

[Deputy Chairman: Mr. Hyland]

[5 p.m.]

MR. DEPUTY CHAIRMAN: The reason for calling the meeting is twofold. We've got to accept the report. Secondly, after checking and having some discussion with Ann and John, we found out that Ann was right; we have to admit to that. Once the Legislature starts to sit, when we start the new Legislature, the committee ceases to exist. So we were in a time bind. I checked that you guys weren't caucusing today and that we were caucusing tomorrow, and this was the only spot I could find that would work around it. That's why we picked this. I thought if I picked it late enough in the day, it wouldn't bugger up anybody's day too badly to come up and deal with it. That was the reason. I made that decision because John was away when we suddenly realized that we had to do something with this report so that it could be tabled in the Legislature now.

I wasn't concerned as much about the deadline for tabling, because we'd already written to the Speaker about two days before saying that we thought we could meet into the first full week and get it done. I thought we had time to do it and work on it, but as I said, after this letter was written, we did some more checking, to find out that we don't have that time. We may have the time to table it, but we don't have the time factor because of committee membership and its ceasing to exist when the Legislature starts. So that was the reason for the quick call of the meeting and for the time of the meeting.

Normally the report has been accepted by motion of the committee and it goes to the Legislature. You've all had it for about a week. I had read it previously, after John did it. There were a couple of changes made on numbers, and that was all I found wrong with it. Reading through it, it's mostly noncommittal, mostly outlining what was said, the questions exchanged. The committal part of it obviously is the recommendations, but they were voted on at a previous meeting.

I guess that's about all I have to say about the purpose of the meeting and such. Has anybody else got any comments that they want to make? If nobody's got any comments, can we then go through and see if anybody's got any changes where we've misworded or something in the report?

We can maybe start with you, Bob.

MR. HAWKESWORTH: Maybe we could sort of let Alex lead off here.

MR. McEACHERN: Well, I guess just thinking in terms of procedure, should there not be a motion on the floor that we accept the report as written and then somebody second that and then we discuss it? Would that be a normal procedure?

MR. DEPUTY CHAIRMAN: Probably.

MR. HERON: Do you care to make the motion?

MR. McEACHERN: No, I don't care to make the motion.

MR. DEPUTY CHAIRMAN: Does somebody want to make a motion?

MR. HERON: I so move.

MR. DEPUTY CHAIRMAN: We don't need a seconder; we haven't used a seconder so far. Okay.

MR. McEACHERN: I didn't find any factual errors or problems in the report, but I also didn't find anything in there that really gave much of a flavour for what happened in the hearing process. So I took a little time this afternoon and jotted down a few thoughts I had about the whole procedure and the committee function and what came out of it.

I guess, with some feeling of not wanting to go over old ground in too great detail, I still would like to put on the record a few comments and some of the dissatisfactions that we had with some parts of the committee operation. For instance, we didn't get the annual statement of the heritage trust fund until three days before we started the hearing process, which was certainly not adequate time. We didn't get the Alberta Mortgage and Housing Corporation report nor the Agricultural Development Corporation report at all until the hearing process was totally finished. In fact, I think we still only have one of them now; we just got it the other day. That made it rather difficult. And we didn't have any substitute documents from the ministers appearing before

the committee either. Very few of the ministers brought any updated information to the committee, which they could well have done.

We did ask specifically that the Treasurer and the Premier appear before the committee a second time later in the hearings. Partly the reason for that was the fact that we hadn't had the document until three days before they came, and it made it very awkward to really be ready for their appearance. Yet we didn't get a second turn to speak to them. Even though the committee Chair gave them many opportunities to appear before the committee in December and again in January, they still couldn't seem to find a date when they would like to come. So I wanted to register our complaint about that.

In the overall report, the report's very noncommittal about -- it doesn't really have much of a flavour to it as to what happened in the hearings. It just records the 15 resolutions passed, but I think something that tells just as much or more about the committee process and the hearings is the fact that 50 recommendations were not passed. Quite a number of those recommendations, some of them very significant ones in the sense of having a great impact on the fund, were passed over with very little debate. I didn't find that the 10 Tory members on the committee were prepared to debate some of the major issues of the fund. Some of the resolutions that were put forward -- as I said, some significant resolutions -- got very little debate. On the other hand, as well, many of them were just voted down with little or no debate. Some of the smaller, more innocuous if you like, less important resolutions were also turned down, again sometimes with very little debate and for no apparent reason other than perhaps that they in many cases had the name of an opposition member on them.

I find it a little bit incredible that the committee did not leave that deemed assets resolution on the books from last year. I guess it's the one that indicates the most to me that this committee was least prepared to take a stand contrary to what the Treasurer might like. The deemed assets everybody knows, the Auditor General knows, and everybody says should be off. Two members of the Tories and the Liberal person and myself put forward recommendations to take the deemed assets off the books, to record them as a dollar or something. Because Dick Johnston said he was

against it, it didn't get done. We didn't even make the recommendation. The Auditor General has made it every year for a number of years.

We tried pretty hard to get some good debates going, but I still felt there was a feeling that we didn't really need to debate the fund, that somehow it's okay the way it is. I'm saying that after 10 years it's time to renew the mandate about that fund and decide what we should do with it, where we should go with it. We're in a totally different economic situation now than we were when the fund was set up, yet the mentality, it seemed to me, was that we musn't say anything that would rock the boat. We set up this fund and there it sits as a shining example of Tory management and it's going to get us re-elected every election because it's such a wonderful thing and everybody recognizes what great money managers we are. Yet we let an expression come into vogue, if you like, that we musn't touch the integrity of the fund. We never really thought about that or never really argued or debated that. We -- that is, the larger committee -- just let that statement stand. I kept trying to raise it. I raised a number of issues and asked a number of ministers about it. I was often shouted down and told I couldn't ask those kinds of questions of ministers because that wasn't their responsibility, when every member of the investment committee has a responsibility to do something in that area, I think.

So I was rather disappointed in that. I think we've ended up not really doing a service to Albertans. I think we deserved -- Albertans, that is -- a debate about the directions of the fund. Now, we've passed a resolution, a watered down one, saying the committee should consult with business, labour, and the general public, but this committee has already finished. We aren't even going to be able to do that. Initially, of course, it was said that the government should do it, but when it came voting time, it was reworded to be that the standing committee should do that. The standing committee didn't do that, and now it no longer can, because it doesn't exist as of the day after tomorrow. So a larger, better recommendation was made in terms of having the study, and we opted for one that's now unworkable, that has nothing to offer.

Anyway, those are some of my disappointments about the process. I think

we've just decided to let the government go on kidding itself that somehow that fund is not going to be touched. The fact is that we're going to have a \$3 billion, \$3.5 billion to \$4 billion deficit, and it's got to be held against the fund any way you look at it. To a priori say that you're not going to analyze, reanalyze, or re-evaluate your position and decide what's best in a dollar for dollar sense, looking at interest rates and looking at various options, to not do that is to bury your head in the sand, and that's basically what this committee has done. It doesn't really surprise me that the press and my former leader ended up calling this committee a lapdog committee, because we've left it that way. We've not really done the job that we were set out to do, that we were assigned to do.

I for one will not be voting in favour of accepting this committee's report. I think it's totally inadequate. I'm in the process of writing a minority report on behalf of our caucus.

MR. GOGO: I'm really surprised at your comments, Alex, for some reason.

MR. DEPUTY CHAIRMAN: Alex, just one quick comment before Ron talks. Number one recommendation does say that "the Government of Alberta consult with business, labour ..." and not the committee.

MR. McEACHERN: It was suggested that that be changed to "the standing committee." During the process, I passed it out and wrote in the words. Has it not been changed in the minutes?

MISS CONROY: It wasn't passed.

MR. McEACHERN: Okay. So the government consults, so then we will have Dick Johnston have a dinner, maybe three different lunches. Or will it be one big dinner? That's consulting, isn't it?

MR. R. MOORE: Wasn't that what you just suggested, that the government should do it?

MR. McEACHERN: We suggested 12 hearings all over the province and a number of fairly specific studies in detail that would have made it an analysis of the fund on a much greater scale.

MR. DEPUTY CHAIRMAN: Ron.

MR. R. MOORE: Thanks, Mr. Chairman.

MR. DEPUTY CHAIRMAN: I guess I should have said Lacombe. I've been using first names; I shouldn't do that.

MR. R. MOORE: Well, Mr. Chairman, I've listened to the hon. Member for Edmonton Kingsway, and it seems to me that in the many, many hours of deliberation we had, he wasn't in the same meetings I was in. His description was totally different from what I had listened to through those hours of very serious debate and very worthwhile debate that went on. I don't know where he was, or I was, but we certainly weren't in the same meetings. When I look at this report it reflects what went on in those meetings. It reflects it very adequately and very factually.

I know that whenever you enter into debate, somebody loses and somebody wins; somebody makes points and somebody doesn't make points. But if your points in a debate can't convince the other people in the debate, then I think you have to be gentleman enough to accept that. That's part of debating, and I think there were very active and very strong debates that went on in our deliberations.

I find it hard to believe that a member of this Legislature would sit through the sessions that we sat through and say the things that I've just heard here. I find it totally unbelievable.

MR. DEPUTY CHAIRMAN: Any other comments? John.

MR. GOGO: Yes, Mr. Chairman. I didn't catch all of the comments of the Member for Edmonton Kingsway, but for example I felt very strongly about recommendation 1. I thought that was well debated. I felt very strongly against number 3, which is, I think, opposite to the Member for Edmonton Kingsway. I opposed very strongly the capping of the fund. I think it's a gross mistake to cap the fund, because once you've done that you'll never get back to putting anything in it, and I think that's very unfortunate for future generations. Yet, you know, the committee decided contrary to me. Whether Johnston the Treasurer or whoever influenced the committee, it's beside the point. The point is — and I'm speaking now to

the comments raised by the Member for Lacombe -- I lost that debate, obviously. I felt very strongly about that. I think it's a shame that we should deprive future Albertans of the solid principle upon which this fund was based back in 1975, and that was that part of all you earn in terms of nonrenewable resource revenue should be tucked away for the future. However, so be it. It's done, and I lost that. I don't like it; I'll continue to argue in caucus that it should be different. But I guess you win some and you lose some. There are others, I suppose, that are in much the same way.

I'm very pleased with one that the Member for Calgary Mountain View and I agreed on, which was number 15. We obviously feel strongly about that, and I'm pleased that members saw fit to support both Mountain View and myself in seeing that was passed. It could have been the other way. So although we all have our druthers in certain areas, you know, I think we have to accept in principle the basis of what the majority decides.

Thank you, Mr. Chairman.

MR. DEPUTY CHAIRMAN: Any further comments?

MR. McEACHERN: A couple of just very quick ones then. There were several major recommendations: by Mr. Chumir, I remember numbers 65 and 66, and one by myself, number 69, which were major changes to the fund, and they were voted down with very, very little debate. The debate was very, very shallow. The number of times I tried to ask questions of cabinet ministers and people tried to shout me down and say, "You can't even ask that"; I mean it just showed the mentality that you didn't really want to open up the Alberta heritage trust fund to public debate. And I'm just saying that we haven't really done our job as it was set out, and we really haven't done a service to this province.

Of some of the 50 recommendations that were rejected, most of them were very sound; not all of them. I wouldn't have agreed with all of them myself, but some of them didn't get the debate they deserved. Some of them were totally innocuous but motherhood issues. I'm thinking of one, for instance. Leo Piquette asked that the committee recommend to the investment committee that they recommend to the medical research foundation that they spend

a little time looking at possibly putting together some research on why some areas of Alberta have a much higher cancer rate than others, and it was turned down. It didn't get any debate. I can only assume that it was because Leo's name was on it.

It seems to me that what you guys really said -- you took these 70 recommendations to your caucus, talked it over there, and said: "We'll give Bob Hawkesworth one recommendation, we'll give Leo one, we'll give Chumir one, and Alex worked really hard so we'll give him two," and anything else that had our names on it you just rejected, whether they got debated or not. I'm sorry, but that's the way I feel about the committee. I tried really hard to get a lot of debate going and in fact did engender a lot of debate and we did get some debate, but it was hard going and I think on the whole you smothered a really wider debate. The debate never got out of the room.

MR. HAWKESWORTH: Mr. Chairman, my brief comments are that in terms of a summary of the proceedings of the committee the report is accurate, and to that extent I think it's acceptable as a record of the proceedings of the committee. I've expressed as a member of the committee through proceedings my reservations about a number of the resolutions that have been adopted, as well as my concern that a number of resolutions put forward were not adopted, and to that extent I'm not in favour of endorsing the report, although I do recognize that it is an accurate record of proceedings that took place around the table.

MR. HERON: I would just like to challenge the one point made by the hon. Member for Edmonton Kingsway, and that was the implication that the Provincial Treasurer unjustly influenced the committee in the treatment of deemed assets.

MR. McEACHERN: I didn't say it was unjust; I just said he did. That's a statement of fact, not an implication.

MR. DEPUTY CHAIRMAN: Just a minute. Let's have everybody take their turn.

MR. HERON: I think the Provincial Treasurer and the following debate adequately convinced me that even in the profession there is no

generally accepted accounting principle which specifies how the assets held in a fund such as the heritage fund by a government body should be treated. And I won't repeat the debate here, but clearly it was whether you write the assets off as an expense and therefore they disappear from the books, much the same as an overpass or a road sign, where you treat them as an asset. The Provincial Treasurer has chosen, in the face of this lack of professional direction, to show them as assets, where they're held before the people as achievements of the fund. I personally have difficulty showing them as assets and measuring the return in a qualitative sense, in the sense that the returns are measured as social good. I prefer to measure assets in terms of their qualitative returns; that is, on a dollar and cents basis.

But I think we entered into that debate. My personal differences aside, I think the Treasurer took good time to point that out to us in the following debate, and I feel very comfortable with the recommendation of the majority of the committee. So I feel that that inference was unjust and unfair.

MR. GOGO: On a similar point, Chairman, I don't know whether it's unjust or unfair, but I feel very strongly that deemed assets should be a dollar. My views are well known; I spoke at length on that. But that's not the way it is. Other people chose to do otherwise. I guess in a political atmosphere you do things to a certain extent politically.

I wanted to comment, though, with regard to the comments related to the Member for Athabasca-Lac La Biche and the cancer research by the medical foundation. I thought we had an explanation that the medical foundation dealt with pure research as opposed to clinical or practical or pragmatic, and I thought it was the job of the minister of community health to look at community health standards. If there was a high incidence of cancer in any part of Alberta, that would fall within his bailiwick as opposed to the medical foundation. I didn't have any difficulty at all in accepting the fact that that one was not carried. To me that was something the government should be doing regardless of whether the medical foundation exists or not. So I would take some exception to those comments that it was treated too lightly. I just thought it was inappropriate to be considered

within the context of this committee.

MR. HAWKESWORTH: Just a couple of sort of general comments then, Mr. Chairman. Ten years is kind of an opportunity, I think. When you've gone 10 years with a project, it's a particular kind of an anniversary, and I think a decade of this trust fund having been in existence would have offered or could have offered a special opportunity to really review what it's accomplished and where it's going. There is, I think, considerable public question about what this fund has achieved, what it is achieving, what it does for the people of this province, and I'm afraid that there's an opportunity here that's being missed to really get the input of the public in this province as to what they think this fund ought to be doing and how it ought to be used, particularly in the difficult economic circumstances the province is facing at the present time.

Whether the government is going to do that as a result of this recommendation or not I don't know. That's up to the government to decide. But I would advise them strongly that if they're going to proceed with consultation with the public, it should be real, it should be genuine, and it should be extensive. They should seek whatever avenues they can to get that participation from the public. I think it would have been better for this trust fund committee to have conducted that review on a bipartisan or multipartisan basis. However, this is not the recommendation that's going forward, nor is it likely to be the approach taken.

But I think that if anything is . . . In the last few months people have come up to me with lots of questions. What is going on with the fund? What's happened to the fund? Where has it gone? Why hasn't it done what it was set out to accomplish? These are very important questions. We may have differences of opinion in terms of the answers to those questions, but they're very significant, and people are asking them. And whenever the public is asking questions, failure to answer those questions leads to a lot of frustration and perhaps a lot of people reaching the wrong conclusions about what's going on. So I think that process of consultation is important.

MR. HERON: Just send me the names; I'll give them the information.

MR. HAWKESWORTH: Capping of the fund: I share some of the comments made earlier by the Member for Lethbridge West. That fund represents a use of nonrenewable resource in this province, and to the extent that when those renewable resources are depleted and revenues from them are not going into this fund, we're living off a capital asset which belongs as much to future generations as it belongs to us in Alberta today. Capping the fund is a very significant policy step to be taking, and I think this is one recommendation of real substance that is important in these recommendations. But I don't believe that we should be allowing this fund to be capped until such time as the General Revenue Fund is in a surplus position. I'm prepared to cap this fund for this year and this year only and look at it again, but like my hon. colleague, I'm afraid we will never see renewable resource revenue flowing into this fund, at least not for some years down the road. But I think we also have to recognize that there are some realities in today's economic circumstances facing the province, and on that basis and that basis alone, I would be prepared to support a cap to this fund for this year only and then have another look at it next year.

The whole issue of diversification and the rainy day aspect of the fund. The public out there is just asking a lot of questions: "Where is the fund when we thought it would be there to protect us? It doesn't appear to be there to protect us from cutbacks and the closing of hospital beds, cuts in education for our kids." They're asking: "Whatever happened to diversification? Where are the other elements of the economy that would be in place to support us when times got bad, when our energy resource revenue went down?" And unless we take this opportunity -- and it's a short one and it's a brief one that's left to us -- to use this fund as a diversification tool, we're going to lose the opportunity. Where are the people out there who are taking the fund and seeing diversification, using it as a tool to achieve diversification? I'm not convinced that significant or enough initiatives have been taken to use the fund to support diversification of Alberta's economy.

These are important questions, and I really would hope that if not this year that's over with, at least in the year to come some significant attention will be given to recommendations addressing these particular

issues and questions.

Thank you, Mr. Chairman.

MR. CHERRY: Well, Mr. Chairman, I just wanted to get a few words in here. And I guess one of the things I have seen, being a first-time member on the committee -- I saw the debate, which I thought was very, very good. I saw the recommendations. I guess the way I've always seen it is that, you know, you put forward recommendations and you certainly can't expect all the recommendations to be finalized.

As far as using the heritage fund for the rainy day, it wasn't two weeks ago that the hon. Leader of the Opposition was in my constituency and agreed with me on what the heritage fund should be doing. He said the same as what I said earlier on, that to dip into the fund was not the right thing, and I believe today the same thing. I don't think that in any case that, you know, if you start dipping into something and then your revenues from it certainly get smaller and smaller. It's a matter of who is right, I guess, and who is wrong. I guess this government feels that they're right in what they're doing, and I agree with them. I look back on a smaller jurisdiction that had their own heritage fund, and they certainly, from the revenue from it, kept their taxation from climbing.

So, Mr. Chairman, I just wanted to say those few comments and agree wholeheartedly with the recommendations that were put forward here. I think it's a very good report.

MR. BRADLEY: Mr. Chairman, I have to commend the chairman for the excellent job he's done in putting together the report. I think it reflects accurately the proceedings of the committee. I'm somewhat surprised and dismayed by some of the rehashing of debate that's taken place here today. I can't agree with the comments from the Member for Calgary Mountain View or the Member for Edmonton Kingsway in terms of the direction the fund has taken. I would be particularly concerned in terms of the types of explanations that would be given to the public in terms of what the fund has done when the hon. Member for Calgary Mountain View is responding to questions from constituents, because he obviously has a diametrically opposed political point of view from the one I have and hasn't recognized the importance of the savings that

the fund has accumulated for the people of Alberta and the income earned on the fund and how important that is to us in these very difficult times we face as a provincial government looking at our budgets in the future, that the revenue earned from the fund, that \$1.7 billion, is very significant to Albertans in terms of what we face in the days ahead. I just put that forward on the record and support the report as submitted.

MR. R. MOORE: Mr. Chairman, I couldn't let the question of diversification go by without relating to my own constituency. We now have diversification that we've never had before to the point that 33 percent of the assessment comes from nonagriculture, and before we had a heritage trust fund it was all agriculture. It's played a tremendous role in diversification in my area, to take us away from one dependent source of income and spread it out. It's certainly helping now in these days when we're needing that extra revenue.

So I feel that the fund has done an exceptional job in assisting Albertans to diversify. It's playing a major role in our economy today and in support of our many programs that we have in place because of it.

MR. McEACHERN: Just very briefly, Mr. Chairman. I would like to point out to Mr. Cherry that we never did suggest dipping into the fund. From your remarks I assumed you thought we were saying that. What we were saying was to have a study of the fund and open it up wide for a full debate on that. We never proposed to make the recommendations as to exactly how it should be handled. We felt that should come after a full year of study and analysis by experts in the initial case, in terms of valuing the fund and then taking those ideas out to the public and debating them fully. So we weren't about to make off-the-cuff, easy solutions to a very complex and difficult problem. I just wanted to set the record straight on that.

As to diversification, just very briefly, nonetheless the province is still very dependent on oil, when all is said is done. We put all our eggs in that basket and we are in a lot of trouble. So I'll leave it at that.

MR. DEPUTY CHAIRMAN: Anybody else? Is there a call for the question?

HON. MEMBERS: Question.

MR. DEPUTY CHAIRMAN: All those in favour of the Heritage Savings Trust Fund report as submitted? Opposed? Carried.

MR. HAWKESWORTH: I wish to be marked opposed, please, Mr. Chairman.

MR. DEPUTY CHAIRMAN: Okay.

MR. HAWKESWORTH: Thank you.

MR. McEACHERN: Gentlemen, see you in a couple of days.

MR. DEPUTY CHAIRMAN: Just a sec. We need one more motion, for adjournment. Who wants to move the adjournment motion? [interjections] He can; he's not in the Chair.

All those in favour?

HON. MEMBERS: Agreed.

[The committee adjourned at 5:34 p.m.]

