

[Chairman: Mr. Kowalski]

[2 p.m.]

MR. CHAIRMAN: Good afternoon, ladies and gentlemen, and welcome to another meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund Act. Committee members will note, in looking at that first section of the annual report of the Provincial Treasurer for 1984-85, which highlights all the very important initiatives of the Alberta Heritage Savings Trust Fund with respect to agriculture, the investments in the new Prince Rupert grain terminal, the Alberta Agricultural Development Corporation, rail hopper cars, irrigation rehabilitation and expansion, the Food Processing Development Centre, and Farming for the Future. Members will also see included in that very important section and commitment to agriculture under the fund a project noted as Grazing Reserves Development. The investment in that project portfolio as of March 31, 1985, amounted to \$28 million. The investment in the fiscal year 1984-85 amounted to \$4 million.

Our guest and witness this afternoon is the Hon. Don Sparrow, Associate Minister of Public Lands, a man who I believe has done a remarkable job in this particular area over the last year. Mr. Sparrow, we would like to welcome you to the committee today. Perhaps at this time you might wish to introduce the gentlemen with you. If you have an overview statement, kindly proceed to it. Following that, we'll welcome questions from committee members.

MR. SPARROW: Thank you very much, Mr. Chairman. It's indeed a pleasure to be back to the committee with some very good news. I'd like to introduce Mac Forbes, sitting right beside me, the Assistant Deputy Minister of Public Lands. Along with us too is John Laarhuis, and he's in charge of the grazing reserves section in the department. Mac, I think you can take congratulations from the minister back to all your staff for a job well done. We started several years ago with quite an undertaking to reduce our deficits and get our costs under control. In my remarks later on you're going to find that a lot of success has been achieved.

Mr. Chairman, the decision in 1976 to use heritage fund moneys to fund grazing reserve

development represented a major expansion in the province's ongoing grazing reserve program. To date under the heritage program, development has been sufficiently advanced on 11 grazing reserves so that these reserves are operational this year. Two additional areas, Sang Lake and Blackfoot, are now being developed. You'll note that the Blackfoot reserve is being developed as a combined livestock grazing and recreation project.

Generally, the grazing reserves have been developed in areas where the soil is not suitable for cereal crop production. Development involves clearing aspen bush land and establishment of tame forage. Fences and corrals are built to handle and control livestock. The heritage reserves are located in the gray-wooded soil areas, where soil conditions are fairly poor.

By providing land on which livestock can be grazed during the summer months and thus freeing up privately owned land for crop production, the grazing reserve program helps to diversify and stabilize agricultural economies in these areas of relatively poor soil. Because the demand for grazing reserve privileges is very high, it has become necessary to set certain eligibility requirements. These favour the local, small-scale farmer or rancher.

Talking about operational costs for a minute, at present all grazing reserves are operated by the provincial government, which charges the users a rental fee per animal unit month, and I'll refer to that as an AUM from now on. The effective rental fees are based in part on the cost of the operation but do not cover actual operating costs. Deficits for total grazing reserve operations were a major issue for several years, as I mentioned earlier.

In '83-84 the difference between revenue and expenditures was \$1.8 million or \$8.25 per animal unit month. In December '83 a meeting was held with representatives of all the grazing reserve advisory boards, and the groundwork was laid to reverse this trend. Through the co-operation of an increased involvement of the patrons, increased utilization, higher grazing fees, and more innovative management on the part of the grazing reserve staff, the 1984-85 operating deficit for all reserves was reduced to \$444,000 or \$1.74 per animal unit month after adjusting for the cost of multiple-use management.

It is interesting to note that the deficit for all dryland reserves was only 85 cents per animal unit month. On the other hand, the heritage reserves deficit is only 22 cents per animal unit month. Furthermore, the local market value of surface dispositions and rentals and payments for seismic activity on grazing reserves during '84 is included, which currently is not collected. In our statements we calculate what that revenue would be each year. If we used that revenue, an operating surplus of about \$380,000 would exist or we'd be making a profit of \$1.49 per animal unit month.

Effective October '85 the department plans to charge oil companies compensation for well sites and seismic activity on grazing reserves, to contribute toward meeting the grazing reserves program operating costs. This is presently being discussed with IPAC and CPA, and we will be bringing this back to a caucus or cabinet committee after those discussions. Also, we have a revolving fund that has been established for salt, minerals, and pharmaceuticals. Reserve patrons pay for these items in addition to their grazing fee.

With reference to the heritage fund reserves program, this program is a 10-year, \$40 million commitment for increasing grazing opportunities for Albertans. It commenced in 1976-77. As of March 31, 1986, a total of \$31.7 million will have been expended for their development. It is proposed that \$5.3 million be expended for future development in the '86-87 year and \$3 million in '87-88, for a total of the \$40 million.

Thirteen new grazing reserves are being developed, covering an area of 251,756 acres, of which 86,079 have been improved pasture. Available grazing has increased over the past years, and we would like to bring that volume of increase to your attention. In '82-83 we had 31,125 animal unit months and served only 220 patrons. In '83-84 we had 50,292 animal unit months, serving 305 patrons. In '84-85 we were able to increase that to 71,187 animal unit months for 313 patrons. In '85-86 we're projecting a total of 83,000 animal unit months for 340 patrons. In four years that shows an increase in utilization by 52,000 animal unit months or approximately two and two-thirds times the '82 level. I think that's quite remarkable for the short time frame in which we have been able to work on changing the operation style. That shows increases, though,

because of new reserves opening up too.

Each of these individual grazing reserves has been developed based upon an integrated management plan. This plan is drawn up by an intergovernmental team which includes Fish and Wildlife staff, Alberta Forest Service, the public lands division of Energy and Natural Resources, Recreation and Parks, as well as Alberta Environment and Agriculture on a consultative basis.

Grazing reserves are developed and operated in accordance with the multiple-use land principle. This has resulted in clearing patterns to accommodate wildlife habitat. Additional fences, reduced grazing capacity, and higher operating costs are incurred because of that, but we believe that multiple use is the way these should have been designed and used. The costs attributable to multiple-use management on the reserve range from 11 to 19 percent of the reserve operating costs. The department does not intend to recover these costs from the grazing reserve patrons.

The land development work and facility construction are done by private contractors. The regional manager is responsible for recommending a suitable contractor through a tendering system and, as the acreage of land in grass production increases, higher cattle numbers can be admitted to the grazing reserves, and the cost of AUM does decrease.

Mr. Chairman, I've given you a copy of the fact sheet on provincial grazing reserve utilization. We've also given you copies of the grazing reserve development completed in 1984-85. We've given to the committee Schedule A, covering the grazing reserve development status as of March 31, 1985. Also attached was Schedule B, the grazing reserve development projected for '85-86, and a map of all the reserves.

Again, Mr. Chairman, I'd like to close by saying that I think the staff and all the patrons and advisory committees that have worked on these projects over the years, not only to spend the heritage fund moneys effectively but to keep the operating costs under control, should be congratulated.

MR. CHAIRMAN: Thank you very much, Mr. Sparrow. I certainly hope that it would not be a question of spending Heritage Savings Trust Fund money. I hope it would be a question of investing in the future. Mr. Gogo.

MR. GOGO: Thank you, Mr. Chairman. I agree with you. It's a good term to use, "investing" instead of "spending", but when you look at page 2, the minister says: "Furthermore, if the local market value of surface disposition rental and payment" is included, which is not collected at the moment, it would be the following. So I would caution those who are so strongly differentiating between investing and spending. When I look at the program, I really don't see the investment; I see the spending.

Mr. Minister, I asked Mr. Trynchy when he was before the committee about the unexpended funds in the program. I have since had an answer to that for the '84-85 year. There was some \$3 million unspent. I appreciate very much having that answer, and there's no need to raise the question. I have the answer. I suppose if anybody wants it, it's available.

Minister, with regard to clearing land and so on for additional grazing reserves, I'm kind of curious how that's done. I understand it's done by private contract. You have people undertake to do it. When I look at the map you've so kindly distributed, most of the grazing reserves are in the north. You're well aware that over the past years there's been a strong move by affirmative action people and so on to see that steps are taken legislatively to see that people who are qualified to work get work. When giving a contract for clearing bush and so on for a grazing reserve, do you, as a matter of policy in your department, make any suggestion or requirement that the contractor hire local people — for example, native people — as opposed to bringing in people from Edmonton or some other area?

