

[Chairman: Mr. Oldring]

[10:04 a.m.]

MR. CHAIRMAN: Good morning, ladies and gentlemen. Welcome to another meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund Act. Appearing before the committee this morning we have the Hon. Don Getty, Premier of the province of Alberta.

Sir, on behalf of all the members, may I welcome you here this morning to the 10th session of this particular standing committee. I might note that the last time you appeared before this committee was in September 1978, at that time in your capacity as Minister of Energy and Natural Resources. I noted that at that time you had to handle a number of queries on the Alberta Energy Company, and of course we all know how that's turned out and the success it's been to the trust fund. If you'd like to make some opening comments this morning, please proceed. If not, then we'll turn the meeting over to question period.

MR. GETTY: Thank you, Mr. Chairman, for your words of welcome. I just want to say to the committee that I'm pleased to be here participating with you. I note that you have a very heavy schedule of ministers who will be seeing you, as well as our Provincial Treasurer, and I trust that your deliberations are helpful. Probably there has not been a time when your meetings would be so important as these are. I think of some of the economic difficulties facing the province. Your meetings are extremely important.

I will try and answer questions that you have. If there are some I can't answer, I will certainly try to get the information and report back. I hope we are able to have a good discussion of those matters which I can deal with. Other than that, Mr. Chairman, I would welcome any questions.

MR. CHAIRMAN: Thank you, Mr. Premier. We'll go, then, to the question portion of our meeting. At this time I have eight people on the list, and we will begin with the Member for Edmonton Kingsway.

MR. McEACHERN: Thank you, Mr. Chairman. Mr. Premier, welcome to the committee. It's been 10 years since the fund was established, and economic conditions have changed rather

dramatically in that time. It's time for a complete and independent evaluation of the structure, performance, management, and economic impact of the fund on the province of Alberta. Perhaps some hearings and some investigations have taken place, but there has been no public accounting. The Legislature has not debated the role and performance of the heritage trust fund in detail. What's needed now is an opening up of the hearing process. We need a detailed review to be undertaken on a contract basis by an independent accounting and consulting firm, and then those findings should be submitted to not only this committee but the Legislature and the people of Alberta, to let everybody have a go at it that wants to. At this time, would you commit yourself to such a process?

MR. GETTY: Well, Mr. Chairman, I find the comments a little puzzling, and only in this regard: that word "independent." I'm wondering whether the member is suggesting that in some way the Auditor General isn't independent.

MR. McEACHERN: Not at all.

MR. GETTY: His assessment is done every year as an independent outfit. We receive his report in some detail. This committee meets in detail. The trust fund is discussed throughout the province by people talking to their MLAs and meetings all over Alberta. It's discussed nationally. I've heard it debated in the Legislature a great deal since I've returned; Mr. Chairman, something the committee could look at as a committee and make recommendations that they feel the government should consider, but as of right now I don't see the particular need for moving along the lines of your opening statement.

MR. McEACHERN: Mr. Premier, there has been an economic downturn. Circumstances are really different, and I can't help but believe that it's time to re-evaluate where we're going with the fund. But perhaps with my second question I would turn to another point.

The fund was set up to diversify the economy or to be a savings account. Those were the two main purposes, and they're reiterated here by the Treasurer in the opening comments of the

annual report. The diversification has obviously been a failure, and a spectacular one that everybody knows about. So that leaves us with the savings aspect of the heritage trust fund for a rainy day, and truly, today is a rainy day. Does the Premier intend to use the fund to ease the deficit of the government or not?

MR. GETTY: Mr. Chairman, can I come back to the opening statement of the hon. member in his second statement about diversification being such a failure. As a matter of fact, I don't agree with that position at all, and I'm puzzled that the member would say it that way. Through the fund, of course, we've had a tremendous amount of investment in diversification through the Alberta Opportunity Company, Vencap, through our medical research, forestry investments, and parks investments.

As the hon. member knows, Alberta is building diversification in three special areas in addition to agriculture and energy. Those special areas are areas in which we have strengths and therefore can diversify, and those are: tourism, with the creation of a new department; research, technology, and telecommunications, a new department; and forestry, a new department. All of those areas have investments from the heritage trust fund in them throughout the province.

Many people, these days, when they take a look at Alberta's economy, with the devastation brought on by the national energy program and just a short period of time trying to recover before being hit by a drop in world prices and the problems in agriculture, are seeing that there is now a solid base in Alberta of other parts of our economy that are maintaining a level of investment and activity in Alberta that is surprising people. We have unemployment. It's too high, and no one's satisfied as long as anyone's out of work. But let's remember that right now Alberta has the highest per capita retail spending in Alberta. Car dealers in Alberta are selling better than they have in years. Large purchases in the areas of furs, diamonds, holidays -- travel agencies are extremely active. I suggest, Mr. Chairman, that while there is much more to do in the area of diversification, nevertheless through this trust fund and through other efforts of the government, there has been a tremendous impact in that whole area.

Research and technology is covered here in your document under that section. It doesn't sit under diversification. If you take a look at the tremendous strides that are being made in the area of research and technology and the fact that we have the medical research that's going on in this province -- now it's being looked on as the best in North America, perhaps in the world, because of the trust fund. We are the only area in North America, perhaps in the world, that not only insists that those who harvest our forests must replace those forests, but because of the heritage trust fund, in Alberta we are growing forests where they never grew before. We are actually expanding our forests in this province. In the areas of oil sands technology and research and heavy oil technology and research, this province is investing more money annually than any part of North America.

So, Mr. Chairman, I know that there are things to be done, but I disagree completely with the statement the member makes about a total failure in the area of diversification.

MR. McEACHERN: What about the question?

MR. GETTY: Would you remind me of the question?

MR. McEACHERN: Do you intend to use the fund to ease the deficit of the government?

MR. GETTY: Mr. Chairman, the fund already eases the deficit of the government. It has all of the fund's earnings, approximately \$1.7 billion, easing the deficit of the government, but it would not be my desire to see the capital of the fund reduced.

MR. McEACHERN: Thank you for the lecture on diversification. Actually, you made some good points, but the bottom line is still that you are planning a \$2.5 billion deficit and have borrowing powers for a \$5.5 billion deficit. We have put all our eggs into the oil basket to the point where it has left us in a rather untenable position and at the whims of the price that OPEC chooses to set, which we tend to call market prices.

MR. CHAIRMAN: Your final supplementary.

MR. McEACHERN: Mr. Speaker -- I'm sorry; I

can't get out of the House, I guess.

Mr. Chairman, the Premier says he doesn't want to use the capital of the fund to ease the deficit for the budget. I suppose that in a way you can look at it as if there are three alternatives: one, no use of the fund at all, or panic and use the fund completely. But it would seem to me that the alternative would be somewhere in between. I think the government should be looking very carefully at how it's using the fund. Things like AGT debentures should be considered very carefully as to whether or not they make a reasonable investment at a time when we may have to borrow money. They should look at the value of some of the Crown corporations like AOC, ADC, and AMHC and see whether or not they're really worth what the fund claims they are and whether they're really doing the job for Alberta, or are we taking money out of one pocket and putting it in the other to some extent? Perhaps you could reply to those ideas.

MR. GETTY: When you say, "Not using the fund at all," I think you have to be clear as to whether you're talking about capital or income. Obviously we are using the fund. The \$1.7 billion is a massive contribution from the fund to the Alberta budget.

There are other things to consider, of course — perhaps other members will comment on this as well — such as, when we're in a large deficit position, should we continue to have dollars flow into the fund, 15 percent resource revenues? Because since we are borrowing — in one manner of looking at it, we are borrowing money to put into this fund. If we're doing that, I think we have to have a second look at it and decide whether we want to continue to do that. From my discussions with Albertans there is no question that Albertans have always considered that those dollars going into the trust fund were surplus money, that it was always surplus money, that surplus money would continue to go into the fund. But when you're in a large deficit position, you're not dealing with surpluses, and serious consideration will have to be given to whether or not the 15 percent continues to go into the fund. My desire would be that if it were ever stopped in sort of a capping situation, it be stopped only on a temporary basis.

