river, and I did mention the Bow in my introductory remarks. It probably would have made more sense if we had just talked about Alberta river systems. If that is a problem, I would certainly pull that out before the next time.

I'm not even suggesting money at this point. I guess I'm saying that if there were even a token amount of money, that we set up the division so we can begin to be serious about looking into it and that people know the provincial government is serious, perhaps we could get down to looking at what is happening with the rivers. If we don't do anything, I think it's just going to go on and on until we have rivers that are officially

dead.

MR. CHAIRMAN: Mr. Musgreave. Recommendation No. 32.

MR. MUSGREAVE: Mr. Chairman, the recommendation is that a science and technological research foundation with funding of \$100 million be established to promote development of science, engineering, and new technology in Alberta.

Recent studies by the three universities of Alberta have indicated that such a foundation be established. They also want one established in the social sciences. From the success I've seen already of the Alberta medical foundation, I think that something of this nature would be a significant contribution toward diversifying our economy. It follows from a recommendation this committee made previously; that was that one of the difficulties facing our province was not enough opportunity for young people to continue at university, particularly in the hard sciences. Because of the heritage scholarship program, this problem has been somewhat overcome. This would be a natural support to the scholarship program, because there are obviously going to be science graduates in engineering and all the other sciences that would be interested in developing new technology. I think this foundation would create a vehicle through which they could get funds and do work of a constructive nature.

MR. CHAIRMAN: We ask you, Mr. Musgreave, to proceed to Recommendation 33.

MR. MUSGREAVE: Recommendation No. 33: that a technological bridging foundation to be administered by the Alberta Research Council be established. The foundation would provide funds for inventors or researchers to move their products or ideas from the pilot stage to the manufacturing stage where they could secure venture capital.

The suggestion here, Mr. Chairman, is that many inventors and/or researchers — and I'm talking now of those on a smaller scale, not associated with large companies — need some money to get their operation going. This would give them the ability, in effect, to set up shop. The venture capital company, as I understand it, can only loan money to a business that has a program and knows what it's going to do.

Mr. Chairman, this is similar to a program that is being conducted in Saskatchewan through their heritage fund. I am waiting for more detailed information, and I'd rather just let this sit until we next discuss it. I hope I will have more information at that time.

MR. CHAIRMAN: Well, Mr. Musgreave, you have overwhelmed all the members of the committee on that one. We will move to Recommendation No. 34, Mrs. Cripps.

MRS. CRIPPS: Mr. Chairman, I think this is a long-term recommendation, because urban parks projects are under way in the province, and I recognize that funding for any further development will not be forthcoming in the immediate term. My recommendation is that consideration be given to the establishment of an urban parks program for Alberta's towns and villages.

The city parks program has been a favorite of all citizens of the five major centres which benefited from the development of these city parks. I believe the program has been expanded to include other cities, such as Grande Prairie, Medicine Hat, and Lethbridge. That leaves the towns and villages of the province at a disadvantage because they don't have any program which would cover their needs. So what I am recommending is that once the present city parks program is completed, consideration be given to Alberta's towns and villages for the establishment of parks in their centres.

I think parks are extremely important to urban centres because they are a means of getting away from the everyday hustle and bustle and pressures of urban living. That, to a degree, is found in the towns and villages in the province of Alberta.

MR. THOMPSON: I understand that we now have a government program through Peter Trynchy's department to establish small parks in rural Alberta. For clarification, is this to be inside the towns and villages? Is it going to be a little village square? Could you clarify, Shirley, what you are trying to get at? Most towns and villages are out in the country anyway.

MRS. CRIPPS: No, it certainly isn't a little village square. Far be it from me to tell the towns and villages in the province of Alberta what they need. I think it has to be established in concert with the municipal councils. I don't know how many millions of dollars we have spent on Fish Creek park in Calgary or we are spending on the Lethbridge city park. Just because you live in a town of 5,000 or 8,000 people and have not attained city status, you shouldn't be denied programs which at the present time are only for cities in the province of Alberta.

MR. CHAIRMAN: We will move to Recommendation No. 35, Mrs. Cripps.

MRS. CRIPPS: Recommendation No. 35: that consideration be given for early development of a recreational facility or facilities in west-central Alberta, similar to those being developed in Kananaskis Country.