MR. SPARROW: Yes. The contracts are all put out for bid and usually in the local area. If we're working in the Grande Prairie area, it's advertised in the Grande Prairie papers and bids are accepted from anyone. You usually find the local contractor obtaining that because of the cost of moving equipment in, and I would say that in most cases local contractors are used at a local level. There hasn't been any sign of contractors from long distances really doing a lot of the work, but they are eligible to bid on it.

Maybe John could clarify that a little further for us. He's been in charge of the specific contracts. John, could you add to that?

MR. LAARHUIS: Mr. Sparrow, I think what you mentioned is pretty well correct. Out of region contractors do apply sometimes, but we found in the last year or so that it's mostly the local people who manage to get the job.

MR. GOGO: What I'm getting at specifically, Minister, is that so often I see advertising for help, and they spell out qualifications; for example, grade 12. We know that with the native people in northern Alberta — it's a bit like the Hutterites — it's almost an exception. Many of them have grades 5, 6, 7, 8, 9. It seems to me that if it's the cleaning of brush, not the operating of expensive machinery but in fact labour, there's clearly a role where the native people of this province in northern Alberta could be doing that work. I would think that this is one case where the government of Alberta, through your department — for want of a better word, affirmative action — could specify that local native people will be hired to do specific work as opposed to whom the contractor may decide. That's really my question.

MR. SPARROW: Presently we put it out through a contract base. The staff is hired by the contractor. We do not hire them on government payrolls to do this type of work. It's usually part and parcel of a contract.

I see your suggestion, and we will take that under consideration. We could add and put some advantage in to the successful bidder if he were going to use a certain percentage of native help to try, to accommodate that goal. I'd like maybe some direction on that. We could add an element to our contract proposals to try to accomplish that goal, Mr. Chairman, if that's the wish of the committee.

MR. GOGO: Thank you. Minister, with regard to use of the grazing reserves, I may live at Hays, Alberta, you know, and I'm a lawyer or a doctor or a developer. My accountant tells me to buy 100 or 200 head of cattle, and I want to use a grazing reserve. How do I do it? Am I now a farmer because I own 200 head? Do I join a co-operative to get in there? I'm thinking now of all the grazing reserves we have and the people who use them. Do we discriminate as to who uses them? How would I as an individual, for example, be able to use it if I acquired 200 head?

MR. SPARROW: Mr. Chairman, each spring the local advisory committee advertises that they're going to be taking applications for grazing for that current year. Those applications are received from anyone who wishes to place an application. As I mentioned in my opening remarks, though, because of the number of applications we receive, the grazing reserve committee tries to accommodate the small, existing, beginning farmer or local rancher who needs to use the reserve for summer grazing to free up his own private land for other types of production. In some cases, in order to fill reserves that were not fully applied for, we advertised in quite a broad area to move cattle in and, in some cases, actually cut the rate down for long hauls of cattle to the northern reserves, in order to make sure all reserves were full. That opportunity was given two years ago. Last year I believe the local people filled all those reserves. So I think all of our reserves are up to maximum utilization for cost effectiveness.

There is that screening process to provide for the local rancher prior to the type of people you were talking about.

MR. GOGO: A final question, Chairman. A year and a half ago, Minister, you addressed the Alberta Fish & Game Association in my riding. There was talk of the Eastern Slopes policies, game farming, and other things. My question really is with regard to the grazing reserves. What's the relationship between your department and the Alberta Fish & Game Association? Are they content with the way the planning and the implementation of the grazing reserves are being handled?

MR. SPARROW: Very definitely, yes. We find there's been a real increase of habitat for elk, deer and moose by opening these areas. Most of them are in the northern part of the province. In several cases we've increased the amount of elk on those. Good hunts are taking place each fall on those reserves. We're also utilizing some of the reserves for the pheasant release program, to try to obtain a more multiple use in the fall and winter of these sites.

So being a hunter myself, I think this is definitely an improvement, opening up new areas for habitat that will attract the right type of game.

MRS. CRIPPS: Mr. Chairman, I'm pleased to see that the operating deficit has come down on a per animal unit month. It's still substantial when you multiply, even at the \$1.74 a month -- about \$450 per owner if they have 50 head in. This subsidy is to one group of farmers, and you've heard my argument on that before.

I'd like to know if your calculation of the \$1.74 per animal unit month includes the capital costs and the overhead costs of the departmental people who are working in the grazing reserve area but who are not in the actual operation of each individual grazing reserve.

MR. SPARROW: The figures I gave you are the actual operating costs of each individual reserve, averaged out. We do have an operating administrative overhead that is not included or charged to the specific reserves as an average. The costs have always been kept based on the reserve, so operating overhead costs would be over and above that.

The major reason for the \$1.74 really comes into play when you average out the whole province with all the reserves. As I mentioned earlier, the heritage reserves are within a break-even point right now. But some of our older reserves that were too small have a higher operating cost for the number of animals on them. We're looking at possibly changing the operation style on some of the irrigated reserves in southern Alberta, to improve their effectiveness by increasing the grass to accommodate more cattle, and selling others that are not effective and shutting them down.

MRS. CRIPPS: You didn't elaborate on the capital cost. If a farmer clears his land, he has to pay back not only the cost of the clearing but the cost of the interest and seeding. Is that included in these costs?

MR. SPARROW: No. The depreciation calculations are just used and calculated on a basis of the machinery. We do charge into that cost and those figures the normal rental fee that we would if we leased the land to other people. So we are charging ourselves a normal rental as if it were leased land to a private association, but the capital costs of construction are not calculated in as a depreciated item. It's just part of the lease fee that anyone else would be charged if we leased

land to them. So the depreciation on capital costs is not part of these figures.

MRS. CRIPPS: I notice you indicate in your report that if you charged a rent to the oil companies, and I understand you're negotiating that — in some of these reserves there are a number of oil and gas wells for which the annual payments, I imagine, would flow to the department. In the normal set of circumstances when revenue from the oil and gas industry — and I can use a plant in my constituency that's just coming on stream that is paying \$60,000 a day royalty to the provincial government, as opposed to a grazing reserve, where right now there are probably 30 wells. I don't believe the province is getting any substantial revenue from those wells, and I believe we should be charging it.

What I would really like is a commitment to this committee that resource revenues will flow to the general revenues of the province and not to the operating funds of the grazing reserve, because I believe that belongs to the people of Alberta. It does not belong to the patrons who happen, by draw, choice, or whatever, to have cattle in that particular grazing reserve. I guess that's a commitment I'd like from you, Mr. Minister.

MR. SPARROW: That decision to charge that additional fee hasn't been finalized, as I mentioned earlier. If we do charge it, all revenues from our department go to the General Revenue Fund unless they're specified to go into a revolving fund, which in this case we're not intending to do. We have done calculations to show what that revenue would be on a per reserve base, because there is and has been an offer made to all the reserve patrons to, if they wish, lease this land, take over the operations, run it as an association and privatize it. That offer has been made for two years now. The reason several of them have not been privatized in that manner is that the operating costs were too high. Now that their staff has been able to get a handle on that, I think that some of these reserves would be seriously looked at by the patrons to set up an association and lease the reserve, as we have many other associations in the province.

MRS. CRIPPS: Mr. Chairman, could I clarify a point? You said that the moneys received from

oil revenue would normally go the department. That's fine.

MR. SPARROW: It would normally go to the general revenue of the province, and we would show it in our bookkeeping as revenue received. We do show a calculation by reserve so that we know where it's coming from.

MRS. CRIPPS: That's my point exactly. If it goes to a grazing association, the oil revenues should still flow to your department.

MR. SPARROW: They receive any revenues from all Crown leases to private individuals, so that would be a major change in policy, and we would have two types of lease arrangements. In all other cases of public land that is leased, we have a fee that is chargeable but the lessee also negotiates for damage and for inconvenience and is paid some fee by the oil company. So we definitely have a fee that will always come to us, but the severance and those types of inconvenience aspects are negotiations between the lessee and the oil company, as on all other Crown lands.