MR. GOGO: Mr. Getty, I too would like to

welcome you here. We'll be having before us various ministers who have responsibilities for expenditures from the fund. Undoubtedly with Dr. Webber we'll get around to what may happen in the future to the major source of revenue to the fund. With our agriculture and energy sectors in great difficulty, it's so important that we get the attention of the government of Canada involved. I've read with interest your comments in the past two weeks about attitudes in eastern Canada. For example, I don't think it's understood at all that Ontario has a heritage fund called Ontario Hydro, probably worth \$25 billion. I don't hear anybody talking about that and that they don't need help — or Manitoba Hydro, which is their heritage fund. We don't have that in this province.

The question I want to ask you is: in terms of communication, not only with Albertans — which the Member for Calgary Fish Creek is probably better aware of than I — would it be your view that those in eastern Canada fully understand that the heritage fund is extremely limited; that is, that it's only about six or seven weeks' spending by the federal government and we are in a very difficult situation and that really the ability of the Heritage Savings Trust Fund to help out to the extent that they think simply isn't there? Would your perception be, first of all, that they in eastern Canada — I suppose mainly Ottawa — understand the fragility of the fund and its ability to respond to our agriculture and energy sectors?

MR. GETTY: No, I don't think they have an awareness of it at all. I find very few people, in either public or private life, who express in discussions any real knowledge of the fund or the fragility of it, as you point out. It is a symbol to them of previous years when Alberta was in a heavy surplus position on a budget basis, and they continue to think that we have this huge pile of money sitting somewhere under the Legislature, I guess, that we can use now.

But in discussions I have with them, the awareness of our citizens is a problem with the fund even in Alberta. There is still a job to be done by this committee, MLAs, and the government in terms of not just awareness of the fund and how it is broken down but actually all the areas the fund is involved in their lives. I noticed that in previous meetings of the committee the Member for Cypress-Redcliff

was talking about making sure that those things that come out of the fund show the fund's logo so that people realize how many places this fund participates in their lives.

When we're talking about eastern Canada, though, and we talk about help for our energy industry, for instance, quite often members of the House of Commons will say, "Well, you've got the heritage fund; take care of yourself." That begs the question that if we hadn't saved, if we had spent it as rapidly as it came in, then they would say, "We'll help," which I think is foolish.

MR. GOGO: A supplementary, Premier. That is almost totally contrary to the merit principle. In other words, if you're successful, look out, but if you're a failure, we'll help you.

As President of the Executive Council you have a minister -- I believe it's Mr. Russell, the Deputy Premier -- who is responsible for public affairs in this province. Mr. Premier, would you consider instructing Mr. Russell to carry out something new in terms of communication of the heritage fund with eastern Canada? Is that not a policy that perhaps could be reviewed, making Canadians aware of the vulnerability of the fund, that perhaps it's not everything they perceive it to be?

MR. GETTY: It is part of general public information that would have to take its place in a list of priorities of dollars we can spend in the area. To educate eastern Canadians about the heritage trust fund is something we'd want to do, but it just has to fit in a list of priorities of managing our dollars in that type of public communication area. I'm not sure it would come out on top.

MR. GOGO: The final supplementary, Premier. I note with interest that from our Minister of Energy, Dr. Webber, the royalties seem to average something around 15 percent, yet the industry talks continually of approximately 30 percent. I have great difficulty. There's a 100 percent difference in those figures. Automatically the question the public would have is, "Who is telling the truth?" I suppose both sides are telling the truth, which indicates, I think, the magnitude of the problem of communication.

Applying that to the Heritage Savings Trust Fund, I personally don't think that most people

-- and the Member for Calgary Fish Creek is far more knowledgeable than I -- are aware of either what the fund is about or its role. My primary concern, however, and the reason I raise the question, is that at this point in time in Alberta we have our two primary industries in very serious difficulty. As you say, if we didn't have the heritage fund, the central government would probably be more prone to help out. I guess I've got to come back to the point: would you consider at the next First Ministers' Conference clearly stating the case of the vulnerability of the fund to your colleagues the fellow Premiers and the Prime Minister, that there are limitations to the fund and that the perceptions that some of them perhaps have are just incorrect?

MR. GETTY: I'd certainly give it serious consideration, but I would point out that in our Premiers' meeting here in August that communication was made with the various Premiers. They understood it. It was one of the reasons why as a group they unanimously endorsed assistance for Alberta, because they, after some discussion around the table, realized the fact that the heritage trust fund was limited in the areas in which it could be brought to play in helping two massive industries such as agriculture and energy. They were prepared to go back and argue to their constituents, the people who vote for them, that Alberta required national assistance for a national industry rather than being asked to do it alone.

MR. R. MOORE: Mr. Premier, we have a lot of misunderstanding. We've been just discussing that in the area of communication. But portraying the worth of the fund -- you can talk to one area; it's worth so many billion, and another... That misconception out there leads to a lot of misdirection of people's thinking towards the fund. Could you outline your version of whether we are portraying the value of the fund accurately to the public? Where is it and...

MR. GETTY: I think we are generally portraying it accurately. There's always the argument -- and it's the one that's been raised by the Auditor -- as to whether or not the deemed assets should be identified as assets of the fund; such things as Kananaskis park and Kananaskis Country -- Peter Lougheed park and

Kananaskis Country. But while considering his arguments, and I've read them in his report from time to time, for the process of communicating with Albertans, I think the way the fund is presently presented — and I'm thinking now of the way the dollars are set out on the fund's balance sheet — generally we do it as well as it can be done. Each year we consider a look — and that's one of the reasons your committee's meetings are so important — because nobody is going to do something and never take a fresh look at it. But I think generally speaking, it's accurately portrayed.

MR. R. MOORE: A second supplementary, Mr. Chairman. Mr. Premier, there is another area that the average Albertan has difficulty understanding; that is, what the fund can be utilized for throughout Alberta. What is a general fund program and what is a heritage trust fund program? As soon as it comes up, if it's a road, somebody says, "Why aren't we building it out of the heritage trust fund?" and so on. So that is an area of misconception. There are certain areas that our general revenues look after, and there are areas where the heritage trust fund can play a major role. Could you sort of outline a policy which distinguishes that area? That is an area of misunderstanding.

MR. GETTY: I use the general basis of: for those things that are being built as foundations of the province for the future, we can use the capital projects division of the fund, general foundations of the province. For current operating programs, obviously we use the General Revenue Fund. Then there are many capital projects which we consider are just those things that must be provided, should be provided for the running of the province on a current basis, and they come from the General Revenue Fund. That satisfies me in terms of making decisions on those things that should be in the fund and those things that shouldn't be.

MR. CHAIRMAN: Third supplementary.

MR. R. MOORE: Mr. Premier, with the fund in existence and with the unemployment situation we have throughout the province and across the country, there seems to be another area of misconception out there: here we have this fund, here we have this unemployment; the fund

should be utilized to reduce the unemployment rate for Alberta. That's an area that keeps coming up, especially from those who are unemployed. In their eyes we have a huge fund. They haven't got the true picture of what that fund is or how it's invested. It comes back to that concept you outlined, that most people think we have a pile of money we can just take out from time to time. Do you feel that, through its projects, the fund has had a direct effect on the unemployment situation? What I want to find out is: is it playing an important role in the unemployment question?

MR. GETTY: Yes, I think it is. Nothing is perfect, and I'm certain there could be improvements, but huge amounts of dollars from the fund are constantly being invested in Alberta. Whether it's in the areas of research, forestry, or tourism, as I pointed out earlier, or the Alberta Energy Company or the Alberta Opportunity Company or the construction of hospitals, irrigation projects, parks, or dams: all of those things are contributing to employment in this province. We constantly have to see if we're doing everything we can, but I think the fund is making a significant contribution.

MR. R. SPEAKER: Mr. Chairman, to the Premier. As I see our committee here, we have as a task not to create a shopping list, as we've created in other meetings and other hearings, because I don't see the new funds for new projects. As well, I don't see the need for an independent audit. The need for hearings would only create a longer shopping list out of the Heritage Savings Trust Fund.

I guess the very key question in terms of how I operate in this committee is what the government is going to do with the heritage fund in terms of its earnings and in terms of its 15 percent revenues, which are at the present time diverted. I understand you can't answer that question because it's under consideration. Maybe you could reflect on it in some way. It must be a serious question. It's one we can't avoid at this point in time.

Following that comment, my second question would be with regard to the integrity of the fund. When Mr. Lougheed was here, we discussed a number of times maintaining the integrity of the Heritage Savings Trust Fund. I'd appreciate your comment in terms of the

definition of that. Our discussions at that time were that the integrity would be maintaining the capital, as you've already stated; secondly, possibly maintaining the earnings of the fund to maintain the integrity. Those two components would be the integrity of the fund and then capping it on that basis, which means it runs its own show on that, and then the government uses any new nonrenewable resources for the operating of the province. Could you further clarify your comments or comment further on that?

MR. GETTY: The government isn't rethinking the application of the fund's revenues to remove them from the budget process. We are not rethinking that. We feel that using the fund's income to reduce the deficit for all Albertans is something we should continue to do.

The government's thinking, the process we're going through now, is in the area of the additional 15 percent going into the fund and what impact that will have on the fund. As I recall your discussion with the former Premier last year, you were discussing: if you don't put in at least as much as inflation, then you are in fact causing the fund to shrink in current dollars. The dilemma is whether we borrow money to put into the fund and maintain its status quo either to inflation or more than inflation, depending on what 15 percent of our resource revenue is. We're going through that thinking process right now.

As I said earlier, if we did cap the fund, I would want it to be done on a short-term basis, taking into account the impact on the fund itself, because we're not covering the inflation factor, and do it on a short-term basis because the people of Alberta need to be protected now against the problems that are impacting on them through the two foundation industries of this province, energy and agriculture. The people need to be protected while they have this fund, but make subsequent Legislatures agree that the capping either continues or does not. In other words, move in a way that has a sunset portion of the move, so that if it's one, two, or three years or whatever that term might be, the Legislature would have to debate and agree that it would or would not continue.

MR. R. SPEAKER: An historic question relative to the operation of the fund is the direct involvement of the Legislature in

decision-making. Have you thought with regard to that question? I would see us at this point in time -- this is my own observation, whether accurate or not -- going into a rather static period of new programs or expansion relative to projects in the Heritage Savings Trust Fund. In that time would be a period when we could maybe have more legislative and people input in the process in terms of the divisions outside the capital division. Have you done any further thinking with regard to that?

MR. GETTY: I think about it often, and my judgment is that the government is elected to handle and invest the dollars of the province, and we must continue to do that. We can't push off that responsibility. Therefore, I think generally the way the government handles investment decisions is the right way to do it. I would think this committee could do some serious thinking about whether the capital projects portion should be increased from 20 to 25 percent to allow additional flexibility and perhaps then be able to undertake some things that are needed in this time when other economic activity is reduced. It may well be that by increasing the capital projects amount, certain dramatic things might be able to be done that are needed right now in the province.

Basically, I find that our debates, our discussions, and the input of the committee adequately handle the input that's necessary.

MR. R. SPEAKER: Alberta's credit rating has been changed somewhat in the last few months. We still have the heritage fund in terms of the bulk of dollars that are here. In those discussions or in that judgment that was made as to Alberta's credit rating change, what factor did the heritage fund play in that when it was maintaining its integrity and base amounts?

MR. GETTY: I'm sure you'll want to raise that with the Provincial Treasurer, but my understanding is that it played a large part in the fact that while we have been hit by two international events, if you like -- first, the instability in international energy prices and, secondly, the huge subsidy war between the European Economic Community and the United States in agricultural products -- the rating we have as a province is still the highest in Canada. The heritage trust fund is one of those reasons, and the other is referred to as the

untapped revenue sources that are available to the province. Both of those were large factors in the rating that Moody's and Standard and Poor used.

MR. CHAIRMAN: The Member for Calgary Buffalo, followed by the Member for Cypress-Redcliff.

MR. CHUMIR: Thank you. It's nice to see you again, Mr. Premier.

MR. GETTY: It's nice to see you, Sheldon.

MR. CHUMIR: You've mentioned in earlier comments your view that there is a problem with respect to the understanding of the public relating to the magnitude of the assets in the trust fund in both eastern Canada and here in Alberta by Alberta citizens. In eastern Canada, of course, this has caused us a great deal of problems with our inability to get much-deserved help for our oil industry. In effect, we've fallen on our own sword. It's my thesis — and as I frame this comment, I'm going to have some comments on it — that we're in many ways the authors of our own misfortune, that there are many misconceptions, and that the government is at fault for these because of what is a very misleading presentation of the heritage fund and its assets.

I might note some of the things that concern me; for example, the failure of the report to set out what the fair market value of the fund is. One may say that in business terms an annual report doesn't do that, but of course we're dealing then with investors and business people and there are advisors around. This is a report to the people.

A second thing that concerns me is that we have assets listed. Particularly in the Alberta investment division, for example, we have loans of slightly over a billion dollars to the Alberta Agricultural Development Corporation and \$1.456 billion to the Alberta Municipal Financing Corporation. We all know the tremendous losses. A lot of the loans to those entities have disappeared, and it's misleading to suggest that we can recoup those amounts in the trust fund.

You speak of tremendous amounts of income in the fund being used for budgetary purposes; the income is overstated in many ways. I refer, for example, to the report of the Alberta

Opportunity Company, which deals with \$47 million of series B debentures which carry interest rates of 15.6 to 18.4 percent. There's a footnote in that report that indicates in note 6 to the financial statements of March 31, '86, of the Alberta Opportunity Company:

The Company has been informed by the Province that the holder of the Series B debentures,

being the trust fund,

will not accept early redemption of the debentures although this is allowed for under the terms of the debentures. The Company will then maintain the debentures until their maturity at the repayment terms in effect at issue dates and forego any interest rate reductions which may be available through early redemption and concurrent refinancing of the debt.

The effect of that is to beef up the income of the trust fund and reduce the income of the Alberta Opportunity Company. It makes no business sense.

Then on top of that we have the issue of deemed assets. My question would be: will your government change its reporting policies with respect to the heritage trust fund so that they begin to reflect reality rather than public relations, the effect of which, as we have seen, has backfired with respect to the attitude of the rest of Canada toward the fact that this province is conceived as being populated by nabobs?

MR. GETTY: We've talked already about the problems of communication. I don't quite understand why you say that we have somehow fallen on our own sword. There was no question that originally, when the government felt that it . . . A government only has the right to tax people for those funds it needs on a current basis. But there was an involuntary form of revenue which the government faced, and that was the production of its oil and gas for other Canadians, which couldn't be cut off. Therefore, there were involuntary revenues, if you like, which poured in, and the government took the decision not to spend them on a current basis. Few governments in the world saved rather than spent up to revenue limits. Having done that, I think you're going to run into the problem that we're running into with other Canadians right now in any event. The

government tried to help in some respect by recirculating those dollars back to other parts of Canada, and they did. I think it was received very favourably throughout the country.

But then the decision was made and supported by the Legislature that there be a capital projects division. Then we're back to the question we've already discussed: the point taken by the Auditor and the point taken by the government, supported by the Legislature, that that be set out in a way that showed the capital cost of those projects.

As far as the fair market value, perhaps your committee can do additional work in that regard and make deliberations that are necessary and provide further information to the people of Alberta.

In terms of Crown corporations, that's an ongoing situation. I believe we should phase Crown corporations out of the trust fund. Some of them, where they are instruments of the government on a policy base — you raised one, the Alberta Opportunity Company. I don't see any reason the Alberta Opportunity Company should try to make a profit. It isn't there to make a profit. The Alberta Opportunity Company is there to assist in diversification of this province by helping small businesses to start or expand. It is a lender of last resort, and since coming to my current position, we are increasing the scope of the Alberta Opportunity Company not only to be a lender of last resort but to, in fact, be much more creative in their financing of small businesses to the point of taking convertible debentures, preferred shares, or common shares, so that they can put a package together for small businesses throughout this province. So I don't see the argument about the Alberta Opportunity Company.