For the last three years we've heard the plaudits for Kananaskis Country. People living north of Red Deer have looked forward to the development of a second Kananaskis, a son of Kananaskis, or whatever you want to call it, for a considerable time. I believe that the Kootenay Plains area, north to Edson, has ideal developmental potential for a second Kananaskis area. It has tremendous tourism potential. For long-term consideration, I would like to see that area of the Eastern Slopes considered for a second Kananaskis development.

MR. MARTIN: I rise in fear and trepidation of being against parks; that's not very popular. But I think we've heard about costs on other proposals. Perhaps there will be, sometime in the future, a need for a park in this area. Many people would question the need for Kananaskis. Not everybody said it was necessary at the time and, of course, we ran into many cost overruns there.

When we look at the spending, while I agree that it would put some people back to work, and I've made that case for other things, I do not see the same need for a park of the major size of Kananaskis in other parts of Alberta at this specific time. I think it's something we can do without for the time being. While I didn't speak on it, certainly Recommendation No. 34, the urban parks program, might make more sense because more people are going to go to them. But I really question the need in this time of restraint for another, if you like, Kananaskis north. At some point, it might be something we want to look into. But, of course, then you run into problems about what kind of park you want. I am sure that the hon. member is aware that many people want a more natural park; other people want a park with nice motels and nice rooms, golf courses, and all the rest of it. I am not convinced at this time that it should be a high priority over some of the other things that we are going to have to have just to exist as a society.

MRS. CRIPPS: Mr. Chairman, I will save any further comments I have.

MR. CHAIRMAN: Recommendation No. 36, Mr. Notley.

MR. NOTLEY: Recommendation No. 36: that the committee urge the government to reject proposals to privatize Alberta Government Telephones.

This is not just an effort on behalf of my colleague and I to pull the lion's tail, Mr. Chairman. I am glad the member from Edmonton Whitemud is back. We do, of course, have a substantial investment in AGT, and we will come to that a little later on. In many

respects, I think some of those bonds in AGT could be put on the market, as appropriate, because we have a good credit rating in the province. But that's another item.

The point that needs to be made is that the people of Alberta own AGT, and the people of Edmonton own Edmonton Telephones. We have had problems over the years in the sharing of toll revenues. I have the Milvain report before me. There were four recommendations in the report, but the first recommendation is really the reason for this particular proposal. The first recommendation is that we have a new company created which would take over both AGT and Edmonton Telephones, and we would then sell shares in that company to the public. I suppose it would be somewhat like the Alberta Energy Company, although the Milvain report is somewhat short on details. One can only presume from the tenor of Recommendation No. 1 that we would be AEC-ing the AGT after acquiring Edmonton Telephones.

I realize that this is not government policy yet but is the result of a task force which has been commissioned by the government. I think, however, as we look at what is one of the larger investments from our trust fund — the amount of money we have in AGT — it is appropriate for us as a committee to ask ourselves whether or not this is the proper route to follow with one of our major investments as a province. And I say, number one, are there better ways of dealing with the toll dispute between Edmonton Telephones on the one hand and AGT on the other? Number two, I really question the advisability of the concept of semiprivatizing a Crown corporation which is already 100 per cent owned by all the people of Alberta and which, if profits are made — profits are not always made, but often they are — go into general revenue and help all the people of Alberta. Similarly, in the case of the city of Edmonton, we all know the tax rates in this city are consistently lower than they would otherwise be because of the prudent investment by past councils in their own utility system, a major part of which is their telephone system.

On an issue that will probably gather momentum and, I suspect, even be debated during the next two or three weeks of specific campaign, my colleague and I are frankly opposed to Recommendation 1 in the Milvain report and want to make it clear that as far as a major investment from the trust fund, we don't think the semiprivatization of that investment is in the public interest.

MR. R. MOORE: Mr. Chairman, when I look at this recommendation I would certainly like to debate it, because I'm a strong supporter of privatization of government services. But I don't think this is the arena where we should be taking our time debating or even considering this. If I read it right, it isn't our role as a committee to be deciding on the merits of privatization versus government operation. That is not within our mandate as a committee. I stand to be corrected on that, but I feel we shouldn't even be considering it or making recommendations in those areas. There are other areas, within the Legislature and other areas, where this could be brought forward.

MR. ALEXANDER: Mr. Chairman, just following up where Mr. Moore left off, I think he's quite right. Even if it were a good recommendation for us, I also think it would be out of order. If this is a heritage fund watchdog committee — members have been trying to educate me to the difference between the investment world and the political world here; maybe I'll learn eventually. I might point out that the heritage fund holds debentures in the Alberta Government Telephones system. It is corporate procedure, at least, to vote on debentures only when they're in default. As far as I know, the bonds are not in default. So I suggest that it is not within the purview of a committee reviewing the investment portfolio of the heritage fund to recommend against such activities as the corporate directors might take, at least until the bonds are in default.

Leaving that technicality aside and returning to the real world of politics, it seems a little ... Funnily enough, item No. 40 which we'll come to shortly — actually I am awake, Ray; I've read ahead a little bit here and got to item No. 40 — I find myself in agreement with. I think it's an excellent idea, but I'm a little puzzled as to how one can

recommend the sale of debentures in all of these corporations, when the cost can be recouped perhaps plus something, and then be opposed to what may be precisely the same thing in item No. 36. In other words, the sale of the debentures of Alberta Government Telephones might result in the heritage fund having no further interest in AGT — if they could be sold — and at that point in time the matter would not be before this committee and would be, as Mr. Moore has pointed out, somewhere else, perhaps in the Legislature. One can debate the merits of decisions in the past, whether or not they were wise or to the benefit of the public at large. That also is a purely political discussion.

I certainly can't support this item, since there is little question that, over the long term, operations like utilities have been run more efficiently in the private sector. I still maintain that there is a possibility of working toward better efficiency, even within the political system.

MRS. CRIPPS: Mr. Chairman, Mr. Alexander covered my point. I only wanted to know how Mr. Notley could reconcile Recommendation No. 36 with Recommendation No. 40, and maybe he'd explain it.

MR. ANDERSON: Mr. Chairman, I'm actually quite surprised by this resolution. It's not usually the member's way to present one that isn't at least loosely within the parameters of this committee, but I really suggest this one is not. It is much better placed in the Legislature. We're also in a position of dealing with an issue that hasn't even been raised within this committee, certainly, or within the Legislature as well. I even wonder if turning this motion down isn't like saying, when did you stop beating your wife. If we turn it down, we're announcing that we are going to privatize AGT. If we pass it — I don't know what happens to a motion which is not within the parameters of this committee. So I have a great deal of difficulty with it on that basis; I also would have philosophically. But purely from the point of view of it not being, in my opinion, in order at all in this committee, I'd have to vote against it for that reason, making it clear that that doesn't constitute, on behalf of any of us, a decision yet as to where AGT is going.

MR. R. SPEAKER: On the first point, I would agree. I don't think the resolution or motion is in order. I would not agree with the resolution in its form.

The only comment I was going to make relates to Mr. Notley's last comment that the Heritage Savings Trust Fund as such should not be used to privatize Alberta Government Telephones in any way. Something like that I may be able to support. I think that's the intent, but it isn't saying that in the resolution.

MR. NOTLEY: I'm very accommodating. It's even possible that we might be able to reword the resolution. I just want to make a couple of very quick comments. One, Mrs. Cripps had asked to reconcile 36 and 40, and I think the difference is quite important. In 40 we're talking about the sale of those debentures, as we can on the capital markets, but they remain debentures; they're not voting shares. In Recommendation 1 of the Milvain report, we're talking about a different concept. We're talking about selling voting shares to the public. That public would, perhaps, even mean the corporate public as well; it probably would if we take the AEC as an example. So in one case we're talking about shifting some of our trust fund, non-voting debenture investment, loan capital if you like. In another case, we are talking about no sale of equity in something which is already owned by the public. I think that's the difference there.

I would just quarrel in a gentle way with my colleagues on the committee who say this is not within the purview of the committee. While it is technically correct, as Mr. Alexander points out, that we have debentures which are non-voting unless AGT is in default, the fact of the matter is that we have reviewed reports over the years in which a substantial portion — as a matter of fact, the second largest investment, period, only after the Home Mortgage Corporation — is in AGT. I think, as such, it is not

inappropriate for us to evaluate in this committee the structure of the vehicle that we have chosen to put almost \$2 billion of heritage trust fund investments in and whether the nature of that vehicle should be changed. I would argue that that is within the purview of the committee. Whether members agree with the position that my colleague and I take, of course, is quite beside the point. We will debate that at the appropriate time and place. But I would argue that it is in order.

MR. CHAIRMAN: Recommendation No. 37. Mr. Anderson.

MR. ANDERSON: Mr. Chairman, it reads: that the standing committee endorse the use of moneys from the Alberta Heritage Savings Trust Fund for interest rate shielding programs.

This is merely an attempt to ensure that the committee approves of the moves that have been made with respect to the interest rate shielding programs in the business area and with respect to home-owners. Personally, in speaking to it, there is absolutely no doubt that Albertans have benefited a great deal from this. I believe that many have been saved from foreclosures specifically because of the interest rate shielding program. Given the peculiar economic circumstances that the province has faced, this is a move that should have been made and needs to be made. But, to date, this committee has not had an opportunity to express its feelings one way or another on this kind of use of dollars that would normally come into the heritage fund. Being that we are the legislative arm that deals with the Heritage Savings Trust Fund, we should have that opportunity, and this motion is designed to give us that.

MR. ALEXANDER: Mr. Chairman, perhaps the mover has already answered my question. In clarifying the endorsement of the use of moneys for interest rate shielding programs, I think he was designating what has been done. If we are stamping what has already been done, I have no problem with that, because it has already been done and approved by the people of Alberta and the authorities that are required to approve such things.

However, if he is raising the possibility that the committee should endorse the use of moneys in similar ways in the future, then I have reservations. I can't support that part, simply because I propose, when I eventually catch up to the crowd here, to make a resolution myself that the heritage fund does not, in the future, loan money below market rates. That tends to cause distortions, the effects of which may not be obvious immediately but will be obvious sometime.

Frankly, if we're looking for an endorsement of what has been done, I am all in favor of that. If we're suggesting that we endorse the use of moneys for similar kinds of programs in the future, I am afraid I can't endorse it.

MR. MARTIN: Like Mr. Alexander, I thought we were talking about moving in the future. Dennis, you are sort of congratulating the government for what they've already done.

MR. NOTLEY: The voters did that.

MR. MARTIN: In that case, I don't see any point in continuing with the resolution, because it's largely irrelevant. The only point I would make is if we are going to get into interest rate shielding in the future, we suggest that there is a better way to do it with our own institutions. I hate to seem parochial, but when we want to stimulate the economy by interest rate shielding, the major institutions certainly get their share. They get the going rate, so it's not distortion in that sense. A lot of that money, of course, will go outside the province.

Rather than debate all over again what was an election issue, now that I understand

that you are only congratulating yourselves for the last election, we won't get into that specific debate, because it's probably not relevant for the resolution.

MR. MUSGREAVE: I was just going to say, as Mr. Notley pointed out — or was it Mr. Martin? — obviously voters endorsed it in the last election.

I have some difficulty with it, though, in that this committee is then put into the position that we in effect could be assessing all the recommendations we make, and then the ones that the government accepts and puts into practice, we put in a motion of approval. What are we going to do with the ones that they don't accept? That presents a little dilemma.

I can think of one resolution we put forward, and it took us about two or three years to get it through, but I think it was an excellent one. That was the heritage savings scholarship program. It was fantastic in my opinion, but we have never put forward a resolution endorsing it. Maybe we should. I leave it at that.

MR. ANDERSON: Mr. Chairman, first of all to Mr. Alexander, I verify that it deals with past programs, with no presumption of what will take place in the future one way or another.

With respect to Mr. Musgreave's comments, I feel that the difference with this particular area is that this is the first time we have used heritage trust fund dollars in that way. To the best of my knowledge, it did not result from an original recommendation from this committee. I think it's important that we either approve or not approve — and of course by the resolution, I suggest approve — the use that has been made in this regard.

With those few remarks, I will leave it until our next discussion, Mr. Chairman.

MR. CHAIRMAN: Recommendation No. 38, Mr. Moore.

MR. R. MOORE: On behalf of Stan Nelson, I will enter this into the record with no comment: that the Provincial Treasurer and the investment committee of the Alberta Heritage Savings Trust Fund give serious and early consideration to developing a small business development bond for small Alberta businesses. The small business development bond should be developed in a manner that would provide small businesses with the opportunity to obtain low interest loans from the usual financial lending institutions.

MR. CHAIRMAN: Recommendation No. 39, Mr. Martin.

MR. MARTIN: Recommendation No. 39: that in the interest of diversification and the protection and development of Alberta-owned businesses, the committee recommend not only increasing the allocation of funds to the Alberta Opportunity Company to \$500 million but also that the policy of AOC as a lender of last resort be dispensed with.

Mr. Chairman, there are two or three major reasons why we are advocating this at this specific time. One of them, of course, has to do with economic diversification. It is clear to me and my colleague that the quickest way to diversification is often through the small business sector. The other part of economic diversification is the employment factor. I believe the figure is that somewhere around 60 per cent of people employed in this province are employed by the small business sector.

As we well know, there have been a lot of problems with small businesses. If you look at the foreclosure rate in the province, it's the highest in Canada. You see small business after small business going under. It was mentioned, I believe by Mr. Parker, that they've had to switch; rather than encouraging new businesses, in the recession, it's a matter of trying to hang on to whatever we have at this specific time. Their lending policies changed slightly. What we are saying, in terms of employment, which leads to diversification — we have people spending money — is that we have to do something for

the small business sector.

I understand the intent of AOC being a lender of last resort, and I think that was okay during good times, perhaps we could gamble a little bit. I think we have to get some successful small businesses moving in this province. I don't want them necessarily to be the lender of last resort. I think there's money needed right now, and I think we need to increase this. I don't think this is spending more money; I think this will pay us back many times more. I would just suggest that rather than all sorts of other gimmicks, if we moved this up to \$500 million, I think it would have a very stimulative effect on the Alberta economy and would create jobs and get on with diversification. That's why I'm advocating this recommendation at this time.

MR. HYLAND: Mr. Chairman, as the member said, AOC was originally developed for a specific purpose, and that was as a lender of last resort. If we remove the lender of last resort designation with AOC, aren't we then competing directly with the established treasury branch, which is somewhat of a government agency? I think in the respect of being an agent of the government, treasury branch has been successful in standing on its own. I know we as MLAs probably all get calls about loans through AOC and ADC from people who weren't satisfied, yet we never seem to get — or at least I never do — calls from people who've been turned down for loans with treasury branches, because they've been successful to work as a bank and have some innovative programs that other banks don't have.

Wouldn't it be better to leave AOC as a lender of last resort and, if warranted expand into that field through the treasury branches, something that is in existence?

MR. ALEXANDER: Mr. Chairman, I confess to being confused. I think the confusion is around the opposite direction to what I hear Mr. Hyland saying. If this resolution is to make any sense, it's not to go back or to sort of tick off the last resort aspect of the whole thing and move back towards the conventional banking business. If it's going to make any sense, it has to go the other way, doesn't it? In other words, what I've heard so far is that we've got to do something for small business; to get diversification, we need small business and all that sort of thing.

AOC as a lender of last resort: I've asked in this particular committee for a definition of that. I don't understand what it means, and I'm not altogether sure that I've heard any really clear explanation of what a lender of last resort really does, except pick up loans that nobody else wants.

The problem I have with it is that I not only don't agree with funding it further on its present basis as a lender of last resort, I don't agree with removing the lender of last resort until somebody defines for me what exactly it's going to be when that's removed. If it's going to be another bank without the caveat of last resort lender, then I'm with Alan Hyland. I think the treasury branch is the conventional lender. We just got a new fund in the system to do those kinds of things, and I don't believe we need another one.

But I'm not at all clear that's what's being said, so I'd appreciate it if Mr. Martin might clarify in his concluding remarks just exactly what he means by removing the qualification of the lender of last resort. Are you suggesting that it ought to become a more conventional lender like the treasury branches or like the other banks or investment banks, or in fact go the other way and just become a lender any way, a lender of any resort, without qualification? If you're suggesting that, then I have another problem.

The Canadian Federation of Independent Business and small business produced a statistic that I saw last week that I found a little bit alarming. It appears that debt held by conventional lending institutions on the part of small businesses in Canada and in Alberta is secured by other assets to the extent of 90 per cent. In other words, small business men in this country have now devoted other assets — such as their life insurance policies, their houses, their cars, their securities, whatever else they may have — to the bank in exchange for small business loans. Incidentally, that number has risen from a

level of about 45 per cent three or four years ago to 92 per cent now. In other words, for a small business man to get a loan from any lending institution in Canada at the moment, he really has to secure it almost to the level of 90 per cent with other assets in addition to those of the business. From that statistic, it becomes perfectly clear that what small businesses need, and what economic diversification needs, is not more loans; it's equity. I don't think this really addresses the problem of how small businesses raise more equity, nor does it address my fundamental problem with the whole matter, and that is, how small businesses and business men raise equity and keep it once they've raised it; i.e., reduce the punitive nature of the tax system.

So I can't see how we could support this, since it's driving in the wrong direction from the needs of small business at the present moment, and I'm not at all clear what a lending organization does when it dispenses with its last resort qualification, whatever that may be. So I need some clarification.

MR. MARTIN: Mr. Chairman, let me try to clarify a couple of things. First of all, the reason I dealt with AOC — I agree with you, Mr. Alexander. I don't know what a lender of last resort is; if that means you're almost doomed to be a failure before we give you a loan, or what it means. I don't think it makes any sense, especially in a recession. Frankly, I would be quite happy to abolish AOC if that extra money were put through the treasury branches. I agree with Mr. Hyland; they know how to lend money. We advocated that, if you recall, during the election. But politically I didn't think the committee would go for abolishing AOC and putting money in the treasury branches, so we came at it in this direction.

I think I agree with Mr. Alexander that equity is serious, but it's like farmers: it's always a cash flow problem for small business. With the recession, of course, that cash flow is very difficult. That's why we're having all the foreclosures from businesses very successful in the past. We're seeing businesses that have been around 80 or 90 years, people that obviously had some business experience, going down the tube in these particular times. I agree that they need to get more equity, that they're in over their heads in terms of having to borrow. That was part of the '70s, if you like. We were all caught into expansion, and we thought the good times were going to flow forever.

Where you and I would disagree, I think . . . Because they have loans, perhaps one of the things we can do to stimulate the economy — I know you'll say there'll be a distortion; there probably will; but if that means keeping people in business, I'm willing to do that — is to have lower interest loans through our treasury branches. The reason I agree with the treasury branches — but, as I said, politically I thought we'd have to do it through AOC — is partly to keep the businesses together that we have right now. But I don't want us frittering away money; we can't experiment any more. We have to take solid businesses, even with the cash flow problems they're facing, and see what we can do with them in terms of loans. If we don't, the alternative is foreclosure. I suppose that's the market place, and some people of the new right would argue that that's the way it is; some firms get bigger and some get smaller. I don't happen to agree with that philosophy. It scares me, because I see the backbone of this province being the small businesses, and I'm not talking about fly-by-nighters or people that come in without business experience. I'm talking about businesses that, as I said, have been around a long time.

The other thing we can do to help the cash flow — and I've argued that as much as possible — is that there is a tremendous cash flow problem with small business when we have a high unemployment rate, because people are the ones that go to small businesses. They create the demand, and if they don't have the purchasing power, then they're not going to have the demand and they're not going to get equity. But I think they need some help right now. When I talk to a lot of small business people in my area, it's difficult for them to get loans. The banks are getting tougher about it; there's no doubt about that. I just think it's important for us as members of the Legislature to deal

with the problem as I see it.

MR. CHAIRMAN: Mr. Notley, Recommendation No. 40.

MR. NOTLEY: Mr. Chairman, Recommendation No. 40: that the committee recommend the debentures currently held by the trust fund in the Alberta Opportunity Company, the Alberta Agricultural Development Corporation, the Municipal Financing Corporation, the Home Mortgage Corporation, the Housing Corporation, and AGT be sold when and as conditions in the market are such that the investment from the fund represented by the debentures can be recouped at or above cost.

Mr. Chairman, the basic reason for this recommendation is not, as it might appear at first glance to some, to privatize these Crown corporations but in fact to free some of the trust fund money for other purposes. It really goes in tandem with our proposal that we think the emphasis has to be on diversification. The question is, where are we going to get the money? If one looks at the trust fund — I suppose two or three years ago when the energy agreement was signed and we looked at \$64 billion revenue to the province, a third of which would go to the trust fund, one would say that we would look at future revenue. But with that revenue drastically cut back, there just isn't going to be a lot of future revenue. So we have to ask ourselves to what extent are some of these debentures marketable. Not all of them are; not all of them could be marketed. It would be misleading to suggest that even a majority of these debentures could be marketed without substantial loss to the trust fund.

The point my colleague and I are making is that as it becomes possible to market them and use the strong financial base and good credit rating of the province to substitute trust fund money for other debentures we can get from the money markets, let's do that. That would gradually free not vast amounts but additional funds for other purposes. We would argue, of course, that those other purposes should be diversification of the economy.

I think it has been a convenient place, Mr. Chairman, to invest funds and, if one looks just at the saving aspect of the trust fund, not all that bad a place, frankly. But if one sees the trust fund playing a more activist role, particularly if one sees diversification having a higher profile, then the question is, to what extent should we be selling some of these debentures, as markets permit, and using the money for other worth-while projects?

MR. THOMPSON: Mr. Chairman, as I understand the heritage trust fund, we have three divisions, maybe it's four by now. It was set out originally to have a certain balance between different areas, and I think it's been very successful in that. Obviously, there are two or three of the recommendations we're speaking to today that would like to see that balance or ratio, call it what you will, changed. I for one think that, obviously, we're trustees of the people of Alberta's money, and we have to be very careful how we handle it. I do believe there's a place in the fund for what we are doing. We get — I don't know how much — half a billion dollars or so interest a year now. It will grow. I do not believe that we should sell off our investments — and I think they're gold plated — and turn around and put them in some other projects, no matter how worth while they are. I think that would go completely against the original concept of the fund.

If you believe as I do on this and you sell these securities, what are you going to replace them with? As the Member for Spirit River-Fairview says, I think we have some pretty gold-plated investments here. It's like the farmer that sells his farm and goes around and decides he has to buy another farm because he can't find anything more secure. So I really don't think we should tinker too much with the system that's in place at the present time.

MR. ALEXANDER: Mr. Chairman, I almost had a unique event in my life here just a

minute ago. Mr. Notley had me 97 per cent on his side right up until he said, if the AHSTF is going "to play a more activist role"; then I fell off the train. Until that point, as a matter of fact, this recommendation very closely paralleled one I had made previously to people in Treasury. My recommendation was made for a reason that he didn't mention, and that is that I think it's very healthy for government investment pools, or anybody's portfolio, to submit the investments in the portfolio to a market test every once in a while. It helps to know what kinds of investments you've made, and the way you test that is to try to sell them in the market place and see what you can get for them.

Too often we tend to sort of make investments on the part of the government, take them into our bailiwick, and spend the rest of our political careers either feeding them or protecting them in some way or other. I think this is a good recommendation in the sense that it submits the investments to a market test. I've made that recommendation, particularly in the matter of Alberta Housing Corporation in some of the mortgage portfolio.

However, I think I also don't quite share Mr. Thompson's worry about other investments. I think other investments of equal merit can be made. I think the resolution does not speak to the reinvestment of the funds. I'm glad that it doesn't, because only when it gets to that point do I disagree with the resolution as to how the funds might be deployed. They would be deployed in other investments, which I'm sure the investment committee would approve. Other than that, I think it has the merit of submitting those investments to a market test, creating cash for other investments that we may see as being useful, not more activist ones in my view. I think the resolution as it stands and is worded is a good one.

MR. NOTLEY: Fine. Great.

MR. MARTIN: For whatever reason.

MR. NOTLEY: Obviously, the best speech I've made all day. Mr. Chairman, I wonder if I could just have the indulgence of the committee; I have an appointment at four o'clock. With respect to No. 41, there is some material I'm having my office prepare that I am going to send to each member of the committee from a conference in Calgary on the use of Canadian coal. With that information, I'm sorry I'm going to have to absent myself now. My colleague will read the resolutions into the order paper.

MR. CHAIRMAN: Forty-one and 42.

MR. MARTIN: Are there any big words?

All right, 41: inasmuch as foreign importers of Canadian coal presently import coal from various sources and custom blend that coal; inasmuch as many Canadian coal users import specific coal types from the U.S. rather than blending from Canadian sources; and inasmuch as present Canadian coal sources, including Alberta sources, offer a wide variety of coal which could be blended to meet all Canadian requirements, that the committee urge the government to explore the possibility of investing fund money in a joint federal/provincial effort to establish a Canadian coal blending industry.

MR. HYLAND: Mr. Chairman, I assume then, from the Member for Spirit River-Fairview's comments, that we won't be discussing this till he supplies us with further information, so I guess we'll get it on the 17th or 18th, whatever.

MR. MARTIN: My understanding is that they're getting it together today and getting it to the chairman so he'd have it well ahead.

MR. CHAIRMAN: Okay, 42 then, please.

MR. ALEXANDER: Are we not going to discuss it?

MR. CHAIRMAN: Oh, well, we certainly can. It's just that nobody had attracted my attention.

MR. MARTIN: That's fine. I thought we'd follow the things as we did with Mr. Nelson. I could talk a little bit about it if I had to, but I'd rather have Mr. Notley here.

Okay, 42: that the committee recommend trust fund investment in the construction of a heavy oil upgrader as a crucial first step in an effort to re-establish the drilling industry and provide employment in the province while making an important contribution to energy security in Canada.

MR. CHAIRMAN: Ladies and gentlemen, that now brings us to the conclusion. I found the discussion today absolutely fascinating, most interesting, and I really want to congratulate all members for their excellent participation.

Just so there is completely no misunderstanding about where we're going with this, I'm going to try to reiterate the position we've all agreed to take on this. We will return on October 17 in the afternoon; we have a meeting scheduled from two o'clock to five o'clock. On the 18th we have meetings scheduled from 10 till noon, from 2 to 5, and from 8 to whatever, in the event that they are necessary and needed.

What we will do when we return on the 17th is get into the nuts and bolts decision-making of these recommendations. I'm not sure that it will really be necessary to have members read into the record again the particular recommendation they have, unless there is a change they want to propose to it. We will then proceed to as much additional discussion as you want with respect to each of these recommendations. Then we will have a vote, and I would ask you to determine between now and October 17 exactly how we would want the vote. I don't have to know what the decision of the committee is until that time. Do you want a recorded vote? Do you want to vote by hands, and then I say it's yea or nay, and your names will go into the record either in support of or against the recommendation? That's really the only decision you have to make before then.

So in the meantime we've got a number of days in which committee members can wheel and deal, discuss, and what have you, with particular reference to each one of these recommendations.

MR. R. SPEAKER: I believe the other decision we made at an earlier meeting was that following presentations, such as the one by the Premier tomorrow, or questions, further recommendations can be made. Does that still stand?

MR. CHAIRMAN: I need to clarify that. That's correct. The understanding we have is that members can provide additional recommendations to — I would really ask if you could have them to me by about one o'clock tomorrow afternoon. We have the Premier coming in tomorrow at 10 o'clock, have him scheduled from 10 till noon. If I could have them by one o'clock, what I would do is have them added to this document as an addendum list, as you have submitted them, and I will have them circulated, hopefully no later than Thursday, to all Members of the Legislative Assembly.

MRS. CRIPPS: That would cover the Premier's discussions and Don Sparrow's?

MR. CHAIRMAN: That's correct. And Mr. Adair yesterday as well.

MR. R. MOORE: It doesn't go back before Friday; anything before Friday we've covered with these recommendations.

MR. CHAIRMAN: [Inaudible] the ministers, but if it's a philosophic thing, I think most members would argue that they might want to withhold those philosophic recommendations until after the discussion with the Premier tomorrow. That was the understanding. I think I would have a difficult time putting on that addendum a recommendation that would refer specifically to an environment project or a transportation project or the like. I think that was the general understanding everybody had.

Thank you very much then. We'll adjourn and reconvene tomorrow morning at ten o'clock. And thank you very much again for the most stimulating afternoon and morning.

[The meeting adjourned at 4:02 p.m.]