MR. R. MOORE: Mr. Minister, carrying on from the area Mrs. Cripps was discussing, I look at the operating costs of these grazing reserves and am very pleased to see that the government is now moving toward cutting the deficit down; we're moving in the right direction. I am a firm believer that anything the government can do, the private sector can do a heck of a lot better. You touched on my question on privatization, moving these grazing reserves into the private sector away from government, and grazing associations. You said there were certain areas you'd already moved into that area. Is that a planned thrust, or is that just things that happen? Is it in your long-range planning to eventually move all grazing reserves into the private area?

MR. SPARROW: We have made the offer to each of the grazing associations for the last two years to consider the privatization or their setting up associations to manage and operate these reserves. We're now negotiating in two cases where they are discussing that type of change. After the 1985 year, when we get our figures down in December of this year, we will be negotiating with those two reserves. They

would be the first two that would be moving toward privatization. We have not set a policy firmly that we are going to do that. It's at the request of the patrons and the farmers who are using the reserve rather than a forced policy. It was one that helped them co-operate and get the costs under control. They knew we could go that one extra step and have them take them over if we so wished. So we've had terrific co-operation from them to operate them as if they were associations.

They're set up now with boards of directors that meet on a current base, with an executive that meets currently. They inspect the fields, plan the number of cattle that are accepted, work on an advisory committee to work out who is going to be accepted on the reserves, and plan the activities of moving cattle in and out. You may recall that last fall, with the early snowfall, we ran into several problems in various areas with the movement of cattle out on a timely base. Those dates are set by the patrons in consultation with our staff after on-site review of the amount of grass that's there and the length of time they figure each field will handle how many cattle. Because of the drought this year, we're going to have to be moving cattle out sooner than anticipated in other years. The patrons are in on that decision-making process.

MR. R. MOORE: A supplementary. I apologize for being late, Mr. Chairman. Hopefully, the minister didn't answer my next question in his preamble. I hear from a lot of my constituents that the program provides unfair competition for other producers who aren't involved in the program. That is just a standard thing out there. They feel that we are providing some with advantages that others can't take advantage of. Is that really a problem?

MR. SPARROW: That is the criticism that caused us to work very vigorously at trying to get away from what was happening with reference to subsidization of the patrons, as Mrs. Cripps mentioned earlier, by not charging the full cost. I would project that with this current year, at most reserves, we are very close to not being in a position where we're actually subsidizing. These figures I've given you are last year's figures. We hope that those will improve this year. As I mentioned, the heritage fund ones alone are within 22 cents per

animal unit of paying all the costs except for the overhead administrative costs of head office, which we have never charged into our bookkeeping system.

MR. R. MOORE: A supplementary, Mr. Chairman. In that same area, what percentage of applications would you say you get every year that you can't accommodate? Is it 5 percent, 10 percent?

MR. SPARROW: I would have to ask our staff that. I haven't seen the figures. Mac, do you have the figures on that?

MR. FORBES: We don't have the figures with us, but I guess we could try to estimate. It might be safer, Mr. Sparrow, if we could distribute that information later on. We could get a more reliable figure.

MR. SPARROW: I think we could give you that information on each and every reserve, because parts of the province are different from others. We do attempt, though, if there are too many applications on one reserve, to notify those applicants who aren't accepted what other reserves they can get into. So even though it's a longer distance away, they have an opportunity to participate in a different reserve.

MRS. CRIPPS: Mr. Chairman, given that the reserves really do not add to the communities in which they're located — and I'm thinking particularly of the Buck Lake-Winfield-Alder Flats, area where they're hemmed in on both sides by a reserve, which limits the number of families which could buy farmland there and maybe develop a wider and broader community — would any request by the patrons to form an association be brought to the local communities and to the county council concerned and to the MLA before any decision was made?

MR. SPARROW: That could easily be done, Mr. Chairman. We are in the process of negotiating with two. It would be very easy for us to advise the local county council and the MLA in that area. In both cases the local MLA is already involved in these negotiations. We have not discussed it with the county or MD that's involved, but we could definitely do that.

MRS. CRIPPS: In the county of Wetaskiwin, I know that the county council for the most part and certainly the local residents would like to see Buck Mountain grazing reserve in particular sold, the land put up for auction and developed into homesteads or farmsteads. Have you given any further consideration to that request?

MR. SPARROW: I haven't had a written request in that form. I received complaints a couple of years ago because of the subsidization. We attempted to get the costs under control prior to taking any major steps or selling any of them. As I mentioned earlier, we've analyzed one in southern Alberta. We are definitely looking at making changes to other reserves so we can accommodate the same number of cattle. We will be looking at selling the land of that reserve.

If I receive a request from a community or county to look at that proposal at Buck Mountain, I would definitely consider that aspect. It may be an ideal opportunity because of the new reserve at Pembina. A lot of the patrons on the Buck Mountain one could be accommodated in other areas. Primarily, with the increased number of animal unit months, we would be able to handle that in Pembina. Those people who are on Buck Mountain could be moved over there, allowing that land to be sold. So it's feasible to consider that request, and I would do so if a request comes in.

MRS. CRIPPS: You talked about the drought and having to move cattle out earlier, and I think that's certainly a possibility in my area if you expect to have any grass carry over for next spring. I suppose what you eat out this fall just delays entry next spring.

With special emphasis on Medicine Lake, if my figures are correct there's a possibility of about 30 oil and gas wells on that reserve right now. Since many of the patrons come a long distance — from as far away, I believe, as Sedgewick and Hardisty — I know that local people would have grave concerns if the oil revenues from that reserve were going to subsidize their operation of the reserve.

As you well know, all over my constituency and in the west end of your constituency the only cash crop really is cattle, beef; it's a forage area. The cattle that come into that area on the grazing reserve are often off grain farms, where the cattle are a secondary source

of income. So what you're seeing is a grain farmer with a second, subsidized source of income competing against someone who has no alternative but to raise cattle and sell them off that gray-wooded soil area, which is essentially forage.

Just so that it's on the record, I certainly would like to have an assurance that any change in the status of that reserve would be made known to the local residents before anything happens.

MR. SPARROW: We can do that. We're now in discussions with them. We intend to be looking at it sometime in December, after the year and the calculations and figures are there for this current year's operations. It's been suggested by a representative of the patrons that they would like to look at that and consider forming an association in that area.

As I mentioned earlier, if a lease is given out, it would be standard. The fees coming to the Crown for the lease would be the same as all other leased land. But we have to remember that the lessee has the right to negotiate with the oil company for severance, inconvenience, and other types of costs that are incurred on leased land, which usually flows to the lessee. Any complaints thereof go to the Surface Rights Board for any solution of what those fees should be or are. But general revenue would definitely receive any funds that come through to our department for the leases or from oil and gas revenue; they would go to our General Revenue Fund.

MRS. CRIPPS: I'm not worried about what goes to your department.

MR. R. MOORE: Mr. Chairman, just one more question in the area I was talking about, and that is the utilization of the grazing reserve. Do those people who are not successful in their application get preference in future years? Do they come to the top of a list? What is the policy governing that? You apply this year and you're cut off. Do you get number one choice the next year?

MR. SPARROW: We advertise annually, and there is some movement of the patrons each and every year. It's done on an annual base. Each person has to reapply each year to get into it. Notice is given to all those in the area who

are interested, and we put advertisements in each of the local newspapers to try to encourage that. I don't think preference is given to patrons who have applied and have not been able to get in, unless they've reapplied. They're all treated the same each year. As minister, I don't get involved in that. Maybe Mac Forbes could add to that process.

MR. FORBES: Mr. Sparrow, if I could just add that the only newspaper advertising we've been doing to encourage new patrons to apply would be where the reserves are undersubscribed. In the other areas where they're oversubscribed, we found that there are always a lot of potential patrons lining up. So there really hasn't been a need to advertise.

MR. SPARROW: So it's only in a portion of the province that advertising takes place.

MR. FORBES: Right.

MR. R. MOORE: Just one final comment. I would think that if a person applies year after year and goes through the process and isn't fortunate enough, we should be considering a policy whereby one who has applied in previous years should be given some consideration over a new applicant.

MR. SPARROW: It's a good suggestion. We'll take that under consideration. Mac, could you come up with some method of calculating and restoring these figures so that the old applicants are reviewed? We'll take that under consideration for this coming year.

MR. R. SPEAKER: Could I ask a supplementary? Are there not local boards or local people that make the decision as to who goes in? If you throw these things open for renewal every year and they have to think through who gets in and who doesn't, I could see a bit of a war on the plains.

MR. SPARROW: The local advisory committee of four or five of the local patrons sit annually with our staff to go over and review. Patrons who are in there and have been in each year are considered first, I believe, and there is no major threat to their ongoing operation. Our problem is always trying to work the numbers down so we can accept beginning farmers and new local

farmers.

MR. R. SPEAKER: I understand.

First of all, I'd like to say that I appreciate very much that Mr. Mac Forbes is here today. I've had the opportunity of working with Mr. Forbes for 22 years in terms of questions relative to lands and, specifically, grazing. In my career in politics, one of the things I've learned about the department of lands is that it has been one of the best departments, second to none, in the government of Alberta. It's had the capability of responding to and understanding farmers in the province of Alberta. I want to say that publicly at this committee today. Mr. Mac Forbes was a leader in making that happen over that number of years.

So to you, Mr. Sparrow, as minister: you have a very fine asset in your department in terms of working with this program under the Heritage Savings Trust Fund.

MR. SPARROW: Thank you very much.

MR. R. SPEAKER: Mr. Chairman, I've wanted to say that for a number of years. I've said it privately in the hallways of the Legislature Building, but I wanted to put that on the record because that's the way it is. I think many departments of government could learn something about that capability of responding to people needs through the actions and sensitivity that the lands division and people like Mr. Forbes have shown.

My question is sort of in the future. We have one more fiscal year left in the program, in which to either introduce a new program or new reserves or complete what's on stream. Has the minister, Mr. Forbes, or the other gentleman who is with us today any projections as to whether we will complete what we're doing by the end of that period of time, or will you be looking for a further projection or a reintroduction of this program for another five or 10 years? Is there any discussion going on about that at the present time?

MR. SPARROW: The planned budget for 1986-87 is about \$5.2 million. That would leave approximately \$3 million for the following year, which would use up the total \$40 million. When we finish this year, we'll be up to \$31 million, and the other \$9 million will be spent in the two upcoming years. That will finish the 13

reserves. We have not planned any new reserves beyond those 13. We are considering, though, some funds being spent on other grazing reserves throughout the province that were not part of the heritage program, to upgrade them to bring them to a standard that would be equal to the heritage reserves with reference to brush encroachment, reseeding of fields, and trying to get them up to a higher productivity level. But that has not yet been considered as a heritage fund project. It would most likely be a general revenue or regular budgetary item.

With reference to your comments about our fine staff and especially Mr. Forbes, I agree with you. We have a motto in the department that says, "We're here to serve, not to police, control, and regulate." We keep reminding ourselves of that. As a minister I've been elected to serve, and Mac and his staff really take that motto to heart. Every once in a while when we find a letter going out that hasn't got that tone to it, it's sent back with that little memo saying, "That is our motto; let's stick to it."

MR. R. SPEAKER: I haven't any other questions, Mr. Chairman. What I marvel at is the consistency that has been in this department for many years, and I certainly appreciate the minister's carrying that on. Thank you, Mr. Chairman, for those comments.

MR. CHAIRMAN: Will there be additional questions forthcoming from committee members? Well, Mr. Sparrow, on that very high note might we thank you and the officials with you, and wish you the very best in the upcoming year. Thank you very much.

Committee members, we'll pause for about two minutes and then get back to a continuance of our discussion this morning, a discussion of recommendations.

[The committee adjourned from 2:51 p.m. to 2:54 p.m.]

MR. CHAIRMAN: Committee members, this morning we were discussing recommendations and had come to recommendation 7. However, we have a tabling motion that's before the committee. Members will recall that Mr. Nelson moved that recommendation 4 be tabled until this afternoon. Mr. Nelson, we'll now go back to recommendation 4:

That the Standing Committee on the Alberta Heritage Savings Trust Fund Act consider funding a research foundation modelled on the medical research foundation to promote pure and applied research in engineering, agriculture, and base sciences.

MR. NELSON: Mr. Chairman, I'd like to further table 4, 7, 8, and 9 until Mr. Cook arrives this afternoon so he may discuss the items, and carry on through to 10 with Mr. Zip.

MR. CHAIRMAN: Do we have some understanding that Mr. Cook will be arriving?

MR. NELSON: Mr. Cook indicated to me that he would be here this afternoon.

MR. CHAIRMAN: Then in the name of Mr. Nelson and his integrity we will accept the motion to table recommendations 4, 7, 8, and 9. We will proceed to recommendation 10, Mr. Zip. It currently reads:

That the committee recommend that a biennial appraisal be made of the market value of the assets of the Alberta Heritage Savings Trust Fund and a statement of such an appraisal be prepared and attached to the annual report of the fund for that year.

Do you have comments you'd like to make with respect to that?

MR. ZIP: Mr. Chairman, I introduced this recommendation to clarify some of the misunderstandings that occur with regard to the assets of the fund, particularly the coined term "deemed assets". In order to also fix a clear understanding in the minds of the public of Alberta as to the real value of the fund, I felt that, as in the case of a private business, a market value appraisal is valuable from time to time to give everybody a firm grasp of what the net market value is and what the realizable value of the total assets of that particular fund, in this case the Alberta heritage fund, is in terms of what you can get in money for it.

MR. GOGO: Mr. Zip, is that not what the quarterly report does now?

MR. ZIP: Not really, because it doesn't deal with those assets of the fund that do not have a

liquid market value. They have a market value after they're exposed to the market. Whether it be realtors or whoever, after a period of time and after a period of exposure, they would be able to sell those assets and get so many dollars for them. An appraiser would in those cases give an opinion as to how, under current conditions, the market would respond to the offering for sale of certain nonliquid assets.

MR. GOGO: I don't have any quarrel. I guess it's the rationale and the need. Mr. Zip, the annual report is based on the fiscal year of this government. That's March 31. Are you saying there would be a report on October 31? Isn't that the next six months? Would that be of benefit to this committee? I don't know that this committee sits. Or maybe you're thinking of a fall sitting of the Legislature having that information. Is that why?

MR. ZIP: Oh, no. I think it's something that should be done on a regular basis, once every two years, so that we know exactly which way we're heading with the fund, whether it's shrinking in size. Actually, I think there is a misunderstanding on the part of the public that that \$14 billion-plus in the fund is liquid and realizable in terms of putting it on the market and getting cash for it.

MR. GOGO: Mr. Chairman, my confusion is the word "biennial". I have now heard Mr. Zip say it would be every second year.

MR. CHAIRMAN: That's what biennial means. Semiannual means twice a year.

MR. GOGO: I'm clarified, Chairman. I apologize. I'm obviously having some trouble with the Concise Oxford Dictionary.

MR. CHAIRMAN: Are there additional comments with respect to this? Mr. Zip, for clarification, if you don't mind me asking this question?

MR. ZIP: Not at all.

MR. CHAIRMAN: Do I take it that the intent of recommendation 10 is that you would ask for an assessment of those projects under the capital projects division investment? I guess the most extreme example is that you would

want a price tag put on Kananaskis Country. Is this correct?

MR. ZIP: No. An appraisal would not put a price tag on Kananaskis, because it does not have a resale value to it in terms of being able to put it on the market and sell it. It's just like selling the Brooklyn Bridge. It's got an asset value but when you appraise it, it doesn't have a market value.

MR. CHAIRMAN: Thank you. Would you perhaps help me so I can understand this? What would be appraised?

MR. ZIP: The bond holdings, the debentures, even the boxcars. They could be appraised as to what you could sell them for.

MR. R. SPEAKER: To be clear, we're talking about the Alberta investment division? We're talking about the Canada investment division, the loans to the other provinces?

MR. ZIP: No. You're looking at all the . . .

MR. R. SPEAKER: Are we looking at marketable securities and the Alberta investment division?

MR. ZIP: Everything else that's attributed to the fund as an asset.

MR. R. SPEAKER: Anything outside of a deemed asset.

MR. ZIP: An appraiser would look at the deemed assets and make a judgment.

MR. CHAIRMAN: So it would include Kananaskis Country?

MR. ZIP: Oh, yes. It would certainly be interesting to have an independent appraiser look at a facility like Kananaskis Country and give an opinion on it.

MR. GURNETT: I think the recommendation makes sense when it's related to talking about investments — debentures, bondholdings, and things like that — and I could support that recommendation. I have a concern that relates to some of the discussion we've already had about the deemed assets issue, about doing it

with the capital projects, because in a sense they're projects that were funded by the fund but don't belong to the fund. I could support a recommendation that specified it was to do it with those investment areas of the fund, but I have difficulty with the idea of doing it with the deemed assets section of the capital investments.

MR. HYLAND: I find myself in a strange position, Mr. Chairman, agreeing with the Member for Spirit River-Fairview. The part that's concerning me, if we put an assessment on everything the way Mr. Zip has outlined, is the cost of having an appraiser or a group of appraisers running around. They don't work cheap. I can see that it would take quite a few, even though it is every second year. I can see them reappraising or relisting shares and stuff like that in the investment division, but the cost of extending it through the whole trust fund concerns me.

MR. CHAIRMAN: Mr. Zip, would you like to conclude the discussion on this?

MR. R. SPEAKER: Before Mr. Zip makes a comment, I asked a question about the Alberta investment division. In terms of the debentures to the Alberta Mortgage and Housing Corporation, as I understand it, those debentures maintain value, and the General Revenue Fund pays an interest back to the heritage fund. The debentures themselves would not lose value. Is that accurate or not? But, for example, all of the money the Alberta Mortgage and Housing Corporation used to buy land and housing — that's equity. Certainly, their value has gone down. My question to the provincial Auditor was, is he assessing that? He said, yes he is. So if what they do with it in the various corporations is what you're talking about, I could understand that, and I'd support the principle that we do it.

MR. ZIP: I am thinking exactly the same thing, because it is valuable to really have a fairly current and accurate picture of where you stand in terms of your assets. Here's a good example of an area where we aren't sure just what the value of Alberta Housing's assets is in relation to current market conditions, but appraisers know. They don't have to look at every house. They can look at the general description of the

houses and have a fairly accurate idea. They might not be exact without going to every house, and we would have to specify how detailed the appraisal would have to be. But certainly, the people have a very good idea and employ their talents and apply them to the various areas where the heritage trust fund is involved and get their opinion on what the assets are worth. It would be very worth while to the people of Alberta, even with regard to those assets that are termed deemed assets. Really they are nonliquid and nonmarketable assets. An opinion of them from people who deal with the marketplace all the time and have experts who are knowledgeable to give an opinion is better than having nothing at all.

MR. CHAIRMAN: We'll now move to recommendation 11, Mr. Hyland. It currently reads:

That there be a continuation of the Farming for the Future research program with specific time intervals for five years beyond the 1987-88 present program, with specific guidelines to instruct the agricultural council and its committees to increase the researcher and farmer or on-farm demonstration as percentages of the total program. Essentially more practical research that can be shown to be useful on the farm and that researchers will have an on-farm demonstration component as part of their proposal.

I'm sure, Mr. Hyland, you want to clarify the wording. It appears to be rather bulky, and I'm not sure we get the correct understanding of it. But, sir, it's your recommendation.

MR. HYLAND: Thank you, Mr. Chairman. I agree with you. I think it's self-explanatory in that the last sentence shouldn't be part of the recommendation. It should be part of supporting information but not part of the recommendation.

MR. CHAIRMAN: You want us to remove the second sentence?

MR. HYLAND: Yes.

MR. CHAIRMAN: Would you like to provide comments with respect to it, or have you done that?

MR. HYLAND: I did it before. I believe next year is the end of the three-year extension that we put on the program about a year and a half or two years ago. It's to extend the program for a longer period of time and also to make sure that the investigation and research that is done is useful research that can be used on the farm, and that's why the increased emphasis on the researcher and farmer or on-farm demonstration.

MR. CHAIRMAN: Just in an attempt to assist the committee, Mr. Hyland, there is nothing in your recommendation that talks about dollars. Is it inherent in the recommendation that there are to be dollars attached to this as well?

MR. HYLAND: The way I perceive it would be the same amount of dollars that is going into the program at the present time, extended to an additional five years instead of three.

MR. CHAIRMAN: What it would mean is that there would be an additional \$5 million per year for five years.

MR. HYLAND: Right.

MR. CHAIRMAN: Perhaps you want to have the wording of your recommendation such to read. Would there be questions from committee members?

MR. ZIP: The intent of this recommendation is to get a closer involvement between researchers and actual practising agriculturalists rather than it being left strictly to the laboratory or off-farm research.

MR. CHAIRMAN: Well, there appear to be two. It's my understanding that what Mr. Hyland is trying to suggest is that the program be extended, beginning in 1987-88, for four more years beyond that, with funding at \$5 million per year. That's one intent. Is that correct? The second one is basically to have Farming for the Future projects increase on-farm demonstration as a percentage of the total expenditure. Is that correct?

MR. HYLAND: That's correct.

AN HON. MEMBER: Reword it.

MR. CHAIRMAN: Yes. I think the onus would have to be on the individual proposing it. Would there be additional comments with respect to recommendation 11?

MR. R. SPEAKER: Mr. Chairman, what would be the additional cost to the fund? Are we looking at...

MR. HYLAND: I suggest that it be the same amount as presently, \$5 million per year.

MR. CHAIRMAN: Mr. Hyland, you might want to work on the wording of this to bring those intents into it. We might just hold this one in abeyance and perhaps look at it in the last several minutes this afternoon when you'll have the proper wording for it.

We'll go on to recommendation 12, sponsored by Mr. Musgreave. It reads:

That commencing in the 1987-88 budget year, 5 percent of the revenues generated by the Heritage Savings Trust Fund be retained in the fund and that this be increased 5 percent or more each year until all funds generated by the fund are retained for the use of future generations.

Mr. Musgreave isn't here, but we agreed this morning that we'd carry on with the discussion of this.

MR. NELSON: Chairman, I have some difficulties with this, not that we continue to assist the development of the Heritage Savings Trust Fund but the financial impact of this on the general revenues of the government, albeit that over \$1.5 billion of income generated from the heritage fund investments are used to assist in the running of the province on a year-to-year basis. In fact, two months of every 12 are brought forward from the fund.

I would like to suggest that before we vote on this motion, we get a financial impact from Treasury as to what may happen if something like this were to be passed and also what it would do to the revenues of the province as far as the General Revenue Fund is concerned. Certainly, the intent on the surface looks good, but I think we have to examine the overall provincial revenue picture before we just jump in and deal with an issue that relates to a financial circumstance that, basically, we haven't very much knowledge on as far as that impact.

I would ask that we ask Treasury for that kind of information before we're able to deal with this in a positive or negative fashion.

MR. ZIP: I have a concern as well that this recommendation sort of reduces the flexibility of the government in adjusting back and forth between the funds generated by the fund and also natural resource nonrenewable revenues coming in. Under the present setup it's very flexible as far as the ability of government to avoid borrowing, to balance the budget, and to be able to decide which way to go, looking at resource revenues which are based on world market conditions and are rather unpredictable. To tie the government's hands with this type of proviso I feel is creating an inflexibility that makes the job of the Provincial Treasurer much more difficult and exposes him to the need of having to borrow money from time to time and also to probably even levy additional taxes while the fund itself and its income remain frozen because of this proposal.

MR. GOGO: Chairman, I support that recommendation. We're talking here not about nonrenewable resource revenue but revenues generated by the fund itself. We're now spending \$10 billion a year for fewer than 2.5 million people. I don't think we should be using the revenues generated by the fund on those expenditures. I'd certainly like to see us start replenishing that. At 5 percent a year many of us won't be here to see it, but it'll take 20 years to get it back where it was. So I support it.

MR. GURNETT: I would comment much on the same lines as we've just heard. It seems to me that this recommendation contains a very cautious way to move back to a situation that existed in the past. It's a modest approach to it. In reality, this year that would have been \$75 million difference in a very significant amount of multibillions of dollars in the province's income. So I support the recommendation and say that it's a sensible way as long as the original concept of the fund as something that should be growing and looking at the future is still in mind, that this is a good way to begin. Beyond that, as I understand it, this committee could, in any other year, make a recommendation to change this that could then be followed through by the Assembly if what

happened with energy prices on the world market or something made it obvious that it was no longer sensible to be trying to have the fund grow a little more rapidly. It's not something that we'd be locked into.

I think it makes sense now to make a recommendation, if we can see that it's practical, that it's workable at this point, and the committee in years ahead would deal with it if it became obvious that it wasn't workable.

MR. R. SPEAKER: In principle, I support the direction of the recommendation. I must say that in my own mind I think we've come to a point where we have to set the heritage fund and its earnings in one category and general revenue and resource revenue in another. The only amendment I'd have to that recommendation is that we recommend it be done in the next fiscal year and that the government tighten up in terms of their general revenue expenditure.

MR. CHAIRMAN: Are there additional comments from committee members?

MR. NELSON: Chairman, I don't know the best way to deal with this. I would like to request that we receive some financial data or information from the Treasurer to determine the impact of this. I know that most members here sound like they're much more intelligent than I am as far as just going and doing something, but I'd like some facts on the table as to the financial impact just going and doing this thing will have on our budget. If we don't want to do that, that's fine. We've flown by the seat of our pants before; we might as well continue to do it.

I guess I'm asking for some assistance on the best way to put this to the Treasurer to get some information back from him. Do you want a motion to that effect?

MR. CHAIRMAN: Well, that's certainly one way of dealing with it. But this morning I did make a subjective comment about the role that committee members, elected members, of this committee might play. If there is a motion of the committee instructing the chairman of the committee to undertake such a request, the chairman will do it — no reservations or hesitations about that.

I look at the time frame of setting forth with

a request on this and then asking people to provide us with a subjective opinion of what the impact is. The motion says: "Take \$75 million next year. Do not put it into the General Revenue Fund but keep it in the Alberta Heritage Savings Trust Fund." So we then have an impact of \$75 million less for the general operating fund. I suspect that the response from Treasury, after no matter what kind of review they would take, would be a two-line response, saying, "Well, it would simply mean that there would be \$75 million less to be allocated for those ongoing services funded out of the General Revenue Fund."

That can be undertaken, Mr. Nelson, with all the enthusiasm of the Chair. However, I would just like to make the suggestion that the conclusion would probably be no other than what the Chair has suggested it might be. Having said that, I don't want to . . .

MR. NELSON: Mr. Chairman, if you wish to speak on behalf of the committee in that respect, that's fine. I thought maybe we would try to do things as a joint committee rather than as individuals, and if you would rather I go and get the information as an individual, as a member of the committee, I will do so — no problem at all. But I thought we were here as a team and a committee. If you don't want to act as a team and a committee, that's fine. I'll go and get it and bring it forward myself. Thank you very much.

MR. CHAIRMAN: Do I take it then, sir, that you no longer have a request of the committee to obtain the information?

MR. NELSON: Mr. Chairman, I sense a little bit of reluctance on your part to take a leadership role in the committee as far as this is concerned, so I will take that leadership role and I will do the job, along with the other item we discussed this morning. Thank you.

MR. CHAIRMAN: Would there be additional comments?

MR. R. MOORE: I have great difficulty with this motion.

MR. CHAIRMAN: Oh.

MR. HYLAND: Which motion?

MR. R. MOORE: I mean recommendation. Pardon me, Mr. Chairman.

We have two recommendations we will be examining. A later one, 20, says we cap the fund and don't put any more nonrenewable resource revenue into it. Here we say we stop the revenue from going in, and here's another one saying we'll replace it by taking it out of the interest revenue the fund makes. I think there is a relationship between two of these things, but going into the fund is what we're questioning. At the moment I'd like clarification from the mover, and he isn't here, on whether he intends that this is in addition to what's presently going into the fund or whether this is an alternative to capping. If the mover of that resolution were here, that's a question I would like clarification on.

MR. CHAIRMAN: The mover of that recommendation will certainly have that information forthcoming.

MR. GOGO: Just for Mr. Moore, so I'm clear. Very specifically, number 20 reads "nonrenewable resource revenue" as opposed to "revenue generated". To me that's very clear. One is no longer nonrenewable resource revenue going to the fund. Revenue earned by the fund is a totally different subject.

MR. CHAIRMAN: Are there additional comments from committee members? Then we'll go to recommendation 13:

That the committee endorse the development and creation of an urban parks program for towns and villages in Alberta under the capital projects division of the fund.

Mrs. Cripps, do you want to go forward with the discussion on this, or do you want to await the review that will be undertaken by the Provincial Treasury, as there will be a definite impact. If motion 12 is approved, transferring \$75 million away from the General Revenue Fund, we will definitely have a dollar implication here. I don't know how to deal with this. Would you like to proceed with it?

MRS. CRIPPS: Mr. Chairman, there's no need for us to be consistent. I mean, really.

MR. GOGO: Why can't we be like city council?

MRS. CRIPPS: The urban parks program was very, very commendable, and I believe the principle was endorsed by most Albertans. I think the results speak for themselves. I was afraid you'd ask me how much money would be involved, and so I did some calculations. But they scare me, so I won't give them to you. In any case, I would not want to spend more money on the towns and villages than had been spent in the urban parks program, which was about \$84 million.

MR. CHAIRMAN: Would there be other committee members who would like to participate in debate on recommendation 13?

MR. ZIP: I find that recommendation very commendable, Mr. Chairman. I'd like to see it start with Chestermere Lake.

MR. NELSON: I'll second that, Mr. Chairman. But it's not in Calgary; it's outside.

MR. CHAIRMAN: Would there be additional comments forthcoming? Perhaps if there are none, we'll move on to recommendation . . .

MRS. CRIPPS: Mr. Chairman, just for clarification. I certainly wasn't proposing that we spend \$84 million on this. I just think that the concept of the urban parks program is one that we should very carefully look at for towns and villages in Alberta.

MR. CHAIRMAN: Once again, and I want no committee members to misunderstand the intent of the chairman of this committee, but for Mr. Zip and for any other committee member, the motion is quite clear. It reads, "for towns and villages in Alberta." If an example that a committee member has in mind falls under the category of summer villages, then you may want to consider that before we come back for final discussion of this.

MRS. CRIPPS: The chairman just made a plea.

MR. ZIP: Chestermere Lake is a village.

MR. CHAIRMAN: That's not a summer village, then.

MR. ZIP: No.

MR. CHAIRMAN: Okay. That was just for clarification.

We'll move on to recommendation 14, in the name of Mr. Cook:

That the Standing Committee on the Alberta Heritage Savings Trust Fund Act consider the construction of low-cost research lab space to be made available to the private sector on a contract basis, modelled on the successful North Carolina triangle research park.

MR. GOGO: Mr. Chairman, I don't really know the motivation of Mr. Cook, but I think we should establish as a principle that any recommendation that a sponsor wants us to pass should endorse this committee's personally investigating the comparison he's looking at. So I think that we should give consideration to visiting North Carolina and having a look at that triangle park.

MR. GURNETT: I can't do better than that. My comment is simply that I think the fund has some good examples, like the food testing lab in Leduc, that the Minister of Agriculture talked about, and the electronics testing lab. Those seem like very specific kinds of projects. I have a concern about supporting a general kind of thing like this. I think we should look at specific areas of concern and need rather than these kinds of blanket ideas.

MR. CHAIRMAN: No additional comments forthcoming on that one? Then we'll move to recommendation 15:

That the committee recommend that the Alberta Heritage Savings Trust Fund Act be amended so as to require prior legislative appropriation before any investment decision concerning any division of the fund is implemented by the investment committee, in the same way that such prior appropriation is required for capital projects division investments or investments of the Saskatchewan Heritage Fund.

MR. GURNETT: I think it's straightforward. The thinking behind it is simply that the Assembly should be the responsible body for decisions about tying up the capital in the fund, not only for capital projects but in other areas of investment as well. That's the intent behind

it, that the investment committee wouldn't operate on those decisions to invest in a bank or whatever on its own decisions but would need the Assembly's approval.

MR. GOGO: We've been through this I don't know how often, Chairman, about the Assembly reviewing the investments. Surely Mr. Martin, and Mr. Gurnett is speaking for him, is well aware that with our investments in equity position in the stock market there is no way you could discuss within this House, other than some very general parameters; i.e., a percentage of a fund being invested in an equity. That simply can't be done. If Mr. Martin is really serious he should be more specific and not deal with the concept of the fund totally being debated in this House. If he wants to talk about an addition to the capital projects division or some other area, that's fine, but I don't think that's going to see the light of day. It certainly won't from me.

MR. R. MOORE: Mr. Chairman, we talk about legislative accountability. There is accountability to the Legislature already, through the opposition membership on this committee sitting today, question period, private member Bills, motions, written questions, as well as accountability to the Auditor General. So we have accountability built in. How much accountability do we need? Do we need to put another bureaucratic body into all those processes that are there?

There's another thing. It's what the hon. Member for Lethbridge West brought up, about requiring legislative approval for the commercial investment division or marketable securities. You just can't do that. It would be too cumbersome and too slow to even apply to the market decision-making process in the private sector. You just couldn't do it. With no new investments going to the energy division or the Canada division, it only leaves the capital in the Alberta division, which already requires legislative approval. I just don't see the point of this recommendation or the need for it.

MR. CHAIRMAN: Mr. Gurnett, would you like to conclude the debate?

MR. GURNETT: I think I've made the case for it as I see it.

MR. CHAIRMAN: Recommendation 16:

That the committee recommend that the Alberta Heritage Savings Trust Fund Act be amended so as to make clear that the primary purposes of the Fund are to strengthen and diversify Alberta's long-term economic base as well as to assist Albertans to be successful in their chosen enterprises, through the direct provision of adequate capital at reasonable rates of interest.

MR. GURNETT: This is a background or a foundational recommendation that obviously our position on has an influence on many of the other kinds of recommendations that are talked about. Depending on the statement made and the position taken about the primary purposes of the fund, other recommendations may or may not make sense as far as whether the fund continues to grow, and if so, by how much, and what types of programs we would be recommending that the fund should be supporting. So it's simply an effort to make sure that there's a clearly defined focus of the purpose of the fund. I'm not saying that it would be something new. It's to make clear something that in some sense almost everybody understands, but there would be a specified statement that those were the focusses of the fund.

MR. R. MOORE: Mr. Chairman, adding a primary objective amendment to the Act has no effect on what we're already doing. It's just an additional thing. For what purpose? I can't see the value to it. It doesn't alter the fund, as it already has done what is suggested in the resolution. Exactly what it says in the resolution is what it's done.

MR. GURNETT: To respond briefly to Mr. Moore, the advantage that I see is that such an amendment would give us a statement that could be looked at and used as a base mark for decisions. There wouldn't be the danger that if that statement is not there, we may or may not operate that way. It's good if we do consistently, but this way there would be a clear statement that all decisions would be measured by.

MR. ZIP: I have to concur with Mr. Moore as to the need for this type of recommendation, because I do feel that the fund is doing exactly

this sort of thing now. It is diversifying the Alberta economy on a long-term basis, and it is providing Albertans with new opportunities in various ways. Whether it's through the Alberta Opportunity Company or through the various agricultural programs or through housing, it is doing a very adequate job. For us to start to fine-tooth this thing through this type of recommendation is an unnecessary exercise.

MR. CHAIRMAN: Mr. Gurnett, would you like to close the debate?

MR. GURNETT: I'd just repeat once more that it provides a certain amount of security if that statement is there. If the perception is that that's what's happening, I don't see the danger in requesting an amendment that would make clear that that was the primary purpose.

MR. CHAIRMAN: Recommendation 17:

That the committee recommend, as it did last year, that the Alberta government should increase its efforts to persuade the federal government to significantly increase support for Albertans through such agencies as the Central Mortgage and Housing Corporation and the Farm Credit Corporation, thus reducing pressure on the trust fund and allowing the Alberta government more flexibility to use the fund to assist Albertans to prosper.

MR. GURNETT: It's straightforward. It's indicating that those organizations should be supporting Canadians and Albertans are Canadians, so we should be pushing for that.

MR. R. MOORE: It's a really good motherhood statement. Nobody can argue with motherhood, but I think we already press the feds for funding. There's no question about it. We're keeping the pressure on and will continue to keep it on so that Albertans receive their fair share of funding from the federal government.

MR. GOGO: Mr. Gurnett, in your discussions with Mr. Martin, I wonder if the significance behind this is that there is now a disproportionate amount of money going from either the FCC or Canada Housing to other provinces as opposed to Alberta. Is that the primary thing behind it?

MR. GURNETT: Yes, the amount of loans out from either of those organizations is proportionately much smaller in Alberta than in other provinces.

MR. GOGO: I didn't know that. That changes my attitude.

MR. CHAIRMAN: Anything further, Mr. Gurnett?

Recommendation 18:

That the committee recommend, as it did last year, that consideration be given to selling debentures currently held by the trust fund in the Alberta Opportunity Company, the Alberta Agricultural Development Corporation, the Alberta Municipal Financing Corporation, the Alberta Housing and Mortgage Corporation, and the Alberta Government Telephones Commission, 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. GURNETT: I would only indicate that the rationale behind it is to move funds that are tied up in those corporations into a position where they can be used more flexibly. All those corporations are able to obtain capital at the very best of rates on the open market in any case.

MR. HYLAND: Mr. Chairman, I urge the committee to seriously think about this recommendation. As I read it, what would be happening with our programs — our beginning farmer program, for example, where we subsidize the interest rate, and on some of the AOC programs where we subsidize the interest rate, as well as the Municipal Financing Corporation — if those bonds were sold is that we would be paying directly into the major banks. We've heard accusations about them in the last few days. We'd be paying government money, out of general revenue, directly into these organizations because of the interest rate policies we have. We'd be paying money directly into these organizations, and I'd sooner be paying money into the Heritage Savings Trust Fund and using it there than be paying directly into banks and having it go down east or elsewhere.

MR. CHAIRMAN: Mr. Gurnett, would you like to close the debate?

MR. GURNETT: To respond just briefly. I suggest, though, that there may be a number of other options of how these corporations could continue to operate. Or, as one of the other recommendations we're considering, it may be that some of them at least would cease to exist in the way they're known, and the services they've provided would be provided through other mechanisms.

The concern I still have -- and the member certainly raises a different one that's certainly worth thinking about -- is that I think about two-thirds of the available total resources of the fund are now tied up in debentures to this relatively small group of organizations. That's where the recommendation comes from.

MR. CHAIRMAN: We will now move to recommendation 19:

That the committee recommend that the government propose legislation which would ensure accurate reporting of the assets of the fund. Only assets which are truly owned by the fund or realizable by the fund should be deemed to be assets on the balance sheet of the fund, as has been suggested repeatedly by the Auditor General.

MR. GOGO: Mr. Chairman, on a point of order.

MR. CHAIRMAN: Yes, on a point of order.

MR. GOGO: Mr. Chairman, I see visitors to the gallery, and maybe they'd be interested in what's going on in this hallowed Chamber of ours.

MR. CHAIRMAN: That's a fine suggestion, Mr. Gogo. Ladies and gentlemen, what we have here today is a meeting of the standing committee on the Alberta Heritage Savings Trust Fund. That committee is made up of a designated number of members who sit in the Alberta Legislative Assembly. It's not a question of seeing a lot of MLAs not present today because they're absent and taking care of their constituents in their ridings, but what it is is that we've used this room because it's the most convenient one in terms of the very important business at hand.

The individuals to my right are all MLAs who represent various constituencies throughout the province of Alberta. If you had been here about three-quarters of an hour ago, we had a witness before the committee, a minister, who had to come forward to defend certain dollars that were allocated to him by the Legislature and the committee for administering one particular program in the province of Alberta.

Our responsibility is to ensure that the dollars allocated in the Alberta Heritage Savings Trust Fund are being utilized efficiently, effectively, and for the best interests of the people of Alberta. As you know very well, oftentimes even within families there are sometimes disagreements, because two people may have a different approach as to how you might want to spend a dollar. That certainly is the case among my colleagues, who each represent a constituency throughout Alberta. Each feels that the views of their constituents are somehow more applicable to all Albertans than the views of other people, so you have a political discussion.

We are currently in the process of doing one additional item of business of the committee. We address ourselves to certain recommendations for changes or improvements, but as each member who comes forward with a recommendation finds, he or she must have that recommendation tested by other members of the committee. As most human beings somehow don't see the same colour, we also do not see the same merit in each of the recommendations. We are currently in that process.

I think Mr. Gogo's suggestion of welcoming you here to Edmonton was a very good one, and I certainly do that on behalf of all my colleagues in this Assembly.

Now we are continuing discussion on recommendation 19, and we have Mr. Moore.

MR. R. MOORE: Thanks, Mr. Chairman. I have just one comment on this recommendation, and that's this. There must be a measure of the amounts expended that are not recoverable but are of real benefit to Albertans generally. I refer to Kananaskis Country. That is when we have to show these deemed assets. As custodians or watchdogs over this fund, we should have that measure in there to show funds expended that aren't recoverable. If we take that factor out, we have no way of knowing

where those funds went.

MRS. CRIPPS: I certainly support the intent of this motion. It's very similar, I believe, to number 2. My understanding is that deemed assets are assets which are not fluid, the investment in them is not realizable . . .

MR. GOGO: Maybe not even owned.

MRS. CRIPPS: Maybe not even owned is right. I guess my concern is that it says:

Only assets which are truly owned by the fund or realizable by the fund should be deemed to be assets . . .

Are we talking about deemed assets or fluid assets? That's my question.

MR. GURNETT: About actual assets. It would probably be simpler if a synonym were used there, like "considered" to be assets or "treated" as assets. I see the point you're making, that it becomes confusing because of the verb. Beyond that, certainly the recommendation is basically the same as the second recommendation, and we already had discussion on that today. I simply indicate that there's nothing in the recommendation opposing a way of communicating the existence of deemed assets, that the money has been spent and that certain facilities or equipment exists. It's just a matter of accepting the Auditor General's recommendation about the appearance of those things in the balance sheet of the fund, in the financial statement.

MR. ZIP: Mr. Chairman, the more I hear discussion on this term "deemed assets," the more I'm convinced that there's a great deal of confusion in the minds of everyone as to what assets are and how they relate to the marketplace and market value. Market value is based on the ability to generate income of a particular asset or its resale value, not necessarily related to its ability to generate income. Good examples of that are works of art or antiques, which usually do not have any capacity to generate income but, in many cases, depending on their rarity in the marketplace, have a very high value.

Everything revolves around finding somebody willing to pay for something. I can visualize the possibility of somebody willing to pay for Kananaskis Country or having an appraiser

actually find somebody or give an expert opinion on a buyer being available at some time. I wouldn't just lightly dismiss certain assets as having a deemed value and not necessarily a market value until you have experts, people who have very extensive knowledge of the possible marketability of a certain asset. Until they give an opinion, you don't really know.

MR. CHAIRMAN: Mr. Gurnett, would you like to conclude?

MR. GURNETT: I really have nothing to add.

MR. CHAIRMAN: Ladies and gentlemen, in terms of the time, perhaps what I will do at this point is just recap what progress we have made today with respect to these first 19 recommendations. My understanding is that as of today, we as a committee have now reviewed recommendations 1, 2, 3, 5, 6, 10, 12, 13, 14, 15, 16, 17, 18, and 19; we have looked at recommendation 11, with a request to Mr. Hyland to perhaps rework the words of that particular recommendation; and we have tabled recommendations 4, 7, 8, and 9. We are now a few minutes prior to adjourning today, and we have some decisions to make with respect to additional meetings of this committee.

I indicated earlier today that perhaps we might want to reconvene on September 24. I put that down as a suggestion. We have had a proposal before the committee to undertake a review of irrigation facilities in one part of Alberta on September 24 and 25. I cannot advise, nor, I'm sure, can any committee member advise, as to how much time the committee will need to continue the process of going through, in a committee review, recommendations 20 through 42, nor do I know whether or not there will be additional recommendations forthcoming from committee members.

The process we will follow is that in this committee review we will go through all of these recommendations and then come back to them for a final reading, in essence, beginning with recommendation 1 and going to whatever recommendations we have. In the final reading stage, members are still able to participate in discussion. Then there comes a point in time when the Chair will have to call the question.

As I see it, we have a priority commitment

on our time to advance the work, the resolution of these recommendations. We also have a suggestion that we undertake a two-day tour of irrigation facilities. I now leave it with you to provide advice to me and to share with each of your colleagues what the suggestions might be as to how we best resolve this item.

MR. ZIP: I highly favour the suggestion that the hon. Member for Lethbridge West made: doing the tour and finding time during the tour to deal with the recommendations. I think that's a very good suggestion, and maybe we should discuss it and pursue it.

MR. CHAIRMAN: I appreciate that. The difficulty one has is that one does not know what time would have to be worked in for the discussion of these recommendations. Priority will have to be given to one of these two items.

MR. HYLAND: Mr. Chairman, is Mr. Zip suggesting the 24th for attempting to deal with the recommendations and extending the tour from the 25th to the 26th? Or were you going to try to do everything in the two days?

MR. ZIP: I was hoping we could do everything in the two days — go on the tour on the 24th and 25th and, if we can't cover the recommendations, using the 26th as the day when we would deal solely with the recommendations.

MR. R. MOORE: Mr. Chairman, basically what Mr. Hyland was questioning, why not plan the 24th, 25th, and 26th, and work in the tour and the resolutions in the three-day package?

MR. GURNETT: Since we all have to look at what we can do, I very much want to be a part of the ongoing discussion of recommendations, and the 24th and 25th are among the few days that under no conditions are possible for me. Could I suggest a couple of alternative days that we may look at for discussion of recommendations as opposed to the irrigation tour, which may not be able to move? I wonder about the possibility of at least the afternoon of the 18th, and the 19th all day if necessary, which would be a week from now instead of two weeks.

MR. HYLAND: I've got a problem with the

19th.

MR. R. MOORE: I've got a problem with the 19th.

MRS. CRIPPS: We have Members' Services on the 18th.

MR. GURNETT: That's why I suggested the afternoon of the 18th.

MR. GOGO: Mr. Chairman, how much could we achieve in the afternoon of the 18th?

MR. CHAIRMAN: Again, I guess we're just 'crystal-balling' in terms of how much we can achieve on any day or afternoon. I simply don't know. It would seem to me that priority should be given to the discussion of recommendations. That has to be the first priority decision, ahead of a tour.

Is it the general feeling, then, that we might want to reconvene in the afternoon of Wednesday, September 18, at 2 o'clock for discussion of recommendations?

HON. MEMBERS: Agreed.

MR. ZIP: Why not in the morning?

MR. CHAIRMAN: There is already a designated Members' Services meeting.

MRS. CRIPPS: What's the 17th, Mr. Chairman?

MR. CHAIRMAN: The 17th is Tuesday.

MRS. CRIPPS: Thanks.

MR. CHAIRMAN: Would committee members be available to be here on the 17th?

MR. ZIP: Yes, I would be available.

MR. CHAIRMAN: Is there a difficulty? There is?

MR. GOGO: Let's go with the 18th.

MR. HYLAND: If we do go with the 18th, can we take a shot at going later than 4 o'clock? If we start at 2 o'clock, let's give her a run till 6 o'clock or something, instead of the two-hour slot. Then we can see where we are.

MR. R. MOORE: That was exactly what I was going to say, Mr. Chairman: go to 6 o'clock if need be.

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

MRS. CRIPPS: I was thinking that in terms of trying to get through these resolutions, I would like to see us get together an hour or so before and try to draw some of these resolutions together. We've got 40-some resolutions, and many of them overlap or duplicate. If we got together on an informal basis -- I don't care when we do it, maybe an hour before -- we could agree to go with one, change it so that everybody could agree to it, and then withdraw the rest.

MR. CHAIRMAN: Perhaps we might resolve this matter this way by dealing with it on September 18. At 1 o'clock that afternoon there would be an informal discussion here within the Assembly, with no Hansard or anything else. Is there even need for a chairman?

MR. GOGO: Not if Mr. Nelson is here.

MR. CHAIRMAN: Then the next scheduled meeting of the select standing committee will be at 2 o'clock, September 18. Miss Conroy, would you make the necessary announcements to that effect and convey to all members that they will be here on September 18? Does that mean we're still planning the days of 24 and 25 for review of the irrigation facilities?

AN HON. MEMBER: Yes.

MR. CHAIRMAN: Mr. Hyland, can we ask you to put together all the necessary pieces for that tour and convey to all members what those details will be on the afternoon of the 18th?

MR. HYLAND: Yes, sir.

MR. CHAIRMAN: Will you work with Miss Conroy in finalizing all those details?

MR. HYLAND: Yes. Mr. Chairman, I've got a suggested change in number 11.

MR. CHAIRMAN: Perhaps you might convey those words to Miss Conroy, and she'll have them ready. Let's adjourn.