The communications problem you raise, as others have, is still there as a problem. We can't solve all problems I guess, but perhaps you as a committee should bring in a communications expert and spend some time with one. I know we do have the Public Affairs Bureau, and you've raised that Mr. Russell, who is responsible for it, might well discuss this matter with the committee, but perhaps have the committee go beyond that. We have tried to do it with written material and other materials throughout the province and Canada. This is a communications age. Perhaps we aren't using the most up-to-date means of

communicating and the committee could make some recommendations in that regard.

MR. PIQUETTE: As long as it's not one-sided propaganda.

MR. GETTY: I agree with that.

MR. CHUMIR: Mr. Premier, what I would like to know is whether or not you agree that there are some problems in the manner of presentation of the report which do not accurately reflect the status of the report and whether or not you're prepared as a government to change your policy so that there is a more accurate reflection of the real financial circumstance from both the point of view of perception in the east and the point of view of our own citizens being better informed.

MR. GETTY: Well, on balance I think we do have accurate reporting here. The communication of what we are reporting is the problem as far as I'm concerned, and I have suggested that you might deal with that as a committee. But as far as the way it's presented in the actual report, I think on balance it does it well. I'm not saying that it won't be reviewed from time to time, particularly if the committee or Albertans express that view, because nothing is perfect.

MR. CHUMIR: Do you not personally agree that a report of this nature to the citizens of Alberta should set out what the best estimate of the fair market value of the fund is at the end of the reporting period?

MR. GETTY: I'd have to review what you mean by fair market value. You say it to somebody, you say it to someone else, and they both interpret it differently. So I would want to review what that term means and whether it would clear up any communication or cause even more problems with the public.

MR. HYLAND: Mr. Chairman, the Premier touched on one of my questions earlier in response to somebody else, and that was the one related to capping: should we look at capping the fund or should we look at another method? I guess the concern I would have is that if we raised the amount going into the fund, is that money there? It gives us more to work with,

but is there enough coming in even raising it 5 percent, or are we then in a position where we're borrowing more money to do these projects? I suppose that's something we have to consider: should we do that?

The other question I have would also be the general public knowing the use of the fund. You made the comment that I'd asked that question before. There's got to be a way that more people know where the fund is at work. I know, for example, that when you go past a senior citizens' complex, that brass plaque is there that's got the trust fund logo on it. With irrigation a lot of their structures now have it imprinted on concrete structures so people know that the trust fund is at work for them. I would be interested if you have any more comments on how you see that could be improved.

MR. GETTY: Everybody seems to agree that the most successful means of communicating a trust fund investment has been in the area of railcars, as they're so visible when moving with the logo across western Canada and across the province. I think that's the key. If we could continue to make sure that trust fund investments throughout the province are highly visible and that any funds that flow -- for instance, in the mortgage area, perhaps the mortgage should also have somewhere on the document a trust fund designation to continue to show Albertans that this fund, which they're very proud of, is so fully involved in their life and so much a part of building the foundations for the future of the province.

Coming back to what I said earlier, the committee could well give us good advice on this area of communications by obtaining some type of new thinking on how we do it. I would find that helpful.

As far as capping and whether there are dollars in the capital projects division, I'm sure the Provincial Treasurer would be able to advise you on the amount of flexibility that's still available under the 20 percent limit, because that's a changing amount that will play a big role in whether or not you recommend whether that should stay at 20 percent.

MR. HYLAND: Interestingly enough, one of the good things about elections is that you get to talk to lots of people. I recall one discussion I had with a couple of my constituents. One

particular person wanted a bunch of money out of the trust fund for a project that he thought was important to him. I said: "Well, there isn't a pool of money. Do you know anybody with an Alberta housing loan?" He said, "No." "Anybody with an ADC loan?" The guy standing beside him said: "Yes, I've got one. I started to build a greenhouse." I said: "Well, if he wants to spend all that money, then you pay him up. You go to the bank, get the money, and pay it back to the government." The guy said: "No, he can wait for what he wants. It's at work for me."

In that vein, one of our motions last year, motion 7, private sector research facilities, was considering a low-cost research lab that would be jointly taken on by government and the private sector. In times when there's probably more work to get the research dollars, do you see the private sector and government doing more joint venture things rather than each going their own way?

MR. GETTY: In the research area I see greater emphasis on joint venturing. As a matter of fact, in this province we have a unique co-operative effort of our universities, our private sector, and the government handling research in the area of approximately \$0.75 billion a year, when you total up all government investment in research. That is being done in a co-operative way and has helped strengthen our universities in their research capacity a great deal. I think you'll see a greater and greater move that way in the future, because some of the research projects are so complex and require such patient money that a certain portion will fall to government.

MR. HYLAND: With all this \$0.75 billion going on in research, my final question is, and maybe this is like looking at a crystal ball, do you see in the future a better tie-in to those that use the research, either in agriculture -- for example, Farming for the Future, the farmer and the research; or the medical research, the researcher and the family physician or the bedside physician? In the future do you see more money channelled -- maybe some money coming out of research -- toward the actual use rather than the pure research, and see how these findings can be used?

MR. GETTY: I guess any research efforts will

end up having a component of true research into the future or applied research. I notice the report makes quite a difference under the research and technology section. For instance, there is the applied heart disease research of some \$29 million, and there is the occupational health and safety research and education, which I think is more in the applied area, as is the applied cancer research. Then you have the Heritage Foundation for Medical Research, which is really looking for breakthroughs of a long-term nature -- quite different from the other investments -- and, of course, the Alberta Oil Sands Technology and Research Authority also, a huge investment of some \$351 million into seeking a breakthrough into the 90 percent of the oil sands that can't be mined by currently known, proven methods. I'm sure that's going to pay off in the future a great deal, because of the work that AOSTRA has been doing. There's no question that that 90 percent of the oil sands that currently can't be tapped is going to be one of the huge foundations of future Canadian strength, because we will be able to be the only western world country that can be sufficient in energy in the future.

MR. CHAIRMAN: The Member for Calgary McCall, followed by the Member for Calgary Fish Creek. I have nine others on the list right now.

MR. NELSON: Thank you, Mr. Chairman. I, too, would like to welcome you, Mr. Premier. It certainly is a pleasure to have you here.

I would like to examine the area of the direction of the fund. In past years we've tended to be somewhat creative on how to spend money or invest money, develop new endowment funds, and what have you. Of course, as we all know, there are certain limitations that are afforded us at this point in time. There has been discussion here today on the communications of the fund, and of course we have the best communicators right in our midst here: the media. I'm sure that if they put their minds to it they could be rather effective in communicating information to the general populace of Canada as to the real circumstances regarding this fund, and then it wouldn't cost the government a whole pile of money in trying to do so. Through their efforts it would save the taxpayer a ton of money, if they did it right.

MR. GETTY: You know what John McEnroe says: "Nyeh." [laughter]

MR. NELSON: In any event, that was a plug for the media there to go out and do a good job.

Mr. Premier, because of the limited resources available at the present time, do you foresee any opportunities for change of direction of the fund, insofar as some of our investments will be coming due and payable by people that have received loans and what have you, in taking those funds and sending them into new directions of investment opportunities in the future?

MR. GETTY: Yes, I think that challenge will be in front of all of us. You're right. As the various governments start to repay their loans, there will be a real challenge to reinvest them in a way that will maintain the revenues, because those loans went out at high rates of interest and could not be replaced on a current basis at anywhere near that rate of return.

I think perhaps a greater shift into the equity side would be something the fund should look at seriously. This is a long-term fund, and there's no question that on a long-term basis equities have constantly outperformed debt instruments. So there's a balance, then, that is going to be necessary, between safety and increased revenue. As a matter of fact, I notice here that the equity portion is substantially up on market value over its cost.

Another area, I think, is in the Crown corporations. I don't like the idea of our Crown corporations that can be funded in the open market not doing so, and moving them out of the trust fund -- as I said earlier, phasing them out of the trust fund.

The third area is one that was discussed in this committee last time by the former Premier, and I believe in it as well. In the area of one or two future oil sands plants, I could see the heritage trust fund playing a major role in investing in an oil sands plant, because I think this is one of the great assets that this province has and that our country needs. In the short term people lose sight of the fact that those oil sands plants must come on stream. They should be started now if they're going to be there when they're needed. They aren't being started, and therefore serious consideration should be given to bringing on additional oil sands plants and having the trust fund play a role. I'm not

defining the role at this stage, but I think it has to play a role.

In my view, that huge resource can and should be developed, not just at the whims of developers. It would only be an accident if they happened to want to develop at the same time that it was needed badly, because they may well have their dollars ticketed for something else. Therefore, we must constantly review our policy on the development of that resource. I have the view that it may well be that a more aggressive development of the oil sands could be used in increasing Alberta's ability in the future to export oil in large amounts to the United States. The United States is facing a tremendous future national security problem in energy, and that problem is growing daily for them. I'm sure they would very much like an assured supply of energy by pipeline to their country. Alberta has the potential to provide that, not just to provide for Alberta's and Canada's needs but to provide additional exports in the future. The recent ERCB report factored in a huge increase in synthetic crude production but didn't deal with where it's going to come from, because it's not currently being developed. As you know, there's a six- or seven-year lead time in those plants. So I think the trust fund can play a major role in that whole area.

MR. NELSON: Thank you, Mr. Premier. If I can get back in, maybe we can discuss Syncrude or the oil sands a little bit more at another time.

With the emphasis on the development in Alberta of diversification and what have you and the emphasis on agriculture and energy insofar as dollars and the interest taken in that are concerned, the third area of course is tourism. By all reports that is going to be one of the major resources of the province sometime in the future. We have Kananaskis Country, which has primarily been developed through funds from the heritage fund, and there are always suggestions that another park similar to Kananaskis should be developed in central or northern Alberta.

Every year I seem to come up with the further development of Kananaskis, in particular the area of the Powderface Trail, which I'm not sure you're really familiar with. Developing that does expand opportunities for additional spaces. In fact, it would provide two

additional lots for campers and people who use overnight facilities. It has been indicated in the Treasurer's report that development has been winding down for the last two years and that there would be no additional funding for facilities unless it's from the General Revenue Fund. I'm just wondering if you would make a comment. As tourism is a very key component of the economic diversification and future of the province, would you feel it important to apply further funding to projects of this nature to assist in the development of that tourism industry?

MR. GETTY: Yes, I do. Of course, individual projects must be assessed on their value and the priority placed on them in a total provincial view, but I think we can build throughout Alberta certain attractions such as Kananaskis Country and other attractions that make our tourism industry so much stronger. We are setting our sights on building the tourism industry into a third foundation of this province's economy and aiming to change it from a \$2 billion industry to a \$10 billion industry by the mid or late 1990s. Therefore, through parks, recreation areas, museums, and other tourist facilities, we must constantly build on the fantastic foundation we have in this magnificent, beautiful province. That is also in the arts and in our cities and towns, transportation, and those areas. All are very much a big part of our tourism thrust.

MR. NELSON: Mr. Chairman, just one final question, I would like to spend a little time with regard to tourism. It is an extremely important component that because of the urgency of agriculture and energy, seems to take third place, which maybe it should to some degree at this point in time.

I'm just wondering if the Premier might comment on my opening statement with regard to the direction of the fund, some of the investments that might be considered by the government with some of the funds that may be replaced into the heritage fund either through the repayment of loans or possibly new directions of expenditures through the Crown corporations, or at least financing through the Crown corporations. Could some of those funds conceivably be redirected into the area of developing tourism types of activities? The growth of tourism means an investment, a

considerable amount of dollars to the province insofar as economic diversification through small business development and what have you. I'm just wondering if the Premier could comment briefly on that type of purpose.

MR. GETTY: I don't want to cover things I've already said and take the committee's time, but because we have identified tourism as a major focus of the expansion of our economy, the trust fund and the General Revenue Fund of the province will both be utilized in developing that industry. I think tourism in Alberta, while we look on it as a pretty effective and growing industry, has just scratched the surface of its potential. Therefore, all tools available to the government in developing that industry are going to be used. I'm looking forward to its playing a greater and greater part in our future and a greater and greater part in providing jobs throughout this province.

MR. PAYNE: Mr. Premier, when I signalled my intention to the Chairman earlier in the day, I wanted to ask a question or two about our government's policy intentions with respect to equity participation in the economy in general, with particular reference to heavy oil and oil sands development. Although you didn't expansively deal with that, you did touch on it in your response to the questions raised by the Member for Calgary McCall. So I think I'd rather shift my focus to the commercial investment division.

It's my understanding that commercial investment division transactions, as well as transactions involving marketable securities, I believe, are going through Toronto-based brokerage firms. I did intend -- and I will -- to ask the Provincial Treasurer when we meet with him this afternoon the extent of this practice. But given that it is taking place, whatever its magnitude, I wonder if you would care to respond to the policy-related question: why not keep those commission income dollars here in Alberta?

MR. GETTY: I think it is a good question. I know that in the past the view has been -- I think correctly so -- that in investing this huge amount of money, worldwide knowledge was required. The government interviewed and went through a process of trying to find the best investment advisers in the world and has

two they currently rely on. However, there is no reason to say that that's the end of that assessment and we shouldn't start to see whether we can't have a greater impact on the financial community in Alberta by utilizing more and more of their capacity. I think that's an excellent subject for your committee to look at. I personally favour a greater impact on the Alberta financial community through this trust fund, again balancing that with the need that this is such a unique fund that we must maintain the best possible advice.

Coming back to the member from Lethbridge, though, there are funds in other provinces that are disguised, if you like, or not nearly as apparent as public instruments, such as the Caisse de depot in Quebec, which I think is now bigger than the heritage trust fund and is used in a massive way in Quebec's economic development. It may well be that the committee would want to review that and see if there are things they do that we have overlooked or can learn from. We should be constantly able to improve our means of using the fund in Alberta's development.

MR. PAYNE: I am encouraged by your answer, Mr. Premier, particularly your earlier reference to reconsidering the use we make of our investment know-how here in the province, which is substantial. Certainly it is my intention to submit to the committee a draft resolution to that effect later on in our deliberations. Thank you.

MR. GETTY: I would just say one more thing. I'm not certain whether the companies that are selected as advisers to the fund are required to open offices in this province. I will check into that; perhaps the committee can too.

MR. PIQUETTE: Good morning, Mr. Premier. A lot of the discussion this morning has indicated -- and you've agreed with it -- that we need better communication in terms of the whole Alberta trust fund process, that the general public as well as Canadians are very much unaware of the whole process of the fund, how it's invested, et cetera. There appears to be very little public participation in the way the trust fund was set up to begin with. In order to better educate the public, what would be the Premier's feeling of opening up public hearings to allow better participation on the part of the

public about suggesting innovative and worthwhile direction for the future of the fund? I think we have to trust ordinary Albertans. Very often they might be able to come up with better ways of doing it than what we've been doing. What would be your reaction to having the committee hold public hearings across Alberta, opening up the process?

MR. GETTY: Think about that if you like, but my feeling of public participation in government investments is exactly the role an MLA should be carrying out. If he has the right relationship with his constituents, he will get their input and bring it to this committee and to the Legislature and express their views. If he or she is persuasive and carries the day in the House, then of course that's something that would be proceeded with. It's such an important role for an MLA that I would not want to see that in some way trying to develop other forms that detract from that important role.

MR. PIQUETTE: Flowing from that, you indicated that the heritage fund had been created basically for two things: a savings account and economic diversification. However, the government, through lack of participation by the public, has basically decided what their pet projects are. I'll enumerate some of the projects the government has undertaken with this trust fund money. We spent \$134 million on the Prince Rupert terminal — I don't recall too much public participation as to whether that was a very major priority — \$250 million on irrigation projects; \$41 million on the Paddle River project. We have to add up the long-term job creation programs or diversification those have created for Albertans.

In terms of the public hearing process, or at least encouraging public participation, if we open up some of our low-yield investments which are now coming in through the capital funding programs, a process whereby the small business community can use their expertise and innovation and creativity to diversify the economy... As we all know, about 65 to 70 percent of jobs are created by small businesses rather than megaprojects. I keep hearing the Premier say "megaprojects" in terms of oil and gas. So far we have only invested \$162 million in the AOC, and all I've been hearing are complaints about how the AOC operates. What

would be the Premier's position if we took some of the lower yield investment now coming on stream to make this pool of capital available for participatory economic diversification, using small business ideas as an engine of growth?

MR. GETTY: I have no arguments at all with the fact that small business is an engine of growth. The government, as you know, has followed that line of thinking very aggressively. This year over \$1 billion was provided in fixed term, low-interest loans to small businesses. That has been the most successful take-up of a program in the province's history. Some 13,000 small businesses have benefitted. Also, in ways, farms are either big or small businesses, depending on their size.

When you talk about how things like Prince Rupert, irrigation, and the Agricultural Development Corporation are investments but don't help small businesses, I think you're overlooking something. All of those things flow into the service sector in this province, strengthening the ability of this province to grow, to move its product to market. That spin-off goes throughout small business. The energy, agriculture, forestry, and tourism industries or our research and technology investments are all flowing out to small businesses that service those industries. So whether it's just the Alberta Opportunity Company that directly places some \$160 million in the hands of small business — I think you have to take another look. You know that small businesses are involved in the forestry sector in this province. That is small business, and hopefully it will get to be bigger business. In the area of irrigation...

I think you're missing the impact that many of these investments have on small businesses. Take a look, if you like, at the various things that are going on in research. That flows to small businesses. I can remember following through AOSTRA investments, some \$351 billion, and seeing that that was flowing through to truck drivers and Cat operators throughout certain areas of this province. If you follow through many of these investments, you'll find that they are providing a lot of employment and a lot of assistance to small businesses.

MR. PIQUETTE: My final supplementary.

Again, I don't see why the Premier would not be in favour of opening up the whole process. You've already agreed that, number one, we have poor communication with the general public. During the election campaign I kept hearing time and time again the ignorance, the whole aspect that they feel the ordinary Albertan has not had a say in the whole concept of how the trust fund moneys should be spent in the future and had been spent in the past. Why can't we make a public declaration to indicate that we're going to open up the process? Why are we afraid to open up the process of the heritage trust fund? It does belong to all Albertans. Then perhaps the communication aspect will be solved. That's the point I'm trying to make.

MR. GETTY: I think it's very open. As I said earlier, it's a responsibility of every MLA. We have more MLAs per capita; therefore, we should be able to allow even better public participation. Maybe all MLAs should take a look at themselves and how they conduct themselves. The Albertans I talk to do not feel shut out from making an impact on the heritage trust fund decisions. First of all, they do it on a constant basis through me as their MLA and as their Premier. They also do it every four years at election time. Through meetings and through organizations throughout this province, I think Albertans have a large input.

Nevertheless, you hit on the communications side. You say that having public hearings may in some way improve that communication; marginally it might. You might also end up with very poor additional communication. That's why I asked you as a committee to consider perhaps bringing in a communications expert and seeing whether there are things to learn.

MR. BRADLEY: Mr. Chairman, I would like to thank the Premier for appearing before the committee and for the frankness of his responses and the ideas that he's brought forward to the committee in terms of things that we should look at.

I'd like to make a few observations or comments about the capital projects division of the fund. There has been some discussion here with regard to diversification. I'd just like to add a comment and let the Premier know that in terms of the irrigation investment I think

taking nonrenewable resource energy and putting it into a renewable base like agriculture has been a very appropriate investment by the government in terms of diversification. I'm not sure the members of the committee are aware that only some 4 percent of the arable land base of the province is under irrigation, but that produces some 18 percent of the gross domestic agricultural product in the province, so it's a very important area. Going back over the last number of years, in the drought period of '84-'85, knowing the benefit of irrigation, particularly in that dry area of southern Alberta, and the tremendous support that came from that part of the province and the work that irrigation was doing for the benefit of our investments, it was certainly appreciated.

That brings me to a question with regard to the capital projects division, knowing that we have commitments there in terms of irrigation and other projects over a period of time. The Premier has commented on capping the fund. That certainly puts an impact on the current capital project investments that we have and how we in fact would continue to finance them. I'll discuss with the Provincial Treasurer that we are moving toward the 20 percent, I believe, in terms of the investment of the fund, and we can only spend 20 percent of the fund on the capital projects division.

I'd like the Premier to comment on — he has suggested that perhaps we should move to 25 percent. That suggests that his thinking is that the capital projects division should continue, that those investments in the current capital projects division should continue, and that in order to finance that, as investments are redeemed and as we get payments back on our loans and other investments, we would look at taking those funds, increasing the portion of the capital projects division to 25 percent, and continuing with those capital projects. Is that the general sense I get from your earlier comments?

MR. GETTY: Certainly that consideration be given to it. If we are going to contemplate a period of time when the additional flows from nonrenewable resources might be stopped in a temporary capping, it might be necessary, if there are significant capital projects that fit the fund, to have the limit increased. It probably wouldn't be necessary if we weren't contemplating the potential capping. Those are

mutually impacted by that decision.

I notice and you will notice that we really did not move a lot of new projects for '86-87 into the capital projects division. Solar and wind energy research, municipal recreation and tourism areas, and then a very significant part of the future foundation of this province, the rural private telephone investments: I think those are very important parts of Alberta's future. As usual, this committee will recommend others to us to consider in that area, I'm sure. After making those recommendations, as Mr. Speaker said, if there's a shopping list, you're going to have to consider how the shopping list can be dealt with.

MR. BRADLEY: I guess my observation is that if we move to cap the fund, that means there won't be any new revenues coming into the fund. We have capital projects that we're committed to. In order to finance them, we're going to have to take the assets which come due in terms of the loans in the Canada investment division and put those into the capital projects division. I understand that right now we're borrowing money in effect to ensure that we have funds to continue with those capital projects. If we do cap the fund, do we then cap the capital projects division and not continue those investments? That's the other alternative we would have to look at.

It raises the third question I would like you to comment on, and you've alluded to that in your answer. Only three new initiatives have been taken in the capital projects division. Will we in fact be looking at perhaps putting a freeze on some of those projects and slowing down the implementation of them until a future date when we do have surplus revenues? I would like your views, particularly with regard to solar and wind initiatives, which certainly is an area that I have an interest in. I know you've been a strong supporter of it in the past. Is that the type of project we might just put a freeze on and hold off in terms of implementing?

MR. GETTY: It is the type of thing that normally gets cut first when people start to think about cutting. Normally they go to research and long-term planning items. But I think we should try and make sure that a certain percentage of our investments continue to go into those areas, because I think this is

what the fund was for: building a foundation for the future. I think solar and wind energy research is important to this province. It's always on the leading edge of technology, and we should continue to make sure that we are aware of all the newest developments in that area. There is obviously research going on in solar and wind in other areas. I'm not certain that we have a real handle on all of it so that we don't duplicate any of it, because there's a tremendous amount going on. I've always felt that the very area you represent was a natural for solar and wind research, because you have both in abundance, particularly in the wind area. You know that there are parts of the United States where areas such as yours are just a forest of windmills. They make it a required part of their energy development in those areas.

MR. BRADLEY: I appreciate your comments. I wanted to talk about the capital projects division and how that fits in, given the various options that we're looking at. I think we as a committee have to be aware that doing one thing may impact somewhere else, how we in fact continue to finance the current commitments we have.

MR. GETTY: Yes. One of things that did provide some additional flexibility -- I know the Treasurer will get into the actual amount of flexibility -- was bringing the Oldman River dam out of the capital projects division because it was expanding and taking a greater share than was initially planned.

MR. McEACHERN: Mr. Premier, I'd like to make a little further case for the public hearings that I started off with. It seems to me that this communication problem that we talk about is real, and it isn't that we need an expert to come in and tell us how to produce a slicker paper. We've got a great one here; it's a good propaganda device.

MR. NELSON: Oh, come on.

MR. McEACHERN: It is. You said that the Auditor does a good job and he's independent. We suggested an outside, independent auditor without slurring the Auditor of the province. I'm sure he's a very capable person, but at the same time it seems that auditors for the city and for the federal government get much more

freedom, or at least use it. They take much greater licence to tell the governments whether they're doing the right thing or the wrong thing in all those policy decision ways as well as just auditing the books. We've not seen a great deal of that from the Provincial Auditor.

The hearings that the New Democrats held in 1981 were in fact very successful. The people who were on them just couldn't believe the range and interest of ideas that were given to them. I think the government could benefit from that same kind of very direct input. It's all very well to talk about the role of MLAs; we all work and try very hard to do the best we can. But some direct input from the people would be good for the investment committee of the heritage trust fund.

To think there is not a communication problem in a more fundamental way than just putting out slick papers would be a mistake. Let me give you an example. I intend to take this up with the Treasurer this afternoon in more detail, although you might like to try to reply to it in some way. Sheldon was trying to get at some of the problems of assessing the fund, and I'd like to get at what I think is probably the most important or serious mistake. I know you have some reservations about Crown corporations. If you add up the assets of AOC, ADC, and AMHC according to the debentures held by the heritage trust fund, it comes to \$4.5 billion.

I looked at some bank figures the other day, and they tended to be writing down a lot of those kinds of portfolios between 6 and 10 percent per year. We're talking about real estate portfolios. If you do that for a period of four or five years, as we have just been in that kind of position and economy in Alberta, that can amount to quite a lot. That \$4.5 billion in the heritage trust fund may very well be only worth about \$3 billion. I know that in a technical kind of way it's worth \$4.5 billion in the heritage trust fund, but if we as the people of Alberta who have set up these Crown corporations have to try to maintain the fiction that they're still worth \$4.5 billion when in fact they're only worth maybe, say, \$3 billion, or approximately two-thirds of that, which would not be an unreasonable sort of guesstimate of how much they might have lost in value — you'd have to say that if you're taking money out of the left pocket to put in the right pocket to maintain the fiction that you do have \$4.5

billion there, it's nothing more than fiction. So I think there is a really serious problem, and I would appreciate your comments on that.

MR. GETTY: I don't think it's fiction; I think it's a fair presentation of the facts. We can have a difference of opinion about any assessment. These are assets and debt instruments that are guaranteed by the province of Alberta, and therefore these debt instruments to the trust fund will end up being what the trust fund invested. It's the General Revenue Fund that should pick up the difference.

MR. McEACHERN: That's the left pocket.

MR. GETTY: Nevertheless, the trust fund is maintaining its integrity, so I don't have any problem with that.

There was the argument in the early days of the trust fund that the revenues companies such as AGT generated through their large bond placements should stay in the province, and the trust fund is one way they could stay in the province rather than going to New York and having New York get all the interest on those debt documents. It's a judgment that's made, and people can have differences of opinion. I said that I think we should phase Crown corporations out of the trust fund, and I'd be interested in seeing how the committee decides as a result of their deliberations.

MR. McEACHERN: The heritage trust fund will maintain its integrity, but if we decide to get out of those three Crown corporations, to take an example, then somewhere along the line there has to be a reckoning of what they're worth. If they are only worth \$3 billion instead of \$4.5 billion, then that \$1.5 billion difference has to be accounted for somewhere. Either it comes out of the heritage trust fund — hopefully it won't — or it comes out of general revenue. That's what I was talking about: taking out of our left pocket and putting it in our right. Does that mean that the \$2.5 billion deficit the government plans suddenly becomes \$4 billion? It's still there to be reckoned with.

I want to go on and ask you about AGT; you did mention it. It seems to me it's a noninvestment. If the borrowing power of AGT is the same as the borrowing power of the government, then it's sort of like non-use of the

money. I think you kind of agree with me on that. I don't suppose one could get out of it very quickly, and if one did, one has to find some way of reinvesting the money to get out in some kind of useful way or put it against the debt. What would be your feeling on that?

MR. GETTY: I'm not sure I follow completely. Are you talking about divesting of AGT?

MR. McEACHERN: Debentures.

MR. GETTY: I think they are readily marketable.

MR. McEACHERN: Except you wouldn't cash all. It still wouldn't happen all at once, I don't think.

MR. GETTY: No, they'd have to be handled on a phase basis.

You've heard me say also that it may well be that the government -- because you've expanded slightly into sort of general revenue deficits -- should wonder whether this \$3 billion corporation called AGT can provide the same service to the public as it currently provides, that there is no magic to the government owning it. If you were in your own home and you had to come up with some way of handling a deficit, you might borrow, but you might also sell off an asset. A \$3 billion Crown corporation that earns only somewhere under \$100 million is not a great earning capacity for that kind of asset base.

Over the past several years there was the privatization, for instance, of the British Telecommunications Corporation. It was one of the most successful divestings that has ever been handled by a government, in this case the government of Great Britain. It may well be that we can see a way of doing that with Alberta Government Telephones that will increase the value of Alberta Government Telephones in the hands of the government and perhaps in the hands of the trust fund.

MR. PIQUETTE: We're not saying privatizing; we're saying sell the debentures.

MR. McEACHERN: I merely meant the debentures, not the whole kit and caboodle.

The last question I'd like to ask is really about Vencap. The \$200 million put into it is a

pretty hefty amount, and the corporation doesn't seem to be able get into putting all their money to productive use very fast. I'm wondering if the \$200 million the government put in plus the \$44 million they raised privately wasn't an oversubscription. Of that, they've only been able to invest some \$53 million. I think there's been one more new investment since I got that figure, and I don't know exactly how much it was. But that means there is still approximately \$190 million, Alberta taxpayers' money, that's perhaps not put to the best possible use at a time when we have the kind of economic problems we have.

MR. GETTY: You weren't there, but I notice that this was raised in the discussion of Vencap last time the committee met with the former Premier, and it has been raised over the years. Is Vencap doing the job it was intended to do? I think it did start slowly, but I see a far greater aggressiveness now in the company. It is starting to have a bigger and bigger impact on various economic activities in this province. I would like to have seen it get off faster, but at its current rate of operation I think it is fulfilling the need.

From its very nature it faces a bit of a conflict, because it ended up selling shares to the public. When you sell shares to the public, the public wants to see a return on their shares and, therefore, an appreciation. It kind of inhibits the type of venture capital investment that something like Vencap should be considering. I think they're balancing that off now, and that's the growing pains, if you like, of a company like that. In this size it's never been done anywhere in the world, and when you break new ground, I think you have to expect that you're going to have growing pains. I think they've gone through them, and they now sense a far better direction and are moving much more aggressively.

MR. R. MOORE: Mr. Premier, I'm pleased with your frank answers to our questions today. However, I have a few more questions. Before I get into them, I'd just like to make a comment that I am not in agreement with the hon. Member for Edmonton Kingsway when he refers to the ability of MLAs and their ways of relating the ideas of their constituents back here. I think we have excellent MLAs. There are excellent ones sitting on this committee,

and I think they can fulfill that role very well, even better than public hearings, because we're one on one out there and can bring those back into the system. I also feel we are backed up by excellent research staff. Again, I have confidence that they can bring out those points. So we have adequate areas to cover that rather than going through the public hearing process. As I said in my original questions, I do have concerns with our communications the other way, and I think that has been the overtone all the way through. We have a problem with communication to the general public.

Coming back to the capital investment division, I noted that the thrust of some of the major recommendations of our previous committee was heavy towards tourism. Several of them related directly to tourism. I heard you make the statement previously that one of the areas we should be looking at down the road in the long term is oil sands, because that's going to be one of the major game players in our economic future, and I agree we have to look that way. However, there are things coming up on the horizon that change our direction of thinking from time to time and should be considered now as we go through and are looking to the future. The free trade talks that are going on will definitely impact on our economic future here and will again change our thrust as we go down the road. Through that, we may find there is a need for us to be laying the foundation to take advantage of that in other areas. It's one of the things we should be evaluating as we go along. I'd like to hear your comments on that. As we go to freer trade, hopefully, with our major trading partner to the south, what do you think we should be looking at down the road in laying a base to take advantage of that?

MR. GETTY: There's no question that if we're able to succeed in the area of assured access for our products, we will then have to have the sectors of our economy being very competitive. It would seem to me that we would want a greater and greater percent of our investments in those things that ensure the competitive nature of our industries. That's one of the reasons I think the irrigation investments, for instance, are extremely important. Farming for the Future: to allow our farmers and ranchers, through research, to

be competitive. I think one of the exciting investments by Vencap is the area of BioTechnica -- I may not have the name right -- which is converting the qualities of grains into other products so that they can reach a broader and broader market rather than the traditional market for grain.

Without doubt, the free trade discussions and enhanced trade with other nations will put greater and greater pressure on our ability to compete, and that's an area where the trust fund is already working. It's well you raise that. We should keep that long-term target in our minds, because it should allow us to judge between one or two various potential investments, those that allow us to be more and more competitive in the various industries that are in this province.

MR. R. MOORE: There's another area that comes up in our long-term planning, Mr. Premier. As there gets to be more demand on the heritage trust fund and the revenue that's not going into it, it becomes more competitive between, say, industrial growth and research. We had the foundation for medical research before us yesterday. They're doing an excellent job, by the way; I'm very, very impressed with their programs and what they've done. For your information I'd like to make note that I'm very pleased to see that after six years of operation they're maintaining a steady 3 percent going to administration and 97 percent to research. It is usually the other way around: the longer a program is in, the more goes to administration. So they've done an excellent job. But they are looking into the future, and they project that by 1990 they'll need another \$150 million in that endowment fund. At a time when we're going through this process of less revenue coming in, do you feel these areas of research can be maintained? Hopefully they can be maintained and balanced with the others so that one doesn't take precedence over the other.

MR. GETTY: It'll be a great stress on the government and the trust fund to maintain the level of research expenditure that there's been in the past. As I said, whenever you get scarcer and scarcer dollars, research is one of the easiest things to reduce, because it isn't a service to people. In the short term, you often tend to reduce in that area, and I think the

stress will be on us to do it. One of the things the medical foundation has done is get into the building of two capital facilities, two buildings, and they anticipate that will have the impact of requiring them to need more money in the future. That's a decision they made. It was not a decision the government was involved in. The operating costs will now go up because of having built the two facilities, and a greater share of their dollars will then go into their operations. I hope we can maintain their level of investment in research and that we can come up with the dollars if they need them in the future. But there'll be a real fistfight around the caucus table, and in the Legislature itself, for the various things MLAs will feel require funding.

MR. GOGO: Mr. Getty, as chairman of the investment committee, to your knowledge, has there been any change in the advisers the committee has hired for advice?

MR. GETTY: No, there hasn't. I raised this earlier because of Mr. Payne's idea about perhaps having the fund have a greater impact on the economy and the financial community in Alberta. Perhaps we should take another look. It was quite an exhaustive process the trust fund administrators went through in selecting Morgan Grenfell and Montreal Investment. I wasn't here, but I reviewed it. I think there's nothing wrong with reviewing how they have performed and considering whether it should be expanded in the future to bring in closer-to-Alberta sources of information.

MR. PIQUETTE: Include a few New Democrats on it.

MR. NELSON: Who are they?

MR. GETTY: I'm going to review, as I said you might, what impact either of those two companies has had on Alberta in terms of opening offices or employing Albertans, because they are playing a large role in the investment of the trust fund.

MR. GOGO: Mr. Chairman, I believe the previous Legislature provided a copy of investment advisers to the committee. It might not be a bad idea to request that the investment committee provide that information.

AN HON. MEMBER: Agreed.

MR. GOGO: Mr. Premier, with regard to the Alberta investment division's investment in the Alberta Energy Company, I'm sure all members are aware that the board of directors of Alberta Energy have been after the government to reduce their holdings in the company below 37 percent. I think we're all aware that if you hold 10 percent, you would probably be in a strong enough position to influence any decision if you wanted to influence it. Is the investment committee considering reducing the holdings in the Alberta Energy Company from the present 37 percent?

MR. GETTY: It's not currently being considered by the committee. It may be in the future. If Alberta Energy decides they wish to go to the market and sell common shares, that would bring the decision before the committee. You have to either take your share to maintain your percentage or allow it to go to other purchasers. But as of right now no consideration is being given to reducing the investment in Alberta Energy.

MR. GOGO: Although this wouldn't be committee business, I can't help but make the observation that the New Democrats held public hearings throughout the province on potential investments for the fund, and I recall a group of about 20 people within my own riding who were determining the future of the fund. The word "savings" wasn't mentioned at all. As I recall, about 98 percent of all the recommendations were for expenditures from the fund.

MR. McEACHERN: Have you read this?

MR. GOGO: I'm well aware of that document and the way you've altered it, by the way.

I think they held their hearings in October and November. I vividly recall that the most palatable suggestion made by someone at that hearing was that the Alberta government give serious thought to purchasing a South Seas island. That way we could not only increase the benefits to Pacific Western Airlines, which would fly Albertans there, but indeed Albertans could perhaps establish some businesses down there under Vencap. That was extremely interesting, but as I recall, that was about the only meaningful suggestion in all the hearings.

MR. McEACHERN: In your narrow opinion. Some very good suggestions came out of that hearing.

MR. NELSON: Socialists are always dreaming.

MR. PIQUETTE: By the way, we make our hearings open to the Tories as well.

MR. GETTY: I was reviewing one of those NDP documents on energy the other day, and I noticed they were recommending that the Alberta government share their royalties with the federal government. Boy, that really indicates who controls that outfit.

MR. McEACHERN: Find it. Show me.

MR. CHAIRMAN: In light of the hour, Mr. Premier, I want to thank you for taking time out of your busy schedule to appear here this morning. It was interesting for the chairman to note that on a strict interpretation of the Act the Premier is not required to appear before this committee, but I believe your attendance as Premier and as president of Executive Council to be vital to us and to the accountability process of the fund. So we're pleased that you were able to attend. We appreciate, as always, your frank and forthright answers on some matters very important to this committee and to all Albertans today. You've made a number of very constructive and challenging suggestions for our consideration. I think I can speak on behalf of all of us in saying that the time spent this morning has been very fruitful and will be most helpful when we deliberate our final recommendations. Thank you for attending.

We'll now adjourn until 2 p.m., at which time we'll hear from the Hon. Dick Johnston, our Provincial Treasurer.

MR. McEACHERN: Mr. Chairman, before we adjourn, I wonder if we could ask the Premier to come back one more time. We did enjoy today; it was a good session. After we've talked about specific parts of the heritage trust fund with other specific ministers, I think there will be a number of questions one would like to raise again. He mentioned free trade. We didn't get time to deal with that in any great detail. Also, the whole business of government policy with regard to the federal government and support

for Alberta and that sort of thing did not get covered, and that really is vital.

MR. CHAIRMAN: Perhaps we can entertain that discussion at a future meeting.

MR. GETTY: Mr. Chairman, just let me say that I really do appreciate the time here with the committee and the manner in which all members conducted this discussion. I felt it was really interesting, and I enjoyed it. If the committee collectively thinks I can help again, I would make every effort to accommodate.

MR. McEACHERN: Thank you.

MR. CHAIRMAN: Thank you very much, Mr. Premier.

The committee stands adjourned.

[The committee adjourned at 11:54 a.m.]