

[Chairman: Mr. Oldring]

[10:02 a.m.]

MR. CHAIRMAN: Good morning, Mr. Premier. I'd like to begin by welcoming everyone to the second meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund. I want to start by thanking everyone for their co-operation in facilitating this meeting. I know we've had to make a number of changes to our schedule. Before we go on, I just want to bring to everyone's attention the most recent changes. Some good news for November 12, when we have the Treasurer appearing: some of you will be able to sleep in an extra hour, and for those of you from the south and out of the city we hope it'll help you. We've been able to shift the meeting by one hour, so instead of meeting from 10 till 12, we'll meet from 11 till 1. I know it would have been preferable to have met in the afternoon, but that was the best we could do there.

One other change: the Minister of Energy was able to accommodate us. He's going to move his appearance ahead by two days and will now be appearing on January 12 from 2 p.m. to 4 p.m. instead of January 14, and January 14 will now be utilized to deal with recommendations. I think those are some helpful changes.

Mr. Premier, the format hasn't changed at all. We would certainly welcome some opening comments from you before we turn it over to questions. Again, we appreciate your co-operation in being able to appear here this morning on short notice in what we know is a very busy schedule.

MR. GETTY: Thank you, Mr. Chairman. I just want to first express to the committee my thanks for their quick adjustment in the scheduling. You, of course, have been working with my office almost on a daily basis, I know, and we've been frustrated with the number of things that have made it difficult for me to appear here before you. Yet I know that on a traditional basis the members like to start off with the Premier and the Treasurer. I was able to clear this time and, having cleared it, the fact that you were all able to get here I appreciate very much. I do think the work of this committee is so important to Alberta and the citizens, that we're prepared to adjust in every way possible.

I'd like to answer any questions the members might have. I would hope that we would try and keep it on a broad policy basis. In my discussions with Mr. Johnston yesterday when I was advising him of this change in timing, I wanted to make sure that he would be prepared to deal with all matters of detail with your committee. He's assured me that he will be able to, into the smallest or biggest detail. I impressed on him that that would be his responsibility, and of course that's the way it was last year. So I'm prepared, then, to answer any questions any of you might have, or try to. If I don't have the information with me or am unable to answer, I certainly will tell you that and see if we could get it another way.

MR. CHAIRMAN: Good. Thank you very much, Mr. Premier. Then we'll turn it over to questions. Member for Edmonton-Kingsway.

MR. McEACHERN: Thank you, Mr. Chairman, and welcome to the committee, Mr. Premier. Last year when you appeared before the committee, you said that Albertans and Canadians generally were somewhat confused about the goals and objectives of the Alberta Heritage Savings Trust Fund. I guess my first question to you would be: could you give us a brief de-

scription of your ideas of the goals and objectives of the heritage trust fund for the next five to 10 years?

MR. GETTY: Well, they continue to be the ones we've had in the 10 years the fund has been in being, and that is that we want these funds to assist in every way possible in the future strength and foundation of the province. When we have funds excess to the normal operating requirements of the people of Alberta on an annual basis, those funds go into the trust fund and bring the strength to the fund that will enable it to continue to play such a large role in building our province for the future.

I know that when we are in a period, as we have been and are right now, when we are unable to put additional funds in and we've capped it, that does to some extent hurt the fund in that the amount of inflation, if it isn't covered by some increase in other assets in the fund — we end up slightly depleting the power of the fund. That's something that bothers us, but it's a fact of life when our revenues are reduced as dramatically as they have been. Nevertheless, I think that as soon as there is flexibility in our budgeting and we can see that there are funds in excess of normal operating on an annual basis for the province, then we would want to as quickly as possible start to once again have funds flow into the trust fund. But it plays such an important part in this foundation-building, as I express it, that we will always want to try and maintain its integrity.

I might suggest, Mr. Chairman, because of the leadoff of Mr. McEachern's question about Canadians who are confused about the fund — leading from that discussion last year in this committee, I agreed with the committee. You know, I think we've had nine first ministers' meetings over the last year, an unprecedented number. Maybe that's over about 14 months, but an unprecedented number of first ministers' meetings. They've either been on trade, Meech Lake, constitutional matters, or Premiers' conferences on fish, or the annual Premiers' Conference. At every opportunity with my colleagues, first ministers and Premiers, I have made the effort to follow through on our conversation last year — that is, to make sure they understand the makeup of the fund — and have at times compared it to certain funds which some of them have. I think it's led to a greater understanding on the part of my colleagues, either Premiers or the Prime Minister. I think it was a good suggestion last year and one that I tried to follow up on as much as possible. There is still work that will need to be done. Our ministers have traveled as well on this matter and talked to editorial boards in other parts of Canada and within Alberta, and we're going to continue to do it.

MR. McEACHERN: A supplementary, then, to the Premier. Did you then, when you were explaining to the Premiers across the country about the fund, [explain] that the \$15.1 billion, as it was then — it's now \$15.36 billion total, shown in the document — is really \$2.63 billion too high because of the deemed assets, that the province has borrowed \$1 billion from the fund as of March 31 — it was \$1.5 billion at December 31; I don't know what it is now — that the Crown corporations are overvalued to the tune of probably \$1.5 billion, and that therefore the fund is really only worth about \$10 billion, if you don't subtract the deficit of the province, which is in the neighbourhood of \$5 billion or \$6 billion? Was that part of what you explained to the other Premiers, so that they would understand the fiscal financial situation of the province?

MR. GETTY: Actually, the Premiers understand it much better

than that, frankly. As a matter of fact, I've given them copies of the trust fund report, and I'm sending this new one to them as well. No, they feel that the financial assets of the fund as set out make very clear the difference between the financial side and the deemed assets. They see no problem with it. Mind you, they don't comment on matters within Alberta's jurisdiction. And I found that the way this current report reads, it's abundantly clear. The first page shows the financial assets. It makes comments on them in about four places, clearly that they are \$12.7 billion, and I don't think there's any confusion in their minds at all.

MR. McEACHERN: Well, it doesn't deal with the Crown corporation values and the \$1 billion that was borrowed from the fund and stuck in an IOU note.

But I just refer for a moment to a document by J. Smith, the professor of political science at [Athabasca University]. He presented a document to the permanent fund hearings in Alaska this fall. He made a comparison between the Alberta fund and the permanent fund, and he pointed out that over the years the Alberta fund has had at least four goals, some of which have been somewhat contradictory. They've all been set by cabinet. They were not set in the first place by any kind of public hearings, as was done in Alaska. They had two years of hearings and settled on one function. They said savings and that's what it'll be, and that's what they've done. However much one might like it or not like it, at least they know where they went and what they did.

With the Alberta heritage trust fund he says that they've had at least four goals over the time, and I'll point out what they are and how they are somewhat contradictory. One of the goals of the fund has been to save for a rainy day; another one has been for economic development and/or diversification, I guess one could say, because that's changed from "and" to "or" at some point along the line; to improve the social well-being of Albertans — the Alberta Mortgage and Housing Corporation's low-cost housing for seniors is a good example — and sometimes it just has the fiscal objective of easing the deficits. Certainly in this last year or so that's the case.

Some of these goals are contradictory, and sometimes one tries to do two or three of them at once, so it's not really much wonder that sometimes people begin to be a little bit confused about which direction the fund is going and trying to understand it. I'm not saying that they're not worthy goals, and maybe it's just a matter of balancing one against the other. However, we did give some fairly specific instructions in the committee last time. On page 22, where the recommendations are, number 1 says:

As the Alberta Heritage Savings Trust Fund has now been in existence for 10 years, that the Government of Alberta consult with business, labour and the general public as to the goals and objectives of the Fund for the next 10 years.

I asked you what your goals and objectives were, and I wondered where you got them. I didn't think you gave a very adequate description of what the fund can do or where it can go in the next 10 years, and I wonder how much consultation has taken place. We didn't consult at the start of setting up the fund, and we didn't consult at the 10-year anniversary, at a time when there was a great change from having money to put into the fund to a time when we need money from the fund. I think you would be surprised how many people in Alberta would have good advice and good opinions you could capitalize on if you just decided that you really could hold public hearings on the

fund. I guess maybe you don't like holding public hearings: you didn't hold them on Meech Lake; you didn't hold them on free trade; you didn't hold them on the fund. But I really recommend it as a good idea, and I wonder who you did consult to follow up the recommendations of the committee last time.

MR. GETTY: We haven't, as you know, held public hearings, and that's still an open question as to whether it might be helpful. Certainly whenever this committee makes a recommendation, we look at it very seriously. But on a regular basis I make sure that our MLAs are constantly meeting with their constituents and Albertans all over the province to ensure they are getting input from Albertans on all policy matters facing our government, whether it be Meech Lake, free trade, or the Heritage Savings Trust Fund. As you know, we have regular elections and very strong support by the people of Alberta for the matters we are handling with the Heritage Savings Trust Fund.

As I said, I'm still of an open mind about whether a more formal type of hearing might be advisable. But we get constant feedback, whether it's labour, business, or just citizens at the grass-roots level, whether it be by cabinet tours or my meetings all across the province and all of our MLAs'. As an MLA myself, I discuss it regularly with my constituents. So I think we're getting very good feedback. Nevertheless, the recommendation was made, and it's still an open matter with us as to whether there could be some type of more formal public hearings.

MR. CHAIRMAN: The Member for Calgary-Fish Creek, followed by the Member for Lethbridge-West.

MR. PAYNE: Thank you, Mr. Chairman. I wonder if I could just draw the Premier's attention to schedule 5. I appreciate his suggestion at the beginning of our meeting today that questions on details should be referred to the Provincial Treasurer. This in fact will be a question of policy, but it flows from the detail of schedule 5, page 42 of the annual report, under the commercial investment division. It's reported that the market value of these investments at the time of the publication of the report was \$478 million. I know I speak for a number of constituents and others in the province who have been hurt badly by the roller coaster ride taken by those that participate in equities or in the stock market. It's given rise to questioning: should something as fundamental to the economic stability and strength of the province in part be geared to something so unstable, so roller coasterish, as the stock market? I wondered if the Premier could comment as to the appropriateness of the present policy, and indeed could he comment on future policy intentions with respect to the commercial investment division?

MR. GETTY: Yes. Mr. Chairman, there's no question that if you look on a very short-term basis at the actions of the stock market since October 19, you have to say that's pretty roller coasterish, as you put it. But you have to remember that over the long term, investments in quality common stocks have consistently outperformed any other form of investment in the history of our country and on a world basis as well — consistently outperformed. Therefore, on a long-term basis, which is obviously the way the fund should be invested, you have to have a portion of your investments in market securities, common stocks. Now, you will recall that it's a very small percentage of the trust fund and that recommendation 2 of this committee last year was that we increase our investment by purchasing more

stocks in Canadian corporations. On a long-term basis we will continue to have as a policy matter that the trust fund invest in common stocks. With the five-year market climb obviously it was pretty good to be in common stocks, and as you pointed out from the schedule, there is still a very substantial profit. I think that over the long-term basis common stocks will continue to be a very, very good investment.

MR. PAYNE: If I could be permitted one supplementary, Mr. Chairman? Earlier in our meeting today another committee member cited a report that appeared critical of shifting or changing goals of the fund, or at least that they were contradictory. I would like to preface this supplementary by making the point that one sign of the strength of our heritage fund policy, I think, has been our ability to respond quickly to changing economic circumstances. With that as a context, would the Premier see as a possibility or would it be appropriate -- given the bargain prices that have been drawn to my attention, ought this not to be a resurgent time for our interest in the commercial investment division?

MR. GETTY: Well, the question is: if they're a bargain today, will they be an even greater bargain in a month from now? That's a judgment that our investment advisers will have to make. As you can imagine, I don't get involved in the day-to-day operations of the investment council with the fund's dollars, that portion that goes into common stocks. But I would expect that they will try and judge when there has been a greater sense of stability in the stock market and then move in again -- with the urging of the committee if it's still their urging. Knowing the long-term history of common stocks as being the best return on investment, probably they'll be back in the market in an aggressive way. But I think they'll look for stability being established before they do that rather than right now when there is quite an up and down action.

MR. CHAIRMAN: Member for Lethbridge-West, followed by the Member for Little Bow.

MR. GOGO: Thank you, Mr. Chairman. Mr. Premier, looking back to when this fund started in 1976, you were a member of Executive Council in those days when it was determined that part of all that oil and gas revenue would go into some type of fund for the future of Alberta. It's been very successful. The government has, in its wisdom, decided to cap the fund. I think the comment was made publicly by yourself that when the situation changes, consideration will be given to adding to the fund again.

Based on the fact that the primary source of revenue for this was hydrocarbons and gas, could you make a general comment with regard to comments made by the federal minister of energy that the ownership of the very resources we're talking about is in question and that perhaps he's going to the Supreme Court to seek some guidance? I thought that was determined through the Constitution Act, 1982. Would you comment on that first?

MR. GETTY: My only initial comment, because I always hesitate to comment on secondhand reports, and we are getting them through the media, if you like, and there's always some question about the accuracy of the reports, is that there's absolutely no suggestion in any way that there is any infringement on Alberta's ownership of the resources. We have fought for that ownership; we've established it time after time after time. I

see no threat in any way in anything that's being done currently, and I don't anticipate any threat. I'm completely convinced that the matter of the ownership of resources by Alberta is firmly established in Canada and the world.

MR. GOGO: Mr. Chairman, I might have some difficulty with this as a supplementary. Mr. Premier, you have indicated publicly that the restraint program has been very effective; however, you view that the citizens of Alberta rate health matters and education as really the two top priorities. I believe you've indicated as well that in terms of budgetary action in the future -- certainly the next year -- there will be no reductions in their budgets. The inference may be that you and your colleagues in Executive Council may in fact increase those budgets.

My question -- and you're the only one who can answer this question -- is: could you share with the committee if you have any intentions of dipping into the fund in terms of its capital to assist those two primary areas, education and health? I think that would be very important to the committee.

MR. GETTY: Well, it's a good question. It touches on one I discussed with the Member for Little Bow last year, and that is the integrity of the fund if you cap it and whether it reduces in value due to inflation. Obviously, it does, and it's one of the negative, concerning things about capping it. Then, if you talk about actually taking some out, obviously, you are again reducing the size of it.

But I want to come back to the matter of education and health. We have made a decision -- and I have announced it publicly -- that there will be no more reductions in education spending. We haven't made it in health, but those decisions will be made in the coming weeks and months by our cabinet and caucus. But in the education area it seemed to me that as we were hitting a new threshold of Albertans participating throughout the world with the new trade agreements expanding our horizons across the world, we'll be competing. Much of that competition will be individual Albertans competing. There's a fresh opportunity, for instance, to compete in the United States on a more open basis. I think the education of Albertans, then, is so important that we just no longer can in any way reduce our education funding. That decision has been made, and I've announced it.

Whether we could take a chunk of money out of the trust fund for some special education or health matter: there are, of course, some investments in medical research and investments in hospitals, but I think your reference would be more towards an operating type of expenditure. In a tight pinch I would consider that. We certainly haven't made the decision to do that, and we'd certainly do it reluctantly because right now we already spend more on education and health than anybody. So just additional dollars don't appear to be the answer. But I would not close off that possibility, particularly if it could be done in a rifle-shot type of investment in education that didn't impact on a long-term basis on the operating costs of the -- on an annual basis. Because then you would have, John, the need to continually come back to the trust fund and continually erode its capital, and I think that would be a mistake.

MR. GOGO: Thanks, Mr. Chairman.

MR. R. SPEAKER: Mr. Chairman, my questions were a continuation in terms of the commercial investment division. As I understand it, up to this point in time the Provincial Treasurer

along with his officials made the decisions relative to investments for equity or bonds or other short-term investments. Is the investment committee of cabinet becoming any more involved in that decision-making at this point in time, Mr. Premier?

MR. GETTY: No, we get it on a reporting basis. We'll have questions on the involvement of cabinet, questioning the Provincial Treasurer about matters that he brings to us on a reporting basis: that we have so much in common stocks, so much in short-term money market securities, convertible bonds, and so on; as to why this, why that; perhaps think of this or think of that. But we still leave the day-to-day operations under the general responsibility of the Provincial Treasurer. As you know, he also has what he and we consider to be the best advice possible on an international basis as well.

MR. R. SPEAKER: I'm sure the Provincial Treasurer sometimes feels like the captain of the *Titanic*, who had the directions, "Steady and on course": you're not sure what's going to happen up ahead. But has there been any policy adjustment at all to the Provincial Treasurer in terms of areas where he should not invest in terms of equities or bonds, or are we just continuing to move and have confidence that the market's going to pick up and that our value is going to be maintained as best as possible?

MR. GETTY: Just that it be in quality Canadian corporations, the main emphasis. There are some in U.S. stocks, but mainly ask him to invest in quality Canadian corporations and, as much as possible, in those that will be strong within our province as well.

MR. R. SPEAKER: This is not specific, but generally, to this point in time, our cost of our investments as of this report — March 31, 1987 — is some \$232 million. As Albertans — this is to the best of your knowledge — we can be assured that at least we have retained our base input investment. Now, how much we've lost I'm sure is being assessed even at this point in time as to accuracy. Would that be . . .

MR. GETTY: The Provincial Treasurer is going to get into some detail with you on that, but let me assure you that we haven't lost. Snapping a picture at any moment, such as the day after the market crashed, you could say, "Well, it's down; your investment is down by so much." Well, the next day, it bounced back by 15 or 20 percent. So that shows you that it's not down, and you might have said, "Well, this day you've just made a profit over yesterday, of the 15 percent." You just can't look at it that way, obviously. You have to look on a long-term basis, and as you see here, the \$232 million to \$478 million is the market value. There's been a dramatic increase.

MR. R. SPEAKER: As of that date.

MR. GETTY: That is as of that date. And it might well be — and he'll get into those details with you — even higher than that, because the market had been very strong until October 19.

MR. R. SPEAKER: Just as clarification, Mr. Chairman, my question was really to establish in the minds of Albertans, that are most likely going to hear how you've responded, that in terms of the actual resource dollar that was put into this com-

mercial investment division, we still have the actual dollar, but where the fluctuation has occurred is in terms of the profit thereon. Is that correct?

MR. GETTY: The dollars that were put in are there, and they've earned considerably more, yes, in a strong profit position.

MR. CHAIRMAN: Member for Cypress-Redcliff, followed by the Member for Pincher Creek-Crowsnest.

MR. HYLAND: Thank you, Mr. Chairman. I'd like to ask the Premier questions. I guess it'd mostly be related to the Alberta investment division. Just before I say that, I'd like to make one comment. Firstly, I thought a few years ago we had hearings on the Heritage Savings Trust Fund. I thought it was called an election. I believe it was in 1975 when the idea of the trust fund was put out there and the response was made by the people of this province towards how they felt about it.

Mr. Premier, you're reported to have made comments about investments in several things: petrochemical plants and pulp and paper or forestry associated plants. I want to stick mostly to the forestry associated plants. The comments have been relating to the government either having guaranteed loans or taken an investment position in those plants. I wonder if in the thoughts of this it's the feeling of Executive Council that those investments would come out of general revenue or out of the Alberta investment division of the Heritage Savings Trust Fund.

MR. GETTY: It's the policy of our government that, to the greatest extent possible, we would have it in the Alberta investment division of the Alberta Heritage Savings Trust Fund.

You should know that right now there are major projects on our table: one, for instance, another Suncryde-type plant and also a very detailed and definitive proposal on the Husky upgrader at Lloydminster. If it's required that there be an Alberta investment, it will be the policy of our government to very seriously consider that they should go in the Heritage Savings Trust Fund. I would want to encourage both of those developments; I think we will have them. They are an investment in the future of this province. We have great confidence in that future.

It is shown, for instance, that our investment in Syncrude has been just a superb investment. I might mention that at the time everybody said it wouldn't be, but we had faith in the future of this province and its resources, and we would do it again. I feel very good about the potential of that upgrader going ahead, having talked to the Member for Lloydminster about it and also about this very large Syncrude-type oilsands plant as well. If there's an opportunity to invest in petrochemical plants, we'd be prepared to do that — and also an opportunity in additional forestry projects.

I'm very pleased that the diversification efforts are paying off for us. There was some discussion about it previously. As you know, we've made our diversification in major areas of strengths; that is, in the areas of tourism, forestry, technology, and research. All of them are paying off dramatically. We've been in an absolute fistfight to diversify, and we've gone after, in the forestry area, projects that could have located anywhere in Canada, in North America, in the world. We have four projects either on the drawing boards or actually underway. It's been a terrific part of our diversification, and it's starting to pay off with the investment we've made in our forest resource — a resource, by the way, which I've also said publicly at times has-

n't been followed up on as aggressively as it should. That's behind us now, and we're very aggressively developing our forest resources.

MR. HYLAND: Mr. Premier, the next question is relating to — you outlined the bigger plants, and especially the bigger forestry plants. I wonder if there's any consideration being given to changing the rules under which Vencap works in order to assist in development of the smaller forestry industries. I think, for example, of one just on the edge of my constituency, on the edge of Medicine Hat, Dunmore Wood Preservers. They have a small sawmill, but they also have a high-pressured pressure treating plant, probably one of the most ultramodern in Canada. It's a small industry that can grow, and for the size of the operation it employs a great number of people. I wonder if industries such as that are being given any consideration to changing the guidelines under which Vencap operates. Or maybe there's another vehicle needed to help those smaller ones. I think sometimes we look at the big ones, and we look right over the smaller guys on the way.

MR. GETTY: Well, I don't know if they've applied to anybody for assistance. I think by our meetings, the meetings by the Minister of Economic Development and Trade with the Vencap board of directors and their management, that there's constant urging by him to make sure that they are very alert to the needs of small operators in our province with venture capital. There was a period of time after they initially started that I felt they weren't nearly aggressive enough. With pushing from all of us and with the development of the company, getting personnel in place and starting to feel more comfortable with their role in Alberta, they have increased considerably their investments in venture capital projects and other projects.

But I still say there is a large, large need for the Vencap group to be aggressive in this province, particularly now as we're coming out of this downturn that we've suffered through and are seeing our economy starting to gear up again and grow. Now is an ideal time for them to support people with ideas and people like the ones you mentioned. But I should say that we have not changed policy with them. They are created by an Act of this Legislature, and they operate so that there is as little political involvement in their decisions.

But there has been a change in policy, and I've expressed it in the House — I'm not sure if the members here have reflected upon it — in the Alberta Opportunity Company, rather than just lending money. I have stressed with them, and they have changed in that they no longer just consider loans to companies after a company has proven that it's unable to get a loan from a normal lending institution, but that they be much more ingenious, if you like, in their financing; that is, by taking common stock, preferred stock, convertible debentures, not just lending money at a rate of interest. They are feeling their way, but that change in policy, which we have made sure they've adapted because they are a direct Crown corporation, is working, and it's helping smaller companies who do not have a history that allows them to go to a bank and get funds.

MR. BRADLEY: Mr. Premier, there's been a great deal of discussion every time the Heritage Savings Trust Fund Committee meets with regards to how the deemed assets in the trust fund should be treated. I note that the Auditor General has again recommended that we change the treatment of the deemed assets. I guess my view has always been that it's been a useful way to

present to Albertans, in fact, where funds from the Heritage Savings Trust Fund have been invested so future Albertans will know exactly where the funds have been expended. However, given the request by the Auditor General again and others, is the government considering reviewing how to treat the deemed assets in the trust fund?

MR. GETTY: Well, I only say this. Because of the respect I have for the Auditor General, when he makes a recommendation we look at it very seriously. We always will. Therefore, it will be something we will consider. Personally, as I said earlier, I look at this report, and I don't see any confusion in anybody's mind about the deemed assets and the financial assets. It's very clear. The very first statement on page 1 tells you what the financial assets are. The graph shows you, and then it goes on to explain the deemed assets in detail. I don't see any confusion. There are always matters that go on between management, auditors, and accountants. Sometimes the auditor and accountants change their thinking; sometimes the management does. So we'll continue to have this discussion and debate in cabinet and in our caucus as well.

MR. BRADLEY: Mr. Premier, I support the view that we continue to report the assets the way we have in the past; however, I know there are others who are interested in changing it. I don't agree with them, and I don't agree with the Auditor General.

With regard to the capital projects division, last year the trust fund recommended that we continue to invest only 20 percent of the Heritage Savings Trust Fund in the capital projects division. But given the fact that we put the cap on the fund, that no new money will flow into the fund until we're in a better budgetary position, there are capital projects which . . . There are some ongoing commitments, for example, in the irrigation area. There were some commitments in terms of a solar and wind research facility that had to be put on hold, I presume because of the position in which the capital projects was in, moving up against that 20 percent. The options we have are either to continue with the recommendation of committee, which says stay at 20 percent and slow down on investments in the different areas, which slows down development in irrigation and other areas, or reconsider raising the capital projects division upward to accommodate some of these very important projects. The other option would be to look at funding some of these considering it.

MR. BRADLEY: Finally, Mr. Premier, in relation to the question that was perhaps asked by the Member for Cypress-Redcliff in terms of investment in new energy projects and whether that would come from the fund — I'm trying to relate this to the future and when we might have more funds available for ourselves to look at investments in other areas, not only capital projects but seeing increased flows of revenue into the fund. The impact of the free trade agreement with regard to our revenues in the future: have you given consideration to what impact free trade might have in terms of energy development in the province, which would then see increased royalties coming to us? Obviously, in the future we could maybe be in a position where we would have surplus revenues which could then come into the Heritage Savings Trust Fund. I guess I'm asking: is there a positive impact from free trade which would have an effect on flows of revenues into the province's revenues, which would then have an impact on the fund?

MR. GETTY: I think there is a positive impact. As you know,

with the downturn in Alberta's economy and with the problems brought on by the NEP, international energy prices, our real estate weakness, our construction weakness here, and financial institutions' problems, there has been a sort of pulling back of investment into central Canada. There has been a booming economy in Ontario, for instance, and we've found that many of our major banking institutions have concentrated their aggressive investments in that area.

One of the things we've needed very much in Alberta is additional investment. Now, we've made a dramatic breakthrough in our efforts in the Pacific Rim. One of the major breakthroughs was the move by a company from Hong Kong, headed by an individual, to come in and purchase a large chunk of Husky Oil. That's significant on its own because it's a billion dollars coming in to purchase, plus a commitment of investing another billion dollars. That's dramatic for our province. But even more significant is that it's a signal to those people who follow him and his company as leaders and that if he has the faith in Alberta to make that kind of a commitment, many, many people both in Hong Kong and mainland China follow his directions and now are seriously looking at coming to Alberta as well. So that's a breakthrough.

But nevertheless, I believe that as we look at our future energy projects under this free trade arrangement, where people can see that we will be able to honour our contracts in terms of supplying oil and gas to them in the United States . . . And when you consider that right now the United States is running aircraft carriers up and down the Mediterranean to try and keep open a lifeline supply of oil not just for themselves but for others, and the huge cost of that which you have to layer on top of normal oil prices from the Middle East, and the volatile nature of the Middle East, I think more and more you're going to see the United States wanting to look at major energy investments in Alberta. We're prepared very much to supply that, and we will have, by pipeline, over-land supplies to the United States far more solid than what they are trying to keep open in the Middle East.

That kind of investment we encourage very strongly because we have more reserves in this province than they have in Saudi Arabia. We know how to develop them, and we're going to develop them, and it will provide a tremendous boost to our economy, a tremendous boost in employment in this province. We will be able to deal in not only increased supplies to the United States but surpluses because of that investment and greater and greater supplies for other Canadians. So I'm very pleased with that part of the free trade arrangements, and I'm looking forward to it on a very, very positive basis.

MR. CHAIRMAN: Member for Stony Plain, followed by the Member for Lloydminster.

MR. HERON: Thank you, Mr. Chairman. Mr. Premier, I know your reluctance to comment on secondhand information. But that said, Mr. Premier, as I travel throughout my constituency, throughout the province, and indeed throughout the country, all too often I'm asked to comment on a situation that is something like this: "Why did the heritage fund lend money to other provinces at 5 percent or 6 percent?" Mr. Premier, when I turn to page 39 of this report, schedule 2, and look at the Canada investment division, I see a well-balanced portfolio of Canadian securities of less than 20 percent of the total. I know they're not in arrears in terms of principal or interest. I see a portfolio that yields somewhere between 9.5 percent and 17.75 percent, which

I think reflects the various interest rates of the past. Would you care to comment on the basis for such widespread information throughout our country on this particular schedule?

MR. GETTY: Well, it's remarkable that there have been people talking about this going out at low interest rates. As a matter of fact, it hasn't. It's gone out always at commercial rates. That's been the policy for this portion of the fund. To the extent that, when Alberta was doing very well in flow of excess dollars into our Treasury, we were able to lend them to other parts of Canada, our government has been very proud of the fact that we've been able to do that, and pleased to do it.

I might say that it is a huge return, because those provinces have respected the move that we made and could have refinanced these loans. They could have gone out, but they haven't. They've continued to pay these off at the interest rates that they entered into. It's been a great source of income for us, and it's also been a source of understanding between ourselves and the provinces about the real nature of the trust fund. I know that most Albertans are very proud of this. I know too, though, that these funds are flowing back and must be reinvested. They are going to be a challenge for us to make sure that we invest them at even close to the rates of return that we're getting from them right now which are so high.

MR. HERON: Mr. Premier, you can see some of these very high yields, based on yesterday's interest rates, making up the \$1.5 billion of earnings which is transferred to the general revenue. Again dealing with perceptions, it is now a growing awareness and perception throughout Alberta and Canada that the earnings on this fund, the \$1.5 billion, make up what is now being called Alberta's sales tax. How do you feel about that perception, and how do you feel about a sales tax at this point in time of Alberta's history?

MR. GETTY: Well, I think I've said it publicly, and it's a policy of our government that we would not have a sales tax in Alberta. But there is also no question that without the Heritage Savings Trust Fund and the investments that it has made, including those that we've made in the Canada investment division, that we would certainly have to tax our citizens, if we did not have a sales tax, much higher in the income and corporate levels. And so there's no doubt in my mind that this heritage fund and the way it's been invested has just dramatically assisted in keeping Alberta as the lowest taxed province in Canada. I'm extremely pleased with that.

MR. HERON: Mr. Premier, we've heard a lot of criticism, I think, on the inclusion of the deemed assets in the portfolio. I'd like to focus upon just another little aspect of including them in there or probably even justification for including them in there.

When I look at page 43, schedule 7, I see such items included as the Alberta Heritage Scholarship Fund, \$100 million. Now, the last time I looked, that \$100 million had grown to \$129 million, which doesn't include, of course, the probably \$50 million that's paid out to Alberta students. I also look at the Alberta Heritage Foundation for Medical Research. I see \$300 million, knowing full well that the market value of the securities in that fund are well over \$400 million.

Do you think that the inclusion of these particular deemed assets and perhaps others are a factor in considering Alberta's very favourable credit rating, that the total picture is considered?

Do you feel, for example, that Alberta was able to negotiate a better position for the farm credit stability money, in terms of a better credit rating, by including these particular deemed assets?

MR. GETTY: Well, there's no question the whole fund and the way it's being invested is a huge support for our Provincial Treasurer when he is obtaining needed borrowings across Europe, the United States, and Canada. There's no question about that. It's helped to give us the lowest borrowing costs possible. And I think such things as you mentioned, the medical research funds and how they've grown to some \$430 million from \$300 million, are a perfect indication of that. But even more is the fact that those research funds have established Alberta as the place for medical research not just in Canada, in North America and the world. And it is bringing in scientists and researchers. Our young Albertans that are graduating from universities and colleges and schools are going into those research areas, and we're making breakthroughs that are breathtaking. I guess the committee has visited and studies reports of that medical research operation. It's tremendous, and it's such a big part of our diversification.

One of the things I'm extremely pleased with today is how hard we've been working through this downturn to continue to protect Albertans against the downturn, which is the most savage of any province in Canada, so much that we have made the breakthrough finally in the employment figures, which I have personally been so involved in over the past two years. Today to know that in Edmonton the employment rate has dropped by a full 2 percent is really the start of the breakthrough. Of course, no one is satisfied with any level of unemployment, but to have that drop as dramatically as 2 percent finally in Edmonton . . . It has been down in other areas, but we seemed to have this stubborn one in Edmonton, and now to have it break through is all part of the things we've been doing. Such things as that heritage research and medical research are absolutely a big part of that.

MR. CHAIRMAN: The Member for Lloydminster, followed by the Member for Athabasca-Lac La Biche.

MR. CHERRY: Thanks, Mr. Chairman. Mr. Premier, the Member for Cypress-Redcliff asked the question, possibly in a roundabout way. I guess my question is that with capping the fund and the Husky upgrader being discussed and negotiated at this time and your earlier statements, Mr. Premier, that if the participants can't come together then Alberta would consider going it alone, I just wonder at this time whether that is still a viable option that we have and whether it would be seriously looked at.

MR. GETTY: Absolutely. And you know, saying that scared the hell out of the other participants. Ever since I've said that, they've consistently come back and said, "No, no, we've got to participate." They know, for instance, that if Saskatchewan didn't participate it wouldn't be in Saskatchewan in the Lloydminster area. They also know in the federal government that if they don't participate after making a commitment, they would be looked on very strongly by Albertans. That kind of statement really has kept them coming back day after day saying, "Look, how do we get this thing going?"

Frankly, I'll be meeting within the next two weeks with Premier Devine, either Prime Minister Mulroney or Deputy Prime Minister Mazankowski, and Mr. Blair of Husky, and I think we

will be able to work out the final details in a satisfactory way. Next week our Minister of Energy will be meeting with the federal minister of energy and the Saskatchewan minister of energy. I feel very good about that project, and as I said, I'd be pleased to have an investment in that project be in the Heritage Savings Trust Fund.

The resources that Alberta has in the heavy oil area -- and we've been able to sell them as heavy oil into the United States, but that market can change like that if the decision is that they no longer are building the roads they are and so on and using heavy oil, and we would have to then upgrade dramatically and quickly, because we'd have to shut down production of the heavy oil without having it upgraded. So this upgrader is an investment in the future of Canada and certainly in the future of Alberta and very important.

MR. CHAIRMAN: The Member for Athabasca-Lac La Biche, followed by the Member for Lacombe.

MR. PIQUETTE: Yes. Mr. Premier, the thing about the heritage trust fund is that one of the objects was to provide diversification for Albertans. That was one of the main goals that was supposed to be addressed by the Alberta heritage trust fund. However, when we listen to you talk about diversification, it appears that the concept the government has is relating basically to the megaprojects. I mean, I don't hear the Premier, for example, talking about the small business sector in terms of how we can make that stronger. I guess we make it stronger by having megaprojects, but that doesn't necessarily mean that megaprojects are not victims of bust and boom types of swings in the international marketplace.

Now, in terms of Vencap and all of the other avenues of investing, we find that in the forestry industry, for example, we are letting very few of our small forestry companies get into the action, get any piece of the pie. It seems we have a lot of tax write-offs, a lot of incentives provided by the provincial government or by the federal government to get into a forestry industry in Alberta. But very few in terms of the small forestry companies are having any access to these kinds of tax concessions, et cetera, or at least not a knowledgeable kind of objective by the government that they know they have a place in Alberta.

Now, looking at the labour statistics, we know that over 70 percent of the new jobs created in Alberta are created by the small business sector. Why isn't the government addressing this real need to diversify the economy by getting into small manufacturing, where the small companies, which are providing the bulk of jobs, really have a place in terms of accessing these grants?

MR. GETTY: I'm just amazed that you asked that question. We are the only province in Canada that has provided long-term funding to small businesses. We first said \$750 million, \$0.75 billion. We then increased it to \$1.1 billion. The only province in Canada. When I travel about Alberta, I meet small business people every day who say to me: "That allowed me to lower my payments to the bank, for the first time ever to have 10-year moneys. Small businesses almost never have it. I was able to hire more people. I was able to expand. I'm on a much stronger foundation now." The heritage fund helped. It was one of the reasons we were able to get those long-term funds both for the farming program and for the small business program.

Take a look at the things that are in your capital projects division. You see the reforestation nursery. You see maintain-

ing our forests. You see the Food Processing Development Centre. Even in education, that's helping our citizens go out into business and compete. You see the airport terminal buildings, a big help in tourism. I mean, we are the province that's doing more in the area of diversification through this fund than anybody. When you say that small companies aren't participating in this boom in forestry projects, that's just not right. They are. They are cutting, they are hauling, they are selling chips. They're fully involved, and it's healthy.

As a matter of fact, the pulp mill operator who's currently building in Whitecourt — that was a small Alberta company, and it's getting stronger and stronger — was recently in to see me in my office and brought a videotape of the tremendous benefits of his plant to the entire Whitecourt area. There is another one now ready to go in Whitecourt following this one. No, I just can't accept your comments because we're doing more for small business in this province than anybody.

MR. PIQUETTE: Going back to the \$1.1 billion, a lot of that was just recycling old debts. It was not targeted to having a new pool of money available for the development of new small business jobs in terms of new projects; it was existing companies basically recycling from higher interest rates to lower interest rates. Again, we're not using good economic sense. If we're going to be making use of the Alberta heritage trust fund to underwrite a lot of these programs, why aren't we targeting that a certain pool of money can be used to access funds to start off new projects in the small business sector as opposed to existing ones, which are recycling old debts?

MR. GETTY: I don't know what you call "recycling old debts." What they did is dramatically reduce their cost of money, just as the farmers and ranchers did. They dropped from 16, 17, 18 percent . . .

AN HON. MEMBER: Not that much.

MR. GETTY: Oh, sure. Some of their suppliers — if you're buying from a supplier, he's still hitting you at the same levels that VISA and others are. That dropped dramatically to 9 percent, and that created money; certainly it did. It allowed them space to expand and space to hire more people. Absolutely. And it also put it on a long-term basis so that they were able to see that they could pay this out over 10 years rather than a demand loan, and a much more solid footing for our small businesses, without a doubt.

Now, I also talked to you about Alberta Opportunity Company changing their policy for them, where they now can take common stock, convertible bonds, preferred shares — not just lending — and every month they put out an announcement of another large number of small businesses either started or helped. I might say also the nutritive processing agreement that we have with Ottawa, where constantly, every month, another list of expansions and new companies. I just can't accept your comments about small business. Alberta is a province of small businesses, and we're helping them very much.

MR. PIQUETTE: A final supplementary before I get back, hopefully later on, to make a few more points. The government made a big pitch to farmers in the '86 election that they would get rural single-line phone service. One of the plans of the government was that the government portions that would go into the implementation of that program would come from the capital

projects division. Thirty million has been borrowed from the capital projects division, leaving another \$470 million to go. With the capping of that capital projects division — I believe we're about \$75 million from capping it at the present time — where will the government find the rest of that money to implement that program? Will that come from general revenues and settle us with a larger deficit, or what's the . . .

MR. GETTY: Oh, no. The government constantly is requiring to invest funds in Alberta, and we will have the funds. Remember now, a bunch of it's coming from AGT themselves and others from here. There's absolutely no change in the government's commitment, and I think there's a pretty good description in here of what's happened, in that we've put a great deal of underground . . . Here it is: the universal rural private telephone service, where we see the heritage fund will contribute over 75 percent of the cost of converting. During '86-87 over 2,300 miles of cable was laid, and that's allowing 75 telephone exchanges to be converted to individual line service.

There is no change in that commitment, and there's no change in the time when it will be done.

MR. PIQUETTE: How will it be paid?

MR. GETTY: Well, it's going to come both from AGT and from the heritage fund. And we have the flexibility to do it. Absolutely. Again, when I travel across this province, there are very, very pleased people in rural Alberta who are finally having that same benefit that those of us in the major population centres have taken for granted.

MR. CHAIRMAN: The Member for Lacombe, followed by the Member for Edmonton-Kingsway.

MR. R. MOORE: Thanks, Mr. Chairman. The Premier has done a good job. He's basically answered some of my concerns, and I appreciate that.

However, I want to get back to one area that the Member for Pincher Creek-Crowsnest brought up, and that was the possibility of us formalizing an agreement on free trade and the impact it will have on the future of Alberta. I think, generally, clear-thinking Albertans fully realize that it will have a tremendous positive impact here. We'll see diversification come from it in our processing and agriculture and so on, and it will have an impact on the heritage trust fund, or the demands on the heritage fund and how we utilize it when we see this growth come out of free trade that will come in the petrochemical industry and the agriculture sector.

The question I would have that I'd like to hear the Premier's opinion on, Mr. Chairman, is: if we get free trade, do you anticipate us removing that cap on the heritage trust fund sooner than if we didn't have free trade? Do you feel it will have an impact on that decision?

MR. GETTY: It's speculating, but my feel for the kind of investments that will come into the energy area, therefore increasing our resource development and our royalties flow, which is the source here, is that it would provide a faster basis for getting funds starting to flow again into this trust fund than without it. Definitely. As you know, the previous federal NDP and Liberal administrations dramatically hurt investment in this province, and therefore we're still suffering. We're coming out of it, though. I think you'll see, with this fresh outlook for investment

into this province in major projects, plus conventional oil and natural gas . . . We are seeing it now. The rig count: you know, I sat here in this Legislature over the last two years and heard how, "Yeah, you're not going to get those rigs drilling again in Alberta," and all this. Just look; it's up around 400 rigs, probably the highest it's been in history. It's all over Alberta that these rigs are drilling, and it's strengthening local garages, hardwares, general stores, providing employment: dramatic evidence of the employment benefits today announced. I know that as those investments flow in under this free trade arrangement, all of those benefits will happen and be stronger and, I hope, allow us to once again be taking excess dollars and putting them back in here; in other words, end the capping sooner.

MR. CHAIRMAN: Before the Member for Lacombe goes on to any supplementaries, we can take a moment to welcome some students with us this morning in the public gallery. For the benefit of the students, meeting here this morning is the select Standing Committee on the Alberta Heritage Savings Trust Fund, and appearing with the committee this morning is the Premier of the province, the Hon. Don Getty. What we're doing is reviewing our Alberta Heritage Savings Trust Fund annual report for the year '86-87. We're pleased to have you with us this morning.

Member for Lacombe, any supplementaries?

MR. R. MOORE: No, Mr. Chairman, not at this moment.

MR. CHAIRMAN: The Member for Edmonton-Kingsway, followed by the Member for Lethbridge-West.

MR. McEACHERN: Mr. Premier, since free trade was raised, I had intended to ask you questions in that area anyway. In our recommendations — that is, this committee's recommendations from last year, number 5 on page 22 — we suggest:

That funding be provided for the research and development of coal transportation technologies, and that consideration be given to investing in new generation coal rail cars as a means of reducing coal transportation costs in order to assist in the development of markets for Alberta coal (e.g. the Ontario market place).

I guess I'm wondering where that suggested thrust will be in a free trade environment.

MR. GETTY: Well, your recommendations here weren't talking about a free trade environment, obviously, so I want to tell you about the follow-through for recommendation 5. Both at Nisku and at Devon we have very aggressive coal research programs going on. The biggest dollars in coal research in Canada are being spent in Alberta. Then, in order to try and get that Ontario marketplace, we have put together a pretty high-level committee: the Premiers of Saskatchewan, Alberta, British Columbia, and Ontario, and the Deputy Prime Minister.

We are meeting on a regular basis, and we've set up our economic development ministers as a working group below us. I believe we are going to make a breakthrough into that Ontario market because our product is a good product. The problem has been the transportation costs. With the research that's going on to upgrade the BTU content of coal, so you are shipping more actual BTUs for the tons that you ship, I think that's one of the breakthroughs that we'll be able to make. There's also the concern for cleaner burning coal, which ours is. I think with these things all coming together and with the commitment of the Ontario government, the federal government, and the three western

Premiers, we're going to break into the Ontario marketplace very dramatically. I'm quite pleased.

MR. McEACHERN: What about the free trade aspect?

MR. GETTY: I don't see how the free trade is going to cause us any troubles at all. As a matter of fact, what may well happen is that we will have a greater and greater use of our coal in the United States because remember, as energy prices increase — and I know they are going to — more and more conversion to coal goes on, coal liquefaction. I think you'll see Alberta's coal resource, which is a huge coal resource, being sought after by people.

MR. McEACHERN: Well, I don't know as the people in the United States are going to agree to it.

I wanted to look at the gas industry. You've said the gas and oil industry would flourish under a free trade arrangement. Yeah, we may be able to get into the American market under a free trade arrangement. In fact, we have already been heading in that direction with deregulation, so there really isn't a change of direction there or anything new in that sense of being able to get access to the American market. Or shall I more properly say for Americans to get access to Alberta oil and gas, unfettered?

But I guess I have some concern about that. While the oil and gas companies may do very well in terms of increased cash flow over the next few years, I wonder about the ownership by the people of Alberta of that resource. We don't seem to have the right to set the price already. That was shown when Trudeau and Lougheed signed that agreement. It was Trudeau's price, not Lougheed's. It doesn't seem like we've got the right to hold sales back, even from Manitoba or Ontario or certainly from the United States, under this agreement. Will we not see the day down the road when the natural gas of Alberta will be used to heat the American swimming pools while Albertans wonder if they've got enough gas supplies to last through the winter? It seems to me we are in very great danger of losing control of our resources. If you're going to quote Brian Mulroney as saying: "Oh, don't worry, Don; it's all fine and nothing's changed," don't quote him. Just don't bother.

MR. GETTY: Mr. Chairman, of course the thought of losing ownership control is straight nonsense. There's absolutely no potential . . .

MR. McEACHERN: What did the federal minister, Mr. Masse, say just yesterday?

MR. GETTY: He did not. Mr. Chairman, there is nothing that could ever be done by any international agreement that could in any way impact on Alberta's ownership rights. I mean, that's nonsense.

One of the things that the opponents of free trade have tried to do is to always bring up some additional bogeymen. If you will recall, they started out saying: "It's going to damage our culture. We won't be able to have regional development; it'll ruin our regional development. It will ruin our beer industry. It'll even hurt the CBC." Well, maybe, that wouldn't be bad. But frankly, all of those have been discounted, totally discounted. So then they started to say, "Well, it's going to hurt medicare, it's going to hurt unemployment insurance, and it's going to hurt old age pensions." All of that's been discounted.

Now you finally flush out what really bothers them. It's this

thing that those parties who believe in intervention and control can't stand the thought that they might lose control of Alberta's energy resource and that they won't be able to dictate to us. They believe in control, and they want to control investment. They want to let it come in under FIRA, not in the interests of Albertans but what they think of down in Ottawa, in central Canada. No, this free trade is allowing Alberta's people to flex their muscles and taking control away from governments who believe in intervention, state control, and state regulation. And that's what makes them so nervous.

MR. McEACHERN: The state has the duty to control the resources of the state, and if they don't, they're crazy. And so is this government if it thinks it's going to hand it over to the Americans and then let the people of Alberta be sold down the tube.

MR. GETTY: I understand completely the philosophy of that party, Mr. Chairman; that is, they control, and they intervene with Albertans out of Ottawa, and they've always supported that. [interjections]

MR. McEACHERN: Of course. Let me quote some of the energy agreement.

There is a broad agreement to assure the freest possible bilateral trade in energy, including non-discriminatory access for the United States to Canadian energy supplies . . .

So we will have no right to stop them.

MR. GETTY: That's right. Your party in Ottawa can't impose the NEP on us again, and it bugs the hell out of you.

MR. McEACHERN: If you can, in your infinite wisdom, decide that the whole free trade debate boils down to the east wanting to control Alberta as if it were a colony of the east — and there is a certain degree of justification in that. I'm a born westerner; I'm not a born Ontario person like yourself. I understand the paranoia, if you like, of the west in relation to the east. But if you can boil down the free trade deal, which is a totally fallacious boiling down, to a fight between eastern Canada and western Canada, then what you're really asking us to do is to replace our eastern masters in Ottawa and Toronto with American masters in Washington and New York, where we have no say whatsoever.

MR. GETTY: First of all, we don't accept any masters; we're our own masters. It's only if you . . . [interjections] I'm telling you that it's not the east versus the west; it's the federal parties, eastern Canada dominated, Liberals and NDP, who can't stand the idea that . . . The word "free" even bugs them, because they believe in control, they believe in intervening, and they want to be masters. Sure. And we won't have it.

MR. CHAIRMAN: The Member for Lethbridge-West, followed by the Member for Pincher Creek-Crowsnest.

MR. GOGO: Thank you, Mr. Chairman. As an editorial comment, I think a few minutes ago the Premier, in responding to Mr. Heron, mentioned that employment was down 2 percent in Edmonton. I think he meant unemployment was down. Perhaps someone should check the transcript.

Mr. Premier, if I could refer you to section 3 of the Alberta Heritage Savings Trust Fund Act, the one that gives us authority

to act the way we're acting today, the investment committee is all of Executive Council. I would find this helpful as a committee member but particularly as an MLA. The investment committee then, which is the total cabinet, designates one person as chairman and one as co-chairman. Are you at liberty to tell us if you, as president of Executive Council, are not the chairman of the committee?

MR. GETTY: Yes, I am.

MR. GOGO: You are the chairman. Could you share with the committee, then — because it goes on to say the frequency of meetings and so on — how often the cabinet would deal with the matter of the Heritage Savings Trust Fund? Is it quarterly, is it monthly, is it . . .

MR. GETTY: It changes quite often. When we're in our intensive budget considerations, then probably weekly and almost daily. When we are past the intensive budget, it might be on a monthly or every two-month basis that something will come up. So it changes with the time in the year or the flow of events. For instance, if we were asked to participate in an oil sands plant or a heavy oil upgrader, then of course it might come up three straight weeks in a row to cabinet and the investment committee. So I can describe the things that would make us have meetings, but it changes constantly.

MR. GOGO: Mr. Getty, as chairman of that investment committee, do you periodically give direction to members of that committee, i.e., members of cabinet, to come forward with suggestions of investments of the Heritage Savings Trust Fund?

MR. GETTY: Yes.

MR. GOGO: [Inaudible] this committee making recommendations.

MR. GETTY: No, I certainly do it with cabinet. We also do it with our MLAs, and I find the information, the suggestions, are very helpful.

MR. GOGO: A final question, Mr. Chairman, to the Premier. We have seen a great example, I think, of privatization in Great Britain and Prime Minister Thatcher with regard to the sale of Crown assets and Crown corporations. The biggest one, obviously, in this province, notwithstanding the housing side, is Alberta Government Telephones. We have, through this fund, fair investments in there. Could you share with the committee if your committee, the investment committee, is giving any consideration to the sale of Crown corporations in which the Heritage Savings Trust Fund has investments?

MR. GETTY: Yes, we are.

MR. GOGO: If that's a fair question.

MR. GETTY: Yes, it's a fair question. We are looking at the potential of privatization of Alberta Government Telephones. I've said that publicly before. The decision hasn't been made, but we're certainly looking at it.

And you might notice — I think you recommended that we have some Crown corporations do their financing outside of the trust fund, and over the last year AGT has.

MR. CHAIRMAN: The Member for Pincher Creek-Crowsnest, followed by the Member for Little Bow.

MR. BRADLEY: Thank you, Mr. Chairman. I was going to ask the Premier, with regard to recommendation 5, what progress had been made with regard to the committee, but I think he's very adequately outlined where that committee is going and the directions it's taking. I should comment that my colleague from Kingsway is probably nervous because his party is recommending subsidies with regard to resolving the coal issue, and we're looking at more positive ways to make things more economic and getting our coal moved without subsidies, which wouldn't have an impact with regard to any free trade discussions.

But since that area has been covered, I want to turn to a different area in the trust fund report, page 27. Looking at the Alberta investment division, I note that we continued to purchase debentures from the Alberta Mortgage and Housing Corporation and from the Alberta Opportunity Company up to the end of March '87. Is the investment committee giving consideration to discontinuing this practice of Crown corporations borrowing from the trust fund during this period of time? In particular, refer to our recommendation 4 of last year on page 22 of the committee report, which recommended that when "debentures from the Canada Investment Division and the Alberta Investment Division come due," we look at reinvesting those in instruments such as the commercial investment division, which would raise the highest possible rate of return. So I guess the question is: are we looking at these Crown corporations borrowing from other sources than from the fund in the future?

MR. GETTY: Yes, we are. With the Alberta Government Telephones we did ask them to go into the general public financial markets. But remember, even though it's borrowed, it's borrowed at the going commercial rate. Therefore, we have the strength of the government behind the housing corporation, and we get a judgment as to what the commercial rate is, and then that's the interest rate the borrowing is made at. However, it's such a large portion of our Alberta investment division — and I think it would be wise — we are considering having it participate in the general public market as well.

MR. BRADLEY: I appreciate that response because in a sense we've been discussing having funds available to invest in other projects such as the upgrader or in terms of a new oil sands plant. If we'd decreased our investments in Crown corporations and let them borrow on the open marketplace, we'd have funds to put into other investments which are important to the province in the long term.

MR. GETTY: And those debentures and so on, the ones we currently hold, could be sold into the market as well. With the backing of the Alberta government they would be gobbled up.

MR. CHAIRMAN: The Member for Little Bow, followed by the Member for Calgary-Fish Creek.

MR. R. SPEAKER: Mr. Chairman, I'm looking at page 3 of the report, and that's the Provincial Treasurer's statement. In paragraph 4 he comments about the heritage fund helping the province to borrow at preferential rates, and then goes on to say that because of that we could go into the Alberta farm credit stability and small business term assistance programs for the province.

My question is with regard to borrowing guidelines, and I guess in a sense it relates to deficits of governments, because when that collapse on Black Monday occurred, there was a cry to the United States, "You've got to reduce your deficit so that we can maintain certain values of the dollar and control interest rates."

In terms of this statement, because of that statement our borrowings in Alberta relative to our revenue as a government — in terms of a ratio we could have a larger ratio of borrowings. We could be very capable of that, and in other provinces of Canada. Is there any type of borrowing guidelines the Premier has established for his government, or do we deal with each case as you're faced with it and say, "Well, I guess we've got to borrow for this particular program" or "We need these dollars to meet our commitment in terms of a deficit in a general revenues budget," and proceed on that basis? Or is there some guideline that says: "Look, we can't borrow anymore. We must say to the people of Alberta, 'sorry, that's it'." It's another lid that stops us from going further into debt.

MR. GETTY: That's a good question. Those are judgments every government makes. One thing we've been determined to do is not follow the pattern of the federal government under former Liberal governments, supported by the NDP, that virtually bankrupted our nation, where you promise everything to everybody and tell them that it's free, and having told them it's free, they wake up one day and find that they're loaded with debt. We're determined not to do that. That is why we laid out a plan for Albertans. And it's quite interesting now that people are taking more and more active looks at deficits. You just can't keep running them. Governments are like anyone else. We laid out a plan for Albertans to a balanced budget as quickly as possible and to do it at the same time that we're maintaining the excellence of our people programs and guiding our province through this downturn and now into this new growth phase that I see starting.

Some of my colleagues, Premiers, take the point that, well, they have put a lid of, say, 20 or 25 percent of their budget — no greater — that will go to servicing debt. On our part we are going to try to get to a balanced budget as quickly as possible and reduce the debt we accumulate over that period of time, which will probably be somewhere between \$6 billion to \$8 billion, and then reduce that as quickly as possible. However, on individual operations such as the farm financing and the small business financing, because we wanted to move quickly we were able to take some of the funds out of the heritage trust fund and use them, and then take advantage of what we felt was the best possible time to go to Europe, Japan, the United States, and Canada for a mixed bag of borrowing at the lowest interest rates we could. I think it just showed the benefits of this trust fund. We've told the Provincial Treasurer that one of the important things — and, of course, that's his view as well — is that we fight to keep that accumulated debt of the province as low as possible. When you start having a greater and greater portion of your annual budget go to paying debt, you obviously are restricting your flexibility of having those dollars flow into programs for the people.

MR. R. SPEAKER: Sort of leaping from that overall broad question to specifics, during your travels to southern Alberta there were questions about the 9 percent programs in terms of, possibly, some changes or a review now that they've been in place for just about a year. Is the Premier considering that, and is there anything in terms of the Heritage Savings Trust Fund

committee, this committee here, that we can review or investigate or make recommendation on?

MR. GETTY: Well, you might consider whether you have recommendations. We constantly have the Provincial Treasurer, for instance, discuss with the Minister of Agriculture, whose responsibility that 9 percent program which is still in existence is. As you know, the flow of requests has slowed down quite dramatically, and roughly \$300 million is still available under that program. It does not appear that the number of requests will reach the \$2 billion level, and maybe the funds we've sort of earmarked for that may be considered to be earmarked somewhere else. A recommendation of this committee might help in some way, although it isn't exactly a heritage trust fund program.

We have the Provincial Treasurer discussing potential changes to that program with the Minister of Agriculture on a regular basis in order to fit the needs of farmers and ranchers. You probably know, too, that slightly over 90 percent, I think — the Provincial Treasurer could give you that — went to replace existing debt. In my tour of southern Alberta many farmers and ranchers told me that that gave them the breathing room they needed to get through the drought and the downturn.

MR. CHAIRMAN: The Member for Calgary-Fish Creek, followed by the Member for Athabasca-Lac La Biche.

MR. PAYNE: Thank you, Mr. Chairman. When the Premier met with the committee October 28 last year, he made the interesting comment:

In terms of Crown corporations, that's an ongoing situation. I believe we should phase Crown corporations out of the trust fund.

In response to a question posed by the Member for Lethbridge-West, the Premier indicated that he and his cabinet colleagues were — quote — looking at privatization of AGT.

Mr. Chairman, I'm wondering if the Premier could indicate whether or not he and his cabinet colleagues are also considering withdrawing such Crown corporation subsidiaries as Altel Data from their perceived unfair competition with the small business sector.

MR. GETTY: Well, it's certainly something that bothers us. But here's the enigma: Alberta Government Telephones really is a giant telecommunications company, and to be a telecommunications company in today's world, you have to be fully in or out. It would be very difficult to have Alberta Government Telephones just provide a telephone service and still be able to provide it at low cost, because a greater and greater percentage of its income is coming from non-telephone services. That is one of the compelling things with me, to see it, if it's going to go greater and greater into the private sector. I'm very reluctant to allow it to do that: have taxpayers' dollars competing with taxpayers' companies. It's a compelling reason, therefore, if it's greater and greater into the private side, to let it be privatized, with the assurances, though, that the quality service at the same low cost is still provided. Those are the very matters we're looking at, and that decision hasn't been made.

MR. PIQUETTE: Mr. Premier, I imagine that on your tour, like in my tours of Alberta, the grain sector of our agricultural economy is very hard hit. For example, the farmers are receiving 96 cents a bushel for barley now, around 80 cents for oats, and

prices are dropping for wheat and canola. With the Alberta heritage trust fund and our attempt to diversify, there's no doubt agriculture has been one of the areas we've looked at in the past. What I'm afraid of is that by the time we address the agricultural sector, there might be very little left to work with by the time the international battles are over in terms of the international subsidy wars.

Are you looking for a recommendation from the Alberta heritage trust fund committee that would help the hard-pressed grain sector of our economy; for example, perhaps working in conjunction with the federal government with a grain subsidy program or a debt-aside program at ADC that would at least address the farmers who are going to be foreclosed on? For example, we hear statistics that 400 to 500 farmers will be foreclosed by the federal lending agencies; ADC is continuing. In my riding, for example, over 70 farmers have lost their farms in the last year. Are you looking for a specific recommendation that would use Alberta heritage trust fund money to make sure that our agricultural economy is still intact by the time we can address the international subsidy wars?

MR. GETTY: With agriculture being the number one priority of our government, we are making sure that agriculture will be here and intact. As a matter of fact, one of the things we've done, of course, is help very dramatically with input costs. We can't control selling prices.

I should say, too, that as I travel this province, I meet many people in agriculture who are saying to me that they are making more money than in history in the areas of their meat operations. [interjection] Yes, I know; I want to get to the grain sector. There's no question that the grain sector has been hurt by the international subsidy wars. We've been able as a country to really make progress in the international subsidy game, with both the United States and the European Economic Community. It's a slow process; you're right. But I believe it's started, and as I said earlier, the grain cycle is starting to change. Grain futures have strengthened considerably. But remember this: one of the things we've been able to do is provide the lowest cost money and the lowest cost energy for any farmers in North America through our programs of providing low farm fuel and low money on the \$2 billion program. So in fact, as grain prices have fallen, we've actually dropped their input costs just as much or more, so that they are able to weather this downturn.

We are fortunate this year, too, that the crop has come in so beautifully with the great harvest weather. So I've found in southern Alberta, where there are large grain farmers, as you know, that they feel they're going to be here. They've gone up and down before, and they're tough, resilient people. They're looking forward to the future and the cycle changing, and we're helping them in every way possible.

But I come back to say that we aren't always able to have all the great ideas. So if you as a committee, I say to you collectively, come up with something that would be helpful and within our means, I'm happy to look at those kinds of recommendations.

MR. PIQUETTE: I'm encouraged by that, Mr. Premier, except that I look at the fact that last year we had over 70 recommendations by the committee. You say that the heritage trust fund committee is such an important committee. I believe in democracy. I guess when we look at the recommendations that were put in, I'm very pessimistic that a recommendation which I'm preparing that would help the hard-pressed grain sector

would be accepted by this committee. I find that we only accepted 15 out of 70 last year, and it's basically on the side of the opposition. Even though we might represent in the polls a great proportion of people, you find that in the committee here it's so heavily weighted in terms of the Conservative members that I'm not quite sure I can look with very great optimism.

Going back again to the . . .

MR. GETTY: I want to just say that that's a decision of the people of Alberta.

MR. PIQUETTE: Going back, as you say, to lowering the input costs, that is not a fact at all this year. This year we provided farmers a 9 percent stabilization fund, which is going to cost the Alberta government approximately \$30 million, but on the other hand we've increased the farm fuel tax by 5 cents a litre, which will take out of the farmers' pockets -- estimates are from \$30 million to \$40 million. So in actual fact, we gave to them with one hand and took out of their pockets with the other hand. So how can the minister justify this kind of statement? The government says that agriculture is priority number one, but when we look at it, the Agriculture budget is being slashed. ADC has not come out with any recommendation which has addressed the debt crisis, et cetera. So how can the Premier keep on saying that agriculture is his number one priority when the facts don't show it?

MR. GETTY: Well, I'm sorry; I don't agree with you. It is our number one priority, and the facts do show it. And while the farm people of this province in my tours feel that they are prepared to participate as much as anyone else in solving the deficit program, they still feel though that they have the lowest cost of money and the lowest cost of energy of anywhere in North America, and that's helping them dramatically.

MR. PIQUETTE: A final supplementary. We do know that when farmers have dollars in their pockets, they're good for the small business sector, and they spend their dollars in the community. We have done a lot in terms of tax giveaways for providing incentive in the oil and gas industries to drill. Right now we have a big boom in our drilling program not only because the price of oil has gone up but because there are tax holidays that they can take advantage of. Farmers need money in their pockets now to pay their bills. I think there's a great frustration. Why aren't the provincial government and the federal government now making announcements about what they will be getting in terms of a program to stabilize their prices in the grain sector?

MR. BRADLEY: A point of order, Mr. Chairman. I have a great difficulty relating the question to the activities of this committee.

MR. CHAIRMAN: I think the Chairman has shown a lot of discretion this morning, and I'm going to allow that to stand.

MR. GETTY: I would just say that the last deficiency payment which was committed to by the federal government as a result of pressure from our government and other governments is still flowing. We have asked for another one to help through this period, and I believe the federal government will look at that quite favourably as well. I'm anticipating that additional assistance will come in deficiency payments to help our grain farm-

ers through this period.

We don't give, by the way, tax holidays. I don't know what you're talking about, and if you're talking about incentives to the energy industry, that's right. They were badly hurt as well, and they're one of the strong industries in our . . .

MR. PIQUETTE: A royalty holiday is a tax.

MR. GETTY: Well, it's not a tax; it's an ownership share in royalty. The vast majority of Albertans are very pleased that we have an energy industry here, able to participate now that the oil prices have gone back up, and that it is spreading not only additional revenues into our government, so that such things as education and health can be taken care of and social services and senior citizens' programs, but it is providing employment throughout the province.

MR. CHAIRMAN: The Member for Stony Plain, followed by the Member for Lethbridge-West.

MR. HERON: Thank you, Mr. Chairman. Mr. Premier, earlier the Member for Edmonton-Kingsway addressed or made a suggestion that there should be a write-down of the Crown corporations or the debentures that are held in the heritage fund. Mr. Premier, by way of example, let me deal with this topic more fully. If we have two debentures, say, in the heritage fund: one, say, in the Canada investment division -- again by example, Ontario Hydro -- carrying a provincial government guarantee, and we have a debenture of a Crown corporation carrying the unconditional guarantee of the province of Alberta, is there any basis whatsoever for considering the write-down to occur at the heritage fund? Or is the integrity of the fund intact and the write-downs should be considered at the general revenue level? Are my assumptions correct, and is this principle going to carry into the future?

MR. GETTY: Your assumptions are absolutely correct. Both those debentures are solid. The Ontario one is as solid as Ontario is, and the Alberta one is as solid as Alberta is. It's a strong part of the heritage fund and has the backing of the government and the people of Alberta. So we'll continue in that policy, and a write-down, frankly, makes no sense at all.

MR. HERON: Then, Mr. Premier -- and I want to refrain from getting too detailed, because certainly we will take this up with the Provincial Treasurer. But again, in setting the tone for factually questioning the heritage fund -- and you must appreciate that this topic of writing down these debentures occurs with the frequency of a broken record -- I would like to consider, for example, the Agricultural Development Corporation. We look at the statement there. There's \$166 million set aside for allowance on the losses. So again, we can look at the debentures that are financed from the heritage fund to the Agricultural Development Corporation as bearing the province's guarantee and being as good as any other investment or perhaps better, given our credit rating, than anything in the Canada investment division.

MR. GETTY: Yes.

MR. HERON: Thank you.

MR. CHAIRMAN: The Member for Lethbridge-West.

MR. GOGO: Mr. Chairman, to Mr. Getty. A comment was made a moment ago that some 70 recommendations were made. You know, as the reports show, they were seriously considered by the committee, and 15 recommendations went forward. So as far as this committee is concerned, there were 15 recommendations. I believe that as chairman of the investment committee you shared with the committee before how valuable you feel those recommendations are, and the investment committee in due course considers them. As a member of the committee I'm satisfied with that.

As chairman of the investment committee you have about a dozen ministers who spend funds out of the Heritage Savings Trust Fund in various areas. I wonder if I could ask you as the chairman of the committee if you believe it's helpful, even though the committee makes its own determination, for this committee to travel around and visit the actual sites of where these investments are, so the committee can get a firsthand look at those investments in action. Is that your view?

MR. GETTY: Absolutely. You can take pictures, you can talk about them, and hear them described by ministers, but I think it's absolutely essential that this committee see the benefit and the value and the efficiency of the dollars at work and make sure that they are. I would think the coal research, the Syncrude, if you can -- you can hear the Mackenzie hospital being described, but you have to go there and see the smiles on the faces of people who are there; there's a completely different feeling there. You should perhaps talk to people who have been able to have air terminals that never could before; see them, and meet with councils and tourism groups who benefit from that. I think that forest nursery is just something. Alberta, because of this trust fund, is the only province that not only replaces its forests but in fact increases the forests. They not only force companies who cut to replace that cut; through the heritage trust fund we are actually growing forests where they were never grown before. So it's increasing. And it's paying off now because many provinces have depleted their forest resource and now we are able to get the investments here because of our forest strength.

MR. GOGO: The reason I put the question, Mr. Premier, is that you publicly said that government -- which is not this committee -- should restrict its traveling, et cetera. I'm of the view it's very important for this committee to see where these dollars are put. For example, Prince Rupert alone -- one in every four bushels of grain that leaves Canada goes through that terminal. So I'm pleased to hear your view that for this committee to make its recommendations and to really in effect assess what your ministers are doing with those funds, it's important for this committee to travel to those places.

Thank you very much.

MR. GETTY: Absolutely.

MR. CHAIRMAN: The Member for Cypress-Redcliff, followed by the Member for Athabasca-Lac La Biche.

MR. HYLAND: Mr. Chairman, my question was relating to future committee meetings, a possible change, and I just wanted to get my name on before you cut it off.

MR. CHAIRMAN: The Member for Athabasca-Lac La Biche, followed by the Member for Edmonton-Kingsway.

MR. PIQUETTE: I was surprised, Mr. Premier, when you indicated that we will not be looking at writing down the assets of the heritage trust fund when we are looking at the value of Alberta Housing, and Alberta Development Corporation having to suffer all these losses. They've had to write down their assets, but we're not doing that with the heritage trust fund. A friend of mine indicated that if we were using the same accounting procedures as the Principal Trust issue, we might be in a lot of difficulty. Now, why aren't we using an acceptable type of accounting method when we are dealing with the assets of the Alberta heritage trust fund? Why do we continue to play around with figures? Even though you say, "Well, the province stands behind it," it's still unrealistic to be telling our public that we have values of \$15.4 billion when in fact there should have been a write-down of these assets to begin with. How can the Premier justify this attitude?

MR. GETTY: Well, we are using normal accounting procedures. There's only one debate, and the debate is on the deemed assets side: should it be shown? It's our judgment it should. If you're talking about the financial assets, as I said earlier, they're very clearly spelled out. Should those that are guaranteed by the government of Alberta, as the Member for Stony Plain asked, be written down? Absolutely not. Why should they be? They're guaranteed. That doesn't make any sense. I don't know whether Ontario Hydro from time to time loses money in any given year. Maybe they do. So what? We don't write down their debenture. It's guaranteed by the government of Ontario. It doesn't make sense.

MR. CHAIRMAN: In light of the time, the Chair would like to take this opportunity again, Mr. Premier, to thank you for finding time in a very busy schedule to appear with us this morning. We appreciate the importance and significance you place on this committee and our role and the meetings we are holding. We thank you for the frank input and the constructive direction you've given us this morning.

MR. GETTY: Thank you, Mr. Chairman. I've enjoyed it very much and wish you well with, as I said earlier, a very, very important part of the government of Alberta and the Legislature of this province. I wish you well in your work.

MR. CHAIRMAN: Thank you.

A motion to adjourn would be in order. [interjection] Sorry. First the Member for Cypress-Redcliff.

MR. HYLAND: Mr. Chairman, I wonder if it would be possible -- and I haven't checked this specifically, but usually the meeting with the municipal districts and counties, which is a luncheon to which all MLAs from the Legislature are invited, is on the Wednesday. I note we have the Auditor General from 10 a.m. to noon. Is there a possibility of moving that ahead an hour? That would enable us to get out there and go to the luncheon.

MR. BRADLEY: These lunches start at 12:30.

MR. HYLAND: Is it 12:30?

MR. BRADLEY: I think with what the hon. Member for Cypress-Redcliff is suggesting we might be able to move that back somewhat so it would give us adequate time to get out

there prior to that luncheon.

MR. CHAIRMAN: I can certainly see if we can make those arrangements. It shouldn't be a problem.

MR. BRADLEY: They start at 12:30. Maybe we could delay the coming back until 2:30 or something rather than 2.

MR. CHAIRMