

[Chairman: Mr. Kowalski]

[10 a.m.]

MR. CHAIRMAN: Good morning, ladies and gentlemen. Welcome to the ninth session of meetings of the Standing Committee on the Alberta Heritage Savings Trust Fund Act.

A few administrative details before we meet with the Hon. Lou Hyndman, Provincial Treasurer. First of all, returning with us this year is our committee secretary, Miss Ann Conroy. In recent days she has circulated to all members a black binder that has schedules and agenda and other pertinent documentation that members of the committee might wish to utilize. But as is always the case with so many distinguished colleagues and eminent statesmen of the province of Alberta, inevitably there are changes in agenda.

In the black binder you have an index and a schedule of appearances dated July 31, and in the last few hours there have been several changes. By 2 o'clock this afternoon, Miss Conroy will be circulating a revised agenda to all committee members, and perhaps at that time I'll make mention of the revisions. But now I would like simply to do a quick overview of the schedule of appearances we have for 1985, beginning this morning with Mr. Hyndman, the Provincial Treasurer.

This afternoon the committee will meet at 2 o'clock with the Auditor General. Tomorrow morning at 10 o'clock we will be meeting with the Alberta Heritage Foundation for Medical Research. On Monday, August 12, discussion of recommendations was scheduled, which originally had Mr. Marvin Moore. Marvin Moore cannot attend on Monday, the 12th, so we've put in "discussion of recommendations", but it might very well be that at 2 o'clock this afternoon committee members might suggest that that would be a bit premature and would want to have that meeting for Monday, August 12, cancelled.

On Tuesday, August 13, in the morning, we have scheduled a discussion of recommendations; in the afternoon, the Hon. Bill Diachuk. Mr. Moore has been rescheduled to Monday, August 19, 1985. That also required a change because Mr. Russell was previously scheduled on that day and has now moved to Tuesday, August 20, 1985. Those basically should be the adjustments that were made to the original schedule.

In the afternoon of August 20: the Hon. John Zaozirny. August 21, in the morning: discussion of recommendations; in the afternoon we'll be meeting with the Hon. Hugh Planche, Minister of Economic Development. On Thursday, August 22, as a result of a request made by committee members last year when we were meeting, we have built in a visit to Fort McMurray to view Syncrude. The schedule we would follow would be to fly to Fort McMurray on the regularly scheduled Pacific Western Airlines morning flight that I think departs Edmonton Municipal Airport at 7:40, and return from Fort McMurray that evening by the regularly scheduled Pacific Western Airlines flight that I think originates in Fort McMurray at 7:30. In the next number of days we will be having the complete agenda for the overview of Fort McMurray and Syncrude available to you, but I would like those committee members who still wish to follow through on that particular visit to perhaps confirm with me today.

On Friday, August 23, again as a result of requests made of me last year by members of the select committee, there was a suggestion that we would visit the Paddle River damsite. It so happens that the official opening of the Paddle River dam has been scheduled for Friday, August 23, so we will be making arrangements to convey members to that particular damsite on that day. In all likelihood, we would have an arrangement whereby a small van would be available to take committee members, perhaps leaving Edmonton at approximately 11:30 in the morning and returning to Edmonton at approximately 5 o'clock in the afternoon.

On Monday, August 26, the Hon. Peter Lougheed, our Premier, will be appearing as a witness before the committee. We've set aside Tuesday, August 27, for discussion of recommendations; Wednesday, August 28, in the morning, the Hon. Peter Trynchy; in the afternoon, the Hon. LeRoy Fjordbotten; on Thursday, August 29, the Hon. Fred Bradley; then on Wednesday, September 4, two ministers, the Hon. Dick Johnston and the Hon. Don Sparrow; on Thursday, September 5, the Hon. Larry Shaben; on Wednesday, September 11, the Hon. Bill Payne; and on Thursday, September 12, the Hon. Al Adair.

This schedule has been compressed as compared to previous years, again as a direct

result of suggestions made by committee members. The schedule we now have is approximately three weeks to one month shorter than it was in previous years. If all goes according to plan, it would be my view that a determination of the meetings of the select committee — while there may be a requirement to have several more days of meetings in mid-September as a result of the discussion of recommendations, it would be my intent, at the conclusion of the scheduled meetings and the ones that may still be fitted into the schedule, to write the report and present it to the committee by no later than perhaps mid-October to the third week of October.

As well, I would like to welcome a new member to the Standing Committee on the Alberta Heritage Savings Trust Fund Act, the hon. Member for Spirit River-Fairview, Mr. Jim Gurnett. This is your first opportunity to participate in discussions of this particular committee. Welcome, Mr. Gurnett.

In recent weeks, the Provincial Treasurer has followed through on the requirements made of him by statutes of our Legislature, and on July 19, 1985, made available to all Members of the Legislative Assembly and to the public of Alberta the 1984-85 annual report of the Alberta Heritage Savings Trust Fund. As per the rules, once that report is made available, it is conveyed to the Clerk of the Legislative Assembly, who then circulates it to all Members of the Legislative Assembly and it's thus made public. Committee members have one other document that was circulated to them in recent days, and that is a copy of the Provincial Treasurer's response to the report of the Standing Committee on the Alberta Heritage Savings Trust Fund Act. That report, of course, is our report that we tabled and made public on November 1, 1984. It's a small document of only seven pages, and all committee members undoubtedly have it. You have also been circulated a transcript of the 1984 meetings of this particular committee, and that should be in your files if indeed it's not with you here today.

One other item, just to bring you up to date, is that on June 10 of this year I circulated to all Members of the Legislative Assembly a memo advising them of the schedule of this particular committee through the months of August and September. In addition to that, I suggested to all Members of the Legislative Assembly that if they wanted to see a proposal advanced before

this select committee, what they as an individual should do is contact a member of the committee and determine whether or not the committee member might want to sponsor a motion or a recommendation for discussion before this committee. Only you will know whether or not you have been contacted by another colleague in the Legislative Assembly, but when we come to the discussion of recommendations, that would be the appropriate time to raise any motions and recommendations with respect to the discussions before us.

I would now like to welcome the Hon. Lou Hyndman, Provincial Treasurer. Mr. Hyndman, you've been appearing before the standing committee for a number of years now, and it is your wish whether or not you would like to present us with an overview or proceed immediately to questions and answers with respect to the annual report.

MR. HYNDMAN: Thanks very much, Mr. Chairman. Members of the committee, I do have a few introductory comments. I certainly welcome the opportunity to appear here and to review the ninth year of operations of the Alberta Heritage Savings Trust Fund, an exercise in which this committee is involved which is unique amongst the 11 governments of the country.

May I introduce, on my left, the Deputy Provincial Treasurer for Finance and Revenue, Allister McPherson.

I think it's a very timely and current occasion on which to be discussing the heritage fund, where it has been and where it is going, because it appears that as part of a certain race going on in the province, there are a number of suggestions, debates, comments, and options being explored and presented with respect to the heritage fund, which I think is not only entirely proper but appropriate, because since the very beginnings of the fund nine years ago, every year and regularly there have been discussions about the evolution, philosophy, and optional directions in which the fund should go. So these discussions today are very topical and timely.

The two themes which members of the committee will see are repeated again and again in the report this year — appropriately, I believe — are agriculture and jobs. I'd be pleased to elaborate on any questions with

respect to either of those. As mentioned, the report of the fund was made public something more than two weeks ago, on July 19, and the responses of the government to the 13 recommendations of the committee last year have been tabled. It's interesting to note that of the 95 recommendations of this committee since 1977, well over 80 percent have been either acted on or are under active consideration or have been implemented.

I note and draw to the attention of members the financial statements beginning on page 29. Of course, on page 30 there is the usual and proper endorsement of the Auditor General with respect to the fairness of the presentation of the financial statements of the fund.

Mr. Chairman, each year there has been a request for a detailed list of the Canadian equities, the names of the stocks in which the commercial investment division has invested over the years. Again this year I have available a listing of all those stocks as of March 31, 1985, and perhaps will distribute them to you at this time, if you feel that's appropriate. This is in line with what we have been asked to provide to the committee in previous years.

I just conclude by indicating that one of the key indicators of the success and proper management of the fund, I suggest, is the rate of return. At 13.7 percent I believe that reflects, by any objective standard, the kind of sound and prudent management that the fund has historically demonstrated. The commitment to saving is still very much a part of the philosophy of the heritage fund, and as I noted when the heritage fund annual report was released, with all the income going into the General Revenue Fund, I think it can be fairly said that the heritage fund now touches the lives of every single Albertan at least every day, every week, during the year.

MR. CHAIRMAN: Thank you very much, Mr. Hyndman. We'll proceed to questions from committee members, in the following order: Mr. Moore, Mr. Thompson, Mr. Gurnett, Mr. Hyland, and Mr. Cook.

MR. R. MOORE: Thanks, Mr. Chairman. Mr. Hyndman, one of the topics that received a lot of attention on investment from the heritage trust fund over the past several months has been the Commercial Bank situation. I would like to hear a very brief background on it and an

update of where we're at and some clarification. We've heard a lot of conflicting reports, a lot of statements made on it, and we would certainly like to be briefed here this morning on exactly what the situation is.

MR. HYNDMAN: The question is an appropriate one, and perhaps I can begin by just reviewing why the Alberta government became involved in the support package for the Canadian Commercial Bank, as was announced in the Legislature back in April.

All the component members of that support group, which comprised the six schedule A banks, the government of Canada, the government of Alberta, and the government of British Columbia, understood and proceeded with the support package bearing in mind the necessity of maintaining confidence in the Canadian banking system. As well, the importance of preserving the record of stability of that banking system over many, many decades was of course fundamental to the Canadian economy, to confidence, and to the general view of not only the country but the world as to the stability of Canada.

As well, though, as I indicated to the House in April, the province of Alberta had some specific reasons for being part of that support package. We know that there are hundreds of small and middle-sized Alberta businesses financed by the Canadian Commercial Bank. As I mentioned in April, if that bank had gone into liquidation, there could have been very serious problems for those businesses. In terms of jobs there could have been unemployment in the thousands, because in a liquidation those loans would have been called. That was one reason why Alberta particularly was involved. Of course, we in Alberta wanted to bear in mind as well the world perception of western Canada. Generally, around the world, I think there is a perception that things are happening in western Canada. There is a remarkable future. We have some assets and some strengths to build on out here in western Canada that are very promising, and that brings investors. I suggest that that view of western Canada and Alberta would have been blunted had there been a major problem with a large bank.

As well, the importance of having locally based financial institutions in Alberta and in the west — and this was endorsed not only by the parliamentary committee but also by the

Governor of the Bank of Canada. It was reassuring to see that those entities and people from right across the country feel that it's important to maintain a financial centre not only in the Toronto-Montreal area of Canada but also in the west and presumably in the Maritimes and other parts of the country. That goal, which of course is part of the white paper as well and one to which we subscribe, was a further reason why we proceeded to endorse the bank. As well, of course, the possible adverse spin-off on other financial institutions in Alberta had to be a very realistic consideration.

Turning to the actual heritage fund report, some two and a half weeks ago when the report was tabled — and we had a lively discussion with the media that day, as I recall — members saw the full reporting and disclosure of the investments in the Canadian Commercial Bank by the Heritage Savings Trust Fund. That is set forth in detail on page 38, schedule 1, note (a), and page 40, schedule 3, note (b).

With regard to the specific of the sale of a \$5 million debenture by the heritage fund to the General Revenue Fund, which was publicly done recently by order in council, that was sold to the General Revenue Fund for the purpose of consolidating those investments in the General Revenue Fund and also to assist in the clear communication as to what exactly the support package of the government of Alberta was in this bank. I point out that the Canadian Commercial Bank has not defaulted on any payments due to the heritage fund in respect of investments. So there is, therefore, no basis for any write-off of any of the fund's investments, and the support package which has been provided will ensure the bank's solvency and viability, its original goal.

MR. R. MOORE: A supplementary, Mr. Chairman. Mr. Hyndman, you've answered a lot of the questions I had in mind. You say they have not defaulted on any of their commitments to date. There was some question in the public area that there was a certain amount of millions of dollars spent that was very unproductive and was lost. Is there any credence to that?

MR. HYNDMAN: The support package involved an injection of something over \$200 million, which was for the purpose of buttressing and supporting the bank regarding a number of their

investments, which were disclosed in detail at that time, which were not supportable. So that certainly was part of the support package, and the reason for that support package was to provide the continued viability of the bank as an institution. That was very much a part of the original support package. You're correct.

MR. THOMPSON: Mr. Chairman, my question is on the report to the select committee. It's on item 3, and a statement is made that the Alberta Mortgage and Housing Corporation maintain all abandoned and foreclosed properties in a satisfactory condition to enable them to be rented at market levels until such time as the corporation is able to sell these properties at or above the original loan amount.

My question is: how is this handled? Does the Alberta Home Mortgage Corporation run a real estate office, or just how do you handle the rental and sale of these units?

MR. HYNDMAN: I think the detail as to how that is done might more properly be handled by Larry Shaben, as the minister responsible. The important element here, as noted by the committee, is that governments, unlike some other entities, can and should be patient in circumstances where citizens are involved. Therefore, the handling of foreclosed properties by the corporation, which is a retention of those properties on the basis that their value will stabilize and increase, which I think reflects very much the view of Albertans now as to the economic recovery and future of the province, may be a somewhat more patient and different approach than maybe an average, typical, private financial institution. I would defer to my colleague Larry Shaben for details as to how that is expedited.

MR. THOMPSON: Thank you. Mr. Chairman, I'll ask the question of the Minister of Housing.

MR. GURNETT: My question, Mr. Hyndman, really goes back to some of your initial comments about the widespread interest in the fund and its future that is evident right now because of some of the discussion that's going on. I'm interested in whether or not you would be able to clearly rule out the whole concept of capping of the fund as a part of government policy, whether you could indicate, despite whatever discussion there may be in other

quarters regarding that idea, whether it's definitely not a part of the government's policy to consider that.

MR. HYNDMAN: That certainly wouldn't be a matter within my responsibility or purview. Presumably that would be a matter which, firstly, the committee would want to address in all its options, and, as well, the Legislature. As has been the case every year in the past nine years, the question as to the amount of natural resource revenue income which goes into the fund, originally 30 percent, recently 15 percent, was a matter -- it was one of 10 or 15 options, and the Legislature has decided at the moment that it's 15 percent. Similarly, with respect to the income, all of which was diverted into the fund in the early years, that was partly diverted two years ago into the General Revenue Fund and is now fully diverted.

I think those issues are reflective of the fact that the fund is an evolutionary, dynamic, changing entity. This is why I think it's proper and appropriate that there are debates going on, as there should be every year, as to the evolution of the fund: where it goes now, where it should be in two or three years, how it responds temporarily or in the middle term to needs in the province, be they capital or operating. Again, that would be a matter for the Legislature at its next sitting. But I think all options are open, as they always have been.

MR. GURNETT: As a supplementary question I wonder, though, if as the administrator of the fund and having a special responsibility and involvement with it, you could indicate if you think there are circumstances where that is a sensible approach in your mind; under what circumstances you'd be willing to support the idea of a capping of the fund.

MR. HYNDMAN: It wouldn't be something which I would have the authority or responsibility to either support or otherwise. Whatever the Legislature decided with respect to the uses of the fund would be the responsibility of the government and myself to implement. But I would not see that as an option which, along with a dozen others, could not be explored. As I recall, in this committee and the Legislature we've explored them in at least four or five out of the last nine years.

MR. GURNETT: As a final supplementary, to follow up on that, do you have a sense, as you look at the place where the fund is now and the economic circumstances in the province generally, that there may be a more urgent or imminent need to look at that possibility at this point in time than there necessarily has been in some of the years past?

MR. HYNDMAN: I think most of the parameters and options that were there in previous years are still there this year. We have to bear in mind, of course, that there is fragility with respect to the income to the fund this year by reason of the uncertainties surrounding OPEC, in these various months of the summer particularly. More of this would come into focus in probably the early spring as resolutions are proposed by the government to the Legislature and as various options are then presented. It would be up to, and I would look to, this committee for advice as to what they would see as being options with respect to the moneys going into the fund and the rates, the times, and the incomes.

MR. HYLAND: Just hearing one of the comments, when the Provincial Treasurer said that he's looking toward this committee, somebody said, "He'll get it."

My questions are related to statement D and the Unexpended column of capital projects division.

MR. CHAIRMAN: Mr. Hyland, could you perhaps identify the page of the report?

MR. HYLAND: Page 34 of the report, statement D. I'm looking down the list. I think the total is \$65 million. In view of the drought in most parts of the province and in view of the privilege and pleasure I had yesterday of announcing the start of construction of Forty Mile reservoir in my constituency, I'm looking at the unexpended portion of \$16,938,000 of the Department of the Environment. I wonder if the Treasurer can comment on this unexpended amount. What he can't cover, I assume I could ask of the Minister of the Environment when he appears before us.

MR. HYNDMAN: With the very large hundreds of millions of dollars involved in these capital projects, it's inevitable and not unusual that

every year there will be some lapses. Usually there are some overexpenditures; there are none of those this year. But there inevitably are lapses, and in the case of -- maybe I could take the two or three largest here and explain why those occurred.

For example, under Irrigation Headworks and Main Irrigation Systems Improvement, there are unexpended funds of some \$15.818 million. I'm told that parts of that project were delayed due to rescheduling of work. As well, early winter conditions did not allow some of the money which had been voted to be spent prior to the snow coming. The selection and approval of engineering consultants was a process which took, I'm told, somewhat longer than had been contemplated. Also, there was an inability to acquire some of the necessary lands. Some of the moneys in there were to acquire land, and in order to fairly deal with and arrange an equitable sale price with the private vendors, that took somewhat longer. That, plus the fact that the actual tenders came in at less than the pre-tender estimates because of the low inflation -- Alberta having the lowest inflation rate in the country -- meant that fewer sums were expended. So every dollar that could be spent was spent, but due to these situations it wasn't all possible.

Perhaps I could elaborate as well on the Walter Mackenzie Health Sciences Centre. There was a lapse of some \$30 million there, and that was because the tendering of the remainder of phase 2 of that entity was delayed while they were doing a review as to whether to complete phase 1.

MR. HYLAND: Mr. Treasurer, how about Kananaskis Country Recreation Development, \$9.5 million?

MR. HYNDMAN: Yes, \$9.550 million. This related to the Ribbon Creek alpine village utilities and infrastructure. The expenditures which had been planned and contemplated some months in advance -- and members will know that these estimates have to be brought forward anywhere from six to 18 months in advance of expenditure -- were delayed pending the finalization of negotiations with the developers. As well, the progress on regional roads was limited by the early winter, which didn't enable the moneys that had been voted on roads to be spent. There are similar

explanations which are available for other lapsed or unexpended items which I could elaborate on.

MR. HYLAND: The second supplementary is related to page 35, note 2, statement (a), in which it talks about Alberta Energy. On one of the other pages it shows our amount of Alberta Energy shares at \$76 million. In these notes it says that the shares don't show the devalued amount unless the total value of the share is down, but rather it shows the price that we purchased them at, unless something has happened to them. I guess this is back to the old argument of showing the actual cost and the actual value of the assets. My understanding of Alberta Energy is that depreciation of our original shares is somewhat higher than this \$76 million that it shows we have in them. I wonder if you could comment on that.

MR. HYNDMAN: First, perhaps I could ask Mr. McPherson to give the amounts as to the book value, the cost of shares which now remain in Alberta Energy Company -- some haven't been sold -- and, as well, the market value in recent days.

MR. MCPHERSON: Mr. Chairman, the cost of the shares currently held by the fund is approximately \$55 million, and that's what would appear in the financial statements. The current market value of those shares, taking the current price on the stock exchanges, is just short of \$300 million. I think the shares are trading at about \$17.75.

MR. HYNDMAN: So it would appear that the actual market value, if they were sold, would be slightly more than five times the book value, and that of course is a reflection of the cautious and prudent accounting procedures of our Auditor General. The actual value is five times what is shown in the annual report. I think the shares have gone down from \$20 when we sold it to \$17, so we sold at the right time.

MR. COOK: Mr. Chairman, there have been some members of the community who have argued that we are at risk with the Canada investment division investments, that some provinces might not repay their loans or that some provinces aren't repaying their loans. Could the Provincial Treasurer outline for the

committee whether or not the loans are current? I think the Member for Little Bow especially would like to know whether they're current or not. I'd like to have him here while you answer that question.

MR. HYNDMAN: I can reassure the committee that, yes, every single one of the loans under the Canada investment division, either to governments or their Crown corporations, are up to date and have been paid on time. In fact, the heritage fund income from that source alone, as shown on the report, was close to a quarter of a billion dollars. One of the interest rates charged, to the province of New Brunswick, I believe, is 18.1 percent. So those are all in good shape. In fact, with respect to government repayment of a debt, to the province of Alberta or otherwise, or the repayment of a debt of one of its Crown corporations, it would be almost unthinkable for any provincial government not to make that payment, because the consequences of such a government move with respect to future loan opportunities and credit ratings are virtually unthinkable. So that is a very, very secure investment and brings in a quarter of a billion dollars a year to run hospitals and schools and seniors' programs about one day out of six.

MR. COOK: That's fine. Thank you.

MR. R. SPEAKER: Mr. Chairman, to the Provincial Treasurer. It relates to page 38 and the Canadian Commercial Bank. Under subsection (a)

The market values ascribed to money market securities issued by the Canadian Commercial Bank and included in marketable securities above amounting to [\$24 million], short-term and [\$44 million], mid-term, are based on the continuing solvency of the Bank.

I was wondering if the minister could explain that part of the statement, how the loan relates to the solvency of the bank. Are we in Alberta committed to further injections of capital in terms of loans, if necessary? What is the meaning of that statement?

MR. HYNDMAN: No, we are not committed to further injections of capital, and at this time I would not see any situation where we would be involved in that. That is simply a correct

statement in the sense that the support package was put in place and, as it was in April and is today, was a package which I and other members of the support package believe will ensure the continued solvency and viability of the bank. That is a clear statement and is correct.

MR. R. SPEAKER: Mr. Chairman, to the minister. Under circumstances where solvency was not occurring, does the province of Alberta have the right to withdraw their commitment? Is that what the statement says?

MR. HYNDMAN: You mean the commitment in the support package?

MR. R. SPEAKER: Yes.

MR. HYNDMAN: No, I wouldn't see a situation where that would occur. The support package was put together in an amount and in such a way as the solvency and viability of the bank would continue. That has been endorsed and buttressed by the Bank of Canada in the interim. So I would not see a situation where there would be that kind of problem. There was a deferment, as we know, of some of the interest and other payments. Therefore, it may be some time before the investment of the province comes back. But it is an investment by the province, an investment which I believe will in future pay back, from the profits the bank will eventual earn, the moneys which have been invested.

MR. R. SPEAKER: Mr. Chairman, a supplementary question. In terms of the interest rate and interest deferment, could the minister explain that a little further in terms of a return to the Heritage Savings Trust Fund? How long is the interest deferment in this last agreement?

MR. HYNDMAN: That would relate only to the \$5 million debenture which I referred to and which is referred to on page 40, I believe, of the annual report. It wouldn't relate to other aspects of the investment. As the hon. member knows, that debenture was sold to the General Revenue Fund two weeks ago.

MR. R. SPEAKER: Okay. Thank you.

MR. ZIP: Mr. Chairman, I would like to ask a general question related to jobs. Has an assessment been made of the extent to which the income and activities of the Alberta heritage trust fund have created jobs in Alberta and supported existing employment in the province? It's a question always posed by people in my constituency about this aspect of the fund, and I'd like an answer if possible.

MR. HYNDMAN: No specific assessment or table has been prepared. The question is pertinent though, because I think it could fairly be said, looking at all the direct and indirect dollars which are invested through the various divisions, capital projects and otherwise, that there must be jobs in Alberta in the thousands which have either been maintained or new jobs created by reason of the investments of the heritage fund over the fiscal year involved here. So I think it would clearly be in the thousands if an assessment were made of each and every one of the various projects and investments contained in the report.

MR. ZIP: Thank you. I have another question, not related at all. Looking at the cost of Alberta heritage trust fund investments and their present market value in constant dollars rather than in the current dollars that are expressed in the report, how much have Alberta heritage trust fund investments appreciated in real terms as expressed in constant dollars and reflecting the impact of the inflation of the recent past? For example, with reference to Alberta Energy we're saying that the cost was \$55 million and the present value is five times higher. But in real terms, what is it? We now know that the value of our money has dropped very substantially in recent years, and there's really a distortion in terms of real value instead of what is expressed.

MR. HYNDMAN: If we look on page 2 of the report, there is the overall chart at the bottom which indicates the value of the heritage fund being maintained and stabilized after taking inflation into account. I gather it's that real cost figure which the hon. member is referring to. So it has roughly been in balance, with inflation at about 2.2 percent over the fiscal year involved here.

I suppose the commercial investment division is the division in which a calculation could be

involved. I draw members' attention to the chart at the bottom of page 42 and the figure of some \$300.197 million. I think the market value would be fairly close to expressing the real relationship there. We have a cost of purchasing those investments of \$201 million and a market value today of \$300 million. I suppose one could apply an inflation factor to that if he wished.

MR. ZIP: Thank you.

MR. MUSGREAVE: Mr. Chairman, I have a question I'd like to pose to the Treasurer that he could sort of think about while we're having our hearings. It's an overall concern I have about the fund, and I want to bring it out if I can.

In the Alberta investment division, 59 percent of the total of the fund is represented by a figure of approximately \$8 billion. In the second paragraph the minister mentions that we are able to deliver many programs to Albertans at less than their actual cost. I have some questions. He notes that AGT, for example, was going to the private market for their capital requirements. I wonder how successful they were.

The other concern I have is that we had an \$847 million investment in the Alberta Agricultural Development Corporation. When I see the disaster that's hitting the agricultural community, I wonder if we're going to have to pump millions of dollars into the Agricultural Development Corporation to keep it looking reasonable compared to other investments. For example, in the Alberta Housing Corporation we refinanced \$279 million with an interest-free advance from the General Revenue Fund. I guess what I'm saying to the Provincial Treasurer is that I'm concerned some of our investments, which represent a substantial part of the fund, may be in jeopardy, and we're maintaining them by pumping other moneys from general revenues. I notice that 16 percent of our general revenue this year comes from the fund. We know that OPEC and all the problems flowing from it — we're going to have reduced revenues, yet at the same time we're giving services to Albertans at less than the actual costs. Are we misguiding or misleading ourselves as to the, first of all, original purpose of the fund, which was to save for the future and, secondly, to diversify the economy? Are we misguiding ourselves in the way the fund is

going? We as a committee are recommending more and more investments. Maybe we should be re-evaluating what the fund is all about.

Would the Provincial Treasurer like to comment? I'm suggesting that this is something I'd like all of us to keep in mind as our discussions go on.

MR. HYNDMAN: A useful question, Mr. Chairman, because it goes right into the history and the root philosophy of the fund. I would welcome the views of the committee on that, particularly because there is the basic dichotomy, the fact that any investment fund should have a degree of diversification, yet well over 75 percent of the Heritage Savings Trust Fund is invested in the province of Alberta. If one wanted to reduce the exposure in any one particular area, then the approach would be to invest more outside Alberta. I think the way the balance is now in the heritage fund is generally accepted by people in the province as to having most of the investments of that fund in Alberta and in such entities as the Agricultural Development Corporation. It's very hard to predict what the situation will be a year or two from now, but certainly that corporation, which is not matched in any other province in terms of the assistance and the shielding of interest rates it has provided, has been of assistance.

I think the difficult and blunt question posed by Mr. Musgreave is one that the committee and all of us should be aware of. In the long run, in this province we don't want to get into the mess that some other provinces or the federal government are in -- paying 30 cents of every dollar for the servicing of interest.

MR. MUSGREAVE: Mr. Chairman, that's exactly the point I was trying to make. For example, in housing for our senior citizens I would say we have an excellent program, probably one of the best in the world. I think it's important that we make sure that citizens realize what the costs of this program are, not just in terms of building the building but the ongoing operating costs which have to be absorbed by the community. When I say the community, I mean the community of Alberta, whether it be the province of Alberta or the municipality in which the facility is located or the federal government, which picks up a portion of it through the financing of the long-

term debt.

Housing is a basic requirement, and housing is not going to diversify our economy. It helps, but I think the point I'm trying to get through -- and I think the Provincial Treasurer is on to it -- is that perhaps we should be carefully considering the diversifying of our economy. Maybe we should be concentrating more in that direction as we go down the road and be prepared to back off some of these investments and have us as Albertans pick up the current costs as we go along. For example, in the subsidization of the Alberta Municipal Financing Corporation, we warned the municipalities that that program was phasing out. Maybe we have to do more of that, because we need to go into other areas which we hope will provide more jobs and opportunities in the province. That's the overall concern I have.

MR. NELSON: Mr. Chairman, I'd like to deal with one of my favourite subjects; that's Vencap. The minister is the administrator of the heritage trust fund for the province and, of course, oversees the various policies that we expend or lend moneys through this fund.

Considering that Vencap was loaned \$200 million to assist in the diversification of the province, at least in the business area, I understand that some of the investments -- and there are very few investments, because the Vencap situation has become somewhat of a joke -- of the fund itself apparently have not ended up in Alberta or Canadian hands. In fact, when there have been moneys lent to a corporation which at the time of the investment -- I shouldn't use the term "lend", because that's not a fair comment. The investment was made to a majority holder of an investment, and then the investment was sold to an American corporation. In essence, the fund has been used and ultimately placed into the hands of an American corporation or investment for investment in Alberta.

I'm just wondering if the Provincial Treasurer could comment on this. This being the case, what are we going to do to encourage this organization to invest with Canadian corporations and possibly even change the rules so that investment remains in a Canadian corporation, in Canadian hands -- Albertan hands in particular -- for investment in Alberta rather than in the American corporations, for at

least a portion of that being invested in Alberta for Albertans for creation of jobs and investment opportunities?

MR. HYNDMAN: Well, Mr. Chairman, I don't know the details of the situation. Certainly, the hon. member is correct in noting that the heritage fund has an investment in Vencap, and the income earned from the participating debenture was some \$9.48 million last year. As well, we have to remember there are a number of Albertans who have purchased shares who request and, I can expect, will want their board to generate a profit. The interest on the provincial loan is paid in the form of a percentage of Vencap's annual net income. They have, I understand, made in the range of 11 to 12 investments. As we know from when my colleague Hugh Planche introduced this request to the Legislature, the Vencap board is at arm's length from the government. I think this was a proper decision in the sense that is not an entity of the government of Alberta but rather a private-sector board.

With respect to any details of investments, because it is not a matter of investment policy as to what the detailed investment policy of Vencap is, the government's and my responsibility is to ensure that the terms of the debenture and the payment back to the heritage fund of the moneys are paid. As to how Vencap operates thereafter, probably that would be a useful question to explore with Hugh Planche -- I'm not sure whether he as the minister is before the committee or not, but that would be the appropriate minister -- if it would be proper, appropriate, or the responsibility of the heritage fund to put terms around the types of investments Vencap could make.

MR. NELSON: Mr. Chairman, in pursuit of that, I guess, does the minister not feel that in considering the fact that the moneys that were loaned to Vencap -- and I know we suggested it's an arm's length corporation, but it's the money of the people of Alberta that we have loaned to Vencap for investment opportunities within Alberta so that we can, in fact, give Albertans opportunities to grow and have jobs and what have you. Should it not be our responsibility also to ensure that that money is being used to progress that initial initiative that was taken, so that we do ensure jobs are created and other investment opportunities are made for

Albertans?

After all, even though we say it's an arm's length operation, we ultimately have some responsibility in protecting the interests of the community in that investment, and that investment is not being utilized for the original intent that it was given. It's still sitting there. Sure, it's returning an investment to the fund by paying some investment back through the Vencap operation, and I'm sure there is some return on that, through interest and what have you, back to the fund. But at the same time, anybody can go and take \$200 million and put in a bank account or whatever and hold it and get a profit on it. I would like to be able to do that too. But certainly we have some responsibility to ensure the investment opportunities are made available to the community, utilizing those dollars that are the government dollars or the people's dollars.

I guess the question basically is: why are we not pursuing ensuring that that initial opportunity is made, that Vencap is made to perform on that opportunity?

MR. HYNDMAN: Mr. Chairman, I guess it boils down to what was the purpose of the loan to Vencap. As I recall it, it was to create a new venture capital company in Alberta which would provide essentially equity-linked capital for business activities that are beneficial to Alberta's long-term economic development. So that was the parameter. There were, of course, certain areas in which the Vencap company was proscribed from entering into, in which the government said, "You cannot get involved in conventional oil or gas exploration or real estate development or things of those kind."

So I guess at some stage -- I suggest it's probably premature now, when I gather there are 12 investments of Vencap. When there are a few more or when those have matured somewhat, it would be appropriate for the committee to measure the original purpose of the loan from the heritage fund to Vencap as to whether benefit to Alberta's long-term economic development is, in fact, occurring. So I would agree with the hon. gentleman to that effect.

MR. NELSON: Mr. Chairman, when the original loan was made to Vencap, were there any conditions? For example, if we wanted to recall that loan tomorrow, do we give them a

year's notice, 30 days' notice, or whatever? The possibility of utilizing those moneys for investment in, for example, the SBEC situation, where there's been a tremendous public desire to get involved with that particular type of an investment, which is an equity investment, whereas they haven't had the same opportunities with Vencap because of the fact that it's basically been suggested that it's a larger type of investment than the SBEC thing -- again, I'd just like to inquire as to what the conditions are on the loan, if we were to suggest the recall of that loan for use in other opportunities, so that it would be utilized better than what it has been at the present time and in the past.

MR. HYNDMAN: As with other loans of this kind, there would be a situation in the event of a default with respect to any provision, to move with respect to the original contract. But to date, I don't know whether the committee or the Minister of Economic Development -- I haven't had any indication that that's occurred.

MR. CHAIRMAN: Mrs. Cripps, it's now your turn, to be followed by Mr. Gurnett, Mr. Hyland, Mr. Musgreave, and Mr. Cook.

MRS. CRIPPS: Thank you, Mr. Chairman. My question is a follow-up to Rollie's question on Canada investment loans. Last year there was some discussion on the repayment of the loans, whether they were at the end of the term or whether they were annual. I'm looking at -- it says "debentures are redeemable by a single payment of the full principal sum on maturity." Is that all debentures in the Canada investment division, or are there some annual ones?

It also says that some of them are mature in 1985. In the diagram on page 23, you have Interest and Receivables, I believe, \$447 million, yet you said that the interest was about a quarter of a -- no, it would be \$447,000. You said that the interest was a quarter of a million, in an answer to an earlier question. What are those receivables? Are they the repayments of -- if there are any annual payments to be made out of Canada investment loans, and how do they go back into the fund? Do we have some sort of a guarantee policy or criteria developed to assure that the loan payments on the principal go back into the fund?

MR. HYNDMAN: They do go back into the fund. Perhaps I could ask Mr. McPherson to elaborate on that.

MR. MCPHERSON: Mr. Chairman, in terms of the repayment on the debentures under the Canada investment division, there is a range of maturities from now until -- I think the last one is in 2006. Indeed all of those repayments come at the maturity date. For example, in 1984-85 there was, I think, some \$28 million actually repaid as a principal repayment, and that money is not income of the fund; it would stay as part of the principal amount.

With respect to your question on the receivables, the chart on page 23, Accrued Interest and Receivables, that arises because of the generally accepted accounting principles involved here; that is, to accrue items so if you had a debenture that was to pay interest twice a year on, say, June 30 and December 31, the interest that had been earned to the end of the fiscal year of the trust fund, i.e., March 31, from the period of January, February, March, would show up as income of the fund because it's been earned in that period, but the cash has not yet been received and wouldn't be received until the end of June. That is the normal accounting for these kinds of transactions.

MRS. CRIPPS: A supplementary, Mr. Chairman. Where is that \$28 million that was repaid on principals in 1984-85 shown in the annual report? How is it shown back into the Heritage Savings Trust Fund?

MR. MCPHERSON: It would show up in the total assets of the fund, appreciating that you can't put a sort of slip on each dollar that's paid and trace it through the system. It would show up as either a further investment of the fund in a capital project or a loan to one of the Crown corporations or be invested in section 10, marketable securities.

MRS. CRIPPS: Now that these loans, the principals, are starting to be repaid, that means you have almost a revolving fund, in essence, because you have money coming in and I assume you're relending it. In fact, you just said you're relending it. Is there going to be an attempt to show that in the annual report of the Alberta Heritage Savings Trust Fund, so the layperson or I can understand what's actually happening in

the investments or loans made by the fund?

MR. HYNDMAN: They're all segmented out in one of the tables here.

MR. McPHERSON: If you look on page 28, Mr. Chairman, there's a table which shows the investment transactions by the various divisions; also, I guess, on pages 26 through 28. On the table at the top of page 28 you can see that the repayment of principal on the Canada investment division loans is shown in the second-last column. So, in effect, what you have is a reduction of loans outstanding under that division and an increase in some other category.

MRS. CRIPPS: Okay.

MR. HYNDMAN: Totalling \$28.3 million.

MR. GURNETT: Mr. Hyndman, I'd like to go back a bit to some of our discussion earlier about some of the money in the Alberta investment division. I'm thinking specifically about the more than half of that total \$8.5 billion that's tied up with ADC, AOC, and Alberta Mortgage and Housing, which are the three areas that in some sense really make money available to the ordinary person in Alberta as opposed to organizations and corporations. Right now we've got the bureaucracies of those three corporations that are loaning the money out and operating. I'm wondering what would be involved in making money available to people for purchasing homes, businesses, and farms directly through the Treasury Branch system as opposed to through these other bureaucracies; why we continue to issue the debentures to these corporations instead of doing it in what seems like a much more direct, straightforward way; I guess as part of that also, whether or not it would be possible to invest this kind of money through that sort of system at clearly fixed and low-interest rates as opposed to what happens now through those corporations, where, with some rare exceptions of programs, the money is available basically at market rates to people that are loaning.

MR. HYNDMAN: If one combined all those various entities with the Treasury Branch, you'd have an even larger bureaucracy and everything

that goes with it. But I think one has to go back to the basic history and evolution of, for example, the Opportunity Company and the Agricultural Development Corporation, and remember that they have mandates which are significantly different from the mandate of the Treasury Branches. The mandate of the Treasury Branches is to provide services in many ways parallel to those provided by the schedule A banking system but providing services in locations in Alberta where there are no services. But they operate and, under the mandate of the Legislature in various governments, have operated on the basis that they would be essentially competitive with the private banking system.

The Alberta Opportunity Company, which did not exist before 1971, was to provide as a lender of last resort. When conventional financial institutions had turned down an Albertan with a small company with a bright idea, he or she could then go to the Alberta Opportunity Company. That is a very different mandate than that of a normal banking system.

Similarly, the Agricultural Development Corporation, in providing programs not matched in any other province in the country, provides, for example, interest rates as low as 6 percent to beginning farmers, as the hon. member knows. As a matter of policy it has had some linkage to market rates, which, I suggest, is being realistic. But in terms of the hundreds of millions of dollars available directly to farmers through ADC, I think there's no question that it is done more swiftly, more quickly, more efficiently, and more responsively to the farm community through a separate entity such as the Ag Development Corporation, rather than building a larger bureaucracy which would be comprised of the Treasury Branches, AOC, ADC, and the Home Mortgage Corporation.

MR. GURNETT: I suggest that that might be a subject worth pursuing. Looking at the small towns that I'm familiar with, it seems to me that we're ending up with a great deal of redundant bureaucracy when we've got each of these corporations and the Treasury Branch in the town, all having personnel that tend to be doing jobs that are very similar to each other. So I wonder whether we're both just making subjective statements or whether there's been any careful look at whether, in fact, the services could be provided more efficiently by

using one system, the Treasury Branches that are already available in most communities.

Related to this whole subject, the fact that there's so much money being made available through these three corporations, I also wonder what involvement the fund has and you're able to have as far as suggesting an overall philosophy or direction. Let me mention one specific item. A lot of people in the area I'm familiar with are talking to me about the fact that the Agricultural Development Corporation tends to be a little stricter than most of the commercial banks in beginning to act against a farmer who isn't able to keep up his payments. Since the funding for it is coming from the fund, is there any input as far as a philosophy of how we'll treat people who, for example, in difficult times now aren't able to make their payments? Are you or the department able to provide any encouragement that there be a more humane approach to that?

MR. HYNDMAN: On the first question, we have not proposed a policy to merge the entities, because, frankly, I believe the mandates and the jobs are very different as between the Treasury Branch, the Opportunity Company, and the Ag Development Corporation. As well, I think there would be a major loss of responsiveness to typical farmers if there were a much larger entity in which all the responsibilities were blurred rather than directly to the decentralized Agricultural Development Corporation.

With regard to the second question, I very much doubt whether the Agricultural Development Corporation has any policies which are generally more difficult than those of other financial institutions. Again, I think you can usefully explore this with the Minister of Agriculture. But I believe that they have demonstrated patience and a sensitivity to individual situations.

Of course, we have to remember that there is a sanctity of contract as well: when people are borrowers of money, that money is to be paid back. Certainly, there should be sensitivity and caution and every effort taken to try to understand the situation of the person who has entered into a contract solemnly to pay back money. That's the basis on which all economies operate. At some stage there has to be a realization of realistic practices. I believe, though, that ADC as well as the

Treasury Branches have a very fine record of performance in terms of fair dealing with Albertans and in helping them over the difficult times of the last two years.

MR. GURNETT: Just to follow up a little bit. That means that there's not, at this point, any particular commitment to say that money that's made available for loans through the debentures with those three corporations particularly would approach dealing with their clients in any significantly different way. The original concept of the heritage fund, to kind of be a help and a support for the development of the province, isn't reflected necessarily in any direction that says loans that go out through these three corporations will perhaps be more humane than any other lending institution.

MR. HYNDMAN: Well, no. I think that's incorrect in the sense that without the heritage fund there would not have been an Agricultural Development Corporation. No other province in Canada can afford to provide a separate corporation like the Agricultural Development Corporation to benefit farmers, and on a per capita basis it's massively higher than any other province. The subsidies which are built into the Agricultural Development Corporation, paid for by the General Revenue Fund, are massive as well. So the fund's philosophy of providing extraordinary assistance to Alberta farmers, not only in terms of available dollars but also in the shielding and the low cost of those dollars, is uniquely represented through the heritage fund and through the vehicle of the Agricultural Development Corporation. The particular policies with respect to detailed administration, of course, would be those of the Agricultural Development Corporation as set by the government and the minister.

MR. HYLAND: Mr. Chairman, my questions are on the Prince Rupert terminal. If memory serves me right, when we originally talked about Rupert, we talked in the neighbourhood of \$200 million-plus for the total funding of the Prince Rupert terminal or Ridley Grain Ltd., whichever you want to call it. On one page in the report, I'm not sure which, it shows \$129 million as the total cost of Rupert. I wonder if the Provincial Treasurer could explain the difference.

MR. HYNDMAN: The difference is explained in the sense that not only the heritage fund but the General Revenue Fund — each is a source of joint financing. I understand that the total final cost of the project is to be in the range of \$278 million. That was the budget, and I think the final cost is estimated to be \$282 million to \$285 million, which is very close to target. The financing was provided from two sources, the heritage fund by participating first mortgage bonds and the General Revenue Fund by participating debentures. From the heritage fund, the drawdowns to date are \$106 million to the end of '84-85 and from the General Revenue Fund, \$125.2 million. That's the reason for the separate figures, in the sense that the report of the heritage fund would only show the heritage fund contribution, whereas there is also a contribution, as found in the general accounts of the province, of the General Revenue Fund in participating debentures.

MR. HYLAND: So the amount shown is the debenture amount and is not necessarily the total loan amount. From what you said, the total loan amount is obviously a lot different from the participating debenture amount. That's something that will stay there as a debenture. The rest is a repayable portion?

MR. HYNDMAN: What is shown is the participating first mortgage bonds under the heritage fund, approximately \$106 million. That's all that would be shown. On the other hand, the General Revenue Fund participating debentures would be \$125 million, as found in the other GRF accounts.

MR. HYLAND: Thank you.

MR. MUSGREAVE: Mr. Chairman, I want to make a comment about Vencap. Like my colleague from Calgary McCall, a year ago I, too, was concerned, but I had the opportunity to meet with senior officials of Vencap. I also had the good fortune to meet with some venture capitalists in Denver who worked in both Denver and California. When I went over the history of Vencap to that point with them, they wholeheartedly agreed with Vencap's approach. They said that, number one, you have to be very cautious in that business. Number two, you have to look at the people you're investing the money in. It's the people who

count more than what they're doing.

As far as getting involved with an American company, our Premier is advocating free trade, and I think we are talking about free trade with Americans. I don't think we should be beating them over the head at this point. I think money flows quite freely.

The other point I'd like to make is that one of the investments Vencap has made for which they are not getting enough credit, in my opinion, is that they bought some equity in a company that was operating in Ottawa. One of the conditions of the investment was that they relocate to Alberta. That's providing jobs and opportunities for Albertans, and I think the company is proceeding in the right direction. So I just want to put in those words of defence.

MR. COOK: Mr. Chairman, I'm not a person who is very strong in mathematics, but with my limited ability and a calculator, I conclude that we have something like \$525 million available in the capital investment section that is unexpended in the sense that 20 percent of the fund is available for that fund, and something like \$525 million is not taken up in that area.

I also read your reply to our recommendations last year, and there was a suggestion that there wasn't the funding available to discharge the research funding recommendations. Recognizing that there is \$525 million available, will the Provincial Treasurer now reconsider those recommendations made last year? Would it be helpful for the committee to reinforce its position by again suggesting in similar language that, for example, we ought to be putting as much money in agricultural research and the biological sciences as we have in the medical research area and AOSTRA, both of which are valued at about \$300 million? Wouldn't it be useful for us to make one of our base industries as efficient and technologically advanced as we have with energy and medicine? We apparently have the money available.

MR. HYNDMAN: First, of course, there are and have been large dollars going into Farming for the Future, which is agricultural research in a very basic way. No, I would certainly — I'm not sure of the figure of \$500 million. My abilities in that area are probably less than the hon. member's.

Certainly, the hon. member is correct in

saying that the statutory limit on the capital projects division is 20 percent, and we are getting close to that 20 percent but are not at that yet. I think the fact that there are some dollars there between the total of the something over \$2 billion capital projects division and what that 20 percent would be should not inhibit the committee's discussions, although I suggest that to have the committee deny itself total flexibility by recommending investments right up to that 20 percent would significantly reduce the impact and perhaps the responsibility of the committee.

I think it's a question of prioritizing, in effect coming so close to that 20 percent ceiling that the committee is going to have to set priorities with respect to recommendations it might have for new projects. I think as well, though, that we have to be cognizant of the uncertainty of the rates of future dollars coming into the fund. In previous years, of course, the amounts of money that were coming into the fund every year were very, very large. Now they're significantly smaller by reason of the income being diverted and the capital going down to 15 percent. So that has to be a consideration as well, but certainly there's room for the usual kind of bold initiatives displayed by the committee that I've noted in previous years.

MR. GURNETT: Mr. Hyndman, I'd like to go back for a minute to the Canadian Commercial Bank and ask about the purchase by the General Revenue Fund of the \$5 million worth of debentures. Can you tell us what the market value versus the on-paper \$5 million value is? Did the trust fund sell the debentures for \$5 million to general revenue or did general revenue purchase them at a market value? If there is a difference in the two figures, which side takes the loss as it were?

MR. HYNDMAN: Because the situation is so unique, I doubt if it would be possible to objectively establish a market value. In these kinds of situations, a sale at the cost of the debenture from the heritage fund to the General Revenue Fund was certainly appropriate. I stress, though, that there was no default of any kind on payments due to the fund from the Canadian Commercial Bank. Therefore, it was sold in order to consolidate those with the other \$13 million of debentures and also for the important purpose of making

sure that public communication of what's happening here was up front and very much front and centre. So it's the normal and supportable kind of commercial transaction.

MR. GURNETT: So they were sold for the \$5 million figure that appears. Further to that, can I ask what the background is to the transfer taking place as it did a few days ago rather than in the spring, for example, at the time when we were first hearing about the rest of the bailout and when the whole matter was current?

MR. HYNDMAN: The hon. member will recall that what happened in the recent cabinet meeting, about 10 days ago, is that there were orders in council which covered not only the \$5 million debenture but also the \$60 million basic support package and the \$13 million Alberta debenture purchase support package previously committed. As members will recall, in April of this year I said in the Legislature that there would be special warrants, orders in council, forthcoming in the months ahead in order to generate the moneys for Alberta's support. What happened was simply that 10 days ago, the timing was appropriate for the moneys to flow, and so the \$60 million and the \$13 million of the original support package and the consolidation of the \$5 million debenture were put through, as is disclosed in the heritage fund annual report and as I disclosed in April.

MR. GURNETT: In connection with that particular timing, although you indicated that there has been no default, I wonder if there was there any information or consideration that there is a danger of the bank failing and that it would be good for the \$5 million to not appear in something that's reported on a quarterly basis like the heritage fund.

MR. HYNDMAN: No. Certainly, the original purpose of the support package, which was to maintain the viability of the bank, is there. I believe the situation is the same today as it was then. No question, as there have been with a number of financial institutions in Canada, there are going to be some difficult weeks and months of working through and getting the problems solved. There are always these kinds of problems. We've seen them with respect to the credit unions in the province; we've seen them in other provinces. But I believe that the

viability of the bank in the long term is there by reason of the support package. I believe the other members, private and the government of Canada, probably feel the same way.

MRS. CRIPPS: Mr. Chairman, last year we had quite a discussion about the public perception and understanding of the Heritage Savings Trust Fund. If I remember rightly, I made a frivolous comment, and I will refrain from that, because it was quoted.

But what has happened with regard to the public perception and understanding of the Heritage Savings Trust Fund? Has the information campaign been -- I could maybe say worth while? Is the understanding and awareness by the general public of the Heritage Savings Trust Fund higher than it was last year, and where do you see deficiencies?

MR. HYNDMAN: That's a very difficult thing to measure, because without a definitive survey it's hard to tell. Although we still have a way to go in that area, I think we have made significant progress, mainly through the efforts of my colleague Bill Payne. If we look on the second-to-last page of the heritage fund report, we've got a reproduction of the availability of those small brochures, which have become in many ways best-sellers. I gather those 10 brochures are in the thousands now, that people have requested them. They are, I think, properly providing information in easily understandable terms as to what the heritage fund is doing, where it comes from, and how it's invested. I think that has been very much a positive communication effort, and I think exploring that with Mr. Payne would be a good idea as well. We still have a job to do in better explaining the heritage fund, but I think we're surely and slowly every year gradually increasing the comprehension amongst Albertans, which is why the report indicates 96 percent of them support in principle the heritage fund.

MRS. CRIPPS: I'd like to reinforce that, because that's one of the comments I hear a lot this summer: to maintain the integrity of the Heritage Savings Trust Fund and assure that that is done.

MR. GURNETT: I would like to ask about one of the recommendations from the Auditor

General's report, Mr. Hyndman, the recommendation that in the trust fund's reporting of assets the deemed assets and the real assets be clearly separated. I understand that in the past you've explained that the reason it doesn't happen relates to the Act that the fund is under. But in view of his continuing to make that recommendation -- and it seems to me there is logic in what he says, when you look at some of the deemed assets not really being things that can be reclaimed in any sense, although they're probably very valuable investments and good places to have the money -- I wonder whether that is a recommendation that you're thinking there should be action on now and that it's time to follow through, as he suggests?

MR. HYNDMAN: It's true that the Auditor General and I do have a mild difference of opinion on this matter and have for some years, as have previous provincial treasurers. When the Act was set up in the mid-1970s, it was the view of the Legislature that it was important, again for communication of the fund, to Albertans that we digress from what may be traditionally accepted accounting practices, although this fund is so completely unique that there are no traditional accounting practices with regard to those aspects of it. It was felt that it would be a miscommunication to simply list those assets at \$1, and that rather, in order to answer the question that a typical Albertan would have as to where the money has gone and what are the total dollars expended by my fund, the figure this year of \$14.436 billion, for example, was in that sense the accurate one.

The other approach in order to not mislead anybody would be to very carefully segment out in the statements the deemed assets and the assets which generate an income. That has been done throughout the report, on page 25 for example, in other areas where the deemed asset approach is set forth with the capital projects division of \$2.162 billion listed at that amount, but at the same time making it very clear, and the quarterly investment statements do the same, that these are separate from the income-earning assets.

Going back to the question of the Member for Drayton Valley, I think for the moment that that is still an appropriate and preferred way to communicate the heritage fund, and I think Albertans appreciate and want to see that at

this time.

MR. GURNETT: Again, just to relate my comment back to the Member for Drayton Valley asking about the whole public perception of the fund, I wonder if you have any information that indicates that people are aware that things listed under deemed assets in a sense don't exist as salable items that can be recovered but in many cases are investments in people, projects, research, and education. Is that generally understood, the way it's reported now? Do people recognize that distinction?

MR. HYNDMAN: I think we have to remember that the vast majority of Albertans are not familiar with all the details of generally accepted accounting practices. By the same token, I know from my experience in my constituency and letters and correspondence from around the province, very regularly Albertans say, "Well, now, could I have a list of the capital projects in my community or my region or my city, town, or village? What is that new urban park actually going to cost and what it is going to be shown as, as part of the heritage fund?" It is much easier, and I believe they understand it, if the actual cost of that capital project is put forward rather than saying, "It's being held on the basis of certain principles at \$1, but it really didn't cost that; it cost \$200 or \$2 million." So for communication, I think Albertans find it much easier to understand if we have it in this way, which I would concede is unique.

MR. HYLAND: Mr. Chairman, I think mine is more of a comment, but I'd be pleased if the Provincial Treasurer wanted to answer it. I think the brochures were a good thing, but I also think one of the best things done is that when a project is started and it's funded from the capital projects division, a big sign goes up. I'm thinking of irrigation, for example, where the sign goes up, the name of the project is on it, the name of the contract and the name of the engineering firm are on it, and in big letters on the top is the logo of the Heritage Savings Trust Fund. In a number of the urban parks that were done, I think the signs that were up during construction showed all the logos and the names. Anytime we can do that, it shows the perception of the trust fund helping you.

When people get their mortgage renewal

from Alberta Mortgage and Housing — not having one, I don't know if the logo is on that; the Agricultural Development Corporation: all those should continue to have the logo of the trust fund on them. That shows that it's helping the people. When you get official openings of things like parks, the trust fund logo should be on whatever sort of plaque is used for the official opening. Maybe this has been done. Not everybody necessarily knows what the trust fund does for them, but everybody knows what the trust fund logo is. The more often that logo is out there, people will realize what the trust fund is doing for them.

I think of the irrigation canal upgradings. Periodically, on the canal and especially on the drop structures, they imprint the heritage trust fund logo in the concrete so people realize what it's doing.

MR. HYNDMAN: Certainly, the rail cars are the best example of that, demonstrating across the country, with the heritage fund logo, the fact of that investment. Some years ago I urged other entities which were being supported by the heritage fund to make sure that appropriate recognition was given of the heritage fund investment. It might be useful for the committee to continue that. I'm sure that is happening and is reviewed. Eternal vigilance is the price of good communication.

MR. ZIP: Mr. Chairman, I liked the comment of the hon. Member for Cypress very much. I think it's a very good one. I've noticed that we tend to be fairly low key in what the heritage trust fund is doing. I fully endorse making the signs bigger and plainer, saying specifically on specific project sites: this is what the heritage trust fund is doing; this is another example.

Taking the hon. Member for Drayton Valley's comment on the perception of Albertans toward the Alberta heritage trust fund further to the rest of Canada, where the existence of the fund in the past has created a negative reaction, has this improved? Are we now not being perceived so much as being a fat cat province, with all kinds of money lying around, that we can be plucked on every turn that we possibly can, as has happened to us through the national energy policy and other policies that have been generated by the federal government and other provinces? What is your perception, being the Provincial Treasurer and talking to these people

all the time, of this particular problem we've had with the heritage trust fund at all times?

MR. HYNDMAN: Firstly, there isn't any money lying around, as you know. Whether it's around for even four hours, it's invested right away and earning a return.

I believe that generally there is a feeling by the rest of the country that Alberta has been remarkably innovative and prudent in setting up a Heritage Savings Trust Fund. Perhaps that was not as evident to others in the last decade of the '70s, but the way in which Albertans were assisted by the fund, particularly over the last two years, before the economic recovery which is now on stream occurred — if others didn't realize then that saving some of the revenues from resources was a good idea, they certainly feel that's a wise idea now.

So I think it has added to the credibility of Alberta in the country and has also very much been a boost to investors, who see that as being one of the basic reasons they can invest in the province, and therefore develop jobs. That heritage fund is there, and they're not likely to be hit by some surprise problem down the road in the immediate future.

MR. ZIP: Thank you very much.

MR. GURNETT: I'd like to ask Mr. Hyndman about schedule 5 and the information that was given to us a little earlier this morning, more specifically about investments under the commercial investment division. It was very interesting, because when I looked at schedule 5 earlier I was immediately wondering just what companies are involved in these general listings. So it was interesting to receive the more detailed information. How frequently is that kind of information available? Is there a regular schedule, on a quarterly basis or something like that, for publishing something like this so Albertans know the companies specifically rather than just general categories of investment?

MR. HYNDMAN: It has been made public annually for three or four years, ever since the beginning of the commercial investment division. That is probably the appropriate time line. It's important that the general investment philosophy and tactics and strategy be kept confidential, because that's the only way to

ensure that the highest return can be generated. If these statements were produced very, very regularly, it would result in a reduction in the rate of return, which is the sole criterion for the commercial investment division investments. Therefore, we have been in a position to make them available every year as of March 31, 1985, and would see doing that in future.

MR. GURNETT: You mentioned tactics and strategy. As I looked through the pages and saw that some of the companies are ones that, at least in some cases, some Albertans would have some concerns about investments in, I'm wondering what the strategy is for choosing those investments. Can you give us any information or any kind of insight into whether there are guidelines related to investments? I'm thinking about liquor companies as an obvious example. Is rate of return, profit potential, basically the sole criterion, or are there some limitations outside that?

MR. HYNDMAN: As hon. members know, when this division was set up the Legislature endorsed maximizing the rate of return, as is done in the private sector, as being the sole criterion for this division. This division is less in size than other divisions. The Alberta investment division, of course, has the criteria of not only generating a reasonable rate of return but also diversifying and strengthening the province. In this case, that is not the objective. I am required, as is the government, to follow the objective of maximizing the rate of return.

Certainly, one objective therefore would be diversification of the shares held. At the moment they're all in Canada, but one could in some year argue that some should be in other areas of the world. They are passive investments, such that it is not a portfolio, as members know, where there are many purchases or sales. It is for the middle and long haul.

As well, the purchases are a minority, no more than 5 percent of the shares of any one company, which is different from other funds. It's not a situation where the government is taking a major position. It is based on what is called the indexed approach of looking at general overall balancing and periodic rebalancings of a portfolio that covers a wide range and balances the various aspects and dimensions of the Canadian economy.

Therefore, it's very necessary to have every aspect of the Canadian economy represented in order to maximize return. The objective is to do that. With the increase of 50 percent in the return from the purchase price to the market value, we've been reasonably successful.

MR. GURNETT: So there would be no guidelines existing. I'm thinking, for example, about a situation where a mining company may be operating in a country where we know that their dealings with workers are unacceptable by Canadian standards. We wouldn't limit, in any kinds of circumstances, whether or not we invested as long as that fit these other general criteria of falling within this overall balance and providing a return?

MR. HYNDMAN: The criteria have been established, and they have led to these purchases and increases in value. Those are the criteria which were followed and have been followed. Until they're changed, we'll continue to follow them.

MRS. CRIPPS: Further to that, Mr. Chairman, is this considered the liquid assets of the fund? You said that nothing sits more than four days. Is that how you keep it mobile if there are liquid assets returned and no immediate need for them?

MR. HYNDMAN: These are intended for the medium and long term. There are periodic rebalancings of the portfolio. There would be dividends coming in, which would be income. No, I wouldn't say this is a liquid portion of the fund, essentially. It's a middle- and long-term investment portion of the fund. That's why it generates that significant return.

MRS. CRIPPS: My second question arises because of your response to Mr. Zip's question, and it's the effect of the Heritage Savings Trust Fund on foreign investment. I imagine that your answer would have to be fairly subjective or it would be a subjective opinion. What is the effect of the Heritage Savings Trust Fund, in your opinion, on investment in Alberta from other countries?

MR. HYNDMAN: Enthusiasm, delight, amazement. There is no question that people around the world, because there are very few of

these funds in existence, are very impressed with the prudence of the province in having this heritage fund. It is one of the triggers that brings in and, in many cases, makes the decision for investment coming to Alberta. It's seen as very much an approach by a government which is in contrast to some other governments who have not seen fit to have a rainy-day nest egg. This one is, therefore, very much a plus in terms of investment from other parts of Canada as well as other parts of the world.

MR. GURNETT: Just one more question about the Canadian Commercial Bank, Mr. Hyndman. Prior to the fund divesting its debenture in the fund, was there any effort on the part of the administration of the fund to obtain a position on the CCB board of directors? For example, if we've got money invested in a bank, I'm thinking of the benefit of having some idea of how that bank is operating. As you are probably aware, there is some concern now. For example, Alberta Drywall Supply, a company that's having their loan called, was kind of depending on long-term financing from CCB. There may be other firms that are facing similar hardship. When we had the opportunity to have a window, if you like, into the operations of the bank, I'm wondering whether we did pursue that and attempt to have such a window, and if we did, whether we knew whether there is a process afoot to call other loans because of the difficulties the bank now has that may endanger other Alberta companies.

On the other hand, when we had the investment, if we didn't attempt to have that kind of position on the board of directors, I wonder why we didn't and whether it doesn't make good sense to be able to have that insight and information about how an institution that we have an investment in is operating.

MR. HYNDMAN: I think we're talking about two slightly different things here, Mr. Chairman. One is in the sense of management, and there is no question that the bank has been working through its accounts with Albertans and others. On the basis of what has been said and with respect to that particular company and others, I feel that the bank has been operating similarly to other equivalent institutions, both public and private, in Canada. In the case of that particular entity, everyone is trying to work out some sort of solution.

With regard to the situation on policies which would be established by directors, of course the members of the support package — the three governments plus the six schedule A banks — would be in a position, at the appropriate time, to be involved in input to decision-making.

With regard to the bank's loans generally, it's important to note, as has been noted in the news media, that the existing board of directors retained a very respected banker in the retired vice-chairman of the World Bank, Robert Utting, who started some weeks ago and is involved in an in-depth survey of all aspects of the Canadian Commercial Bank's operations. He will be reporting on that.

As well, with regard to the loans the bank has made — and this was recently reported in financial magazines — special representatives of the support group, of which Alberta is one, are currently reviewing every single asset of the bank and validating their current credit status.

Those are going on, and those reports will be received. Members of the support group will review them and assess what to do at that time with respect to any management or directors' decisions.

MR. GURNETT: Prior to the situation that became clear this spring and when Alberta became involved as part of the support package, we did have this investment in the bank. Was there any effort in that period of time to have representation on the board of directors?

MR. HYNDMAN: Not at that time, because generally the investments of the heritage fund, as we note, are passive investments and are for the middle term.

MR. CHAIRMAN: Would there be additional questions forthcoming from committee members?

MR. HYLAND: I move we adjourn.

MR. CHAIRMAN: There are a few items on the agenda before we do that, Mr. Hyland.

Mr. Hyndman, thank you very much. You almost set a record this morning. You had 46 questions addressed to you. The previous high number of questions, for those who keep track of this sort of thing, was 49, which were addressed by committee members to a witness

before the committee several years ago.

Members of the committee, there are a number of people in the galleries, and there are three that I wish to take the prerogative of introducing to you this morning. They are three distinguished municipal representatives from the town of Swan Hills who are in Edmonton today. I would ask the mayor of Swan Hills, Joe Molho, Councillor Rene Faille, and town manager, Tom Webber, to stand and be recognized.

Swan Hills is a community located not that far away from the city of Edmonton. It's in the heart of Highway 33, affectionately known as the Grizzly Trail, soon to be the world-known highway, the best route to northwestern Alberta. Swan Hills, of course, has been discussed many times in this Legislative Assembly and has benefitted substantially from the functioning of the Alberta Heritage Savings Trust Fund.

Members of the committee, we will now adjourn as per the motion put forward by the Member for Cypress and will reconvene this afternoon at 2 o'clock, when we meet with the Auditor General.

Mr. Hyndman and Mr. McPherson, thank you very much once again. Things seem to be going quite well.

[The committee adjourned at 11:46 a.m.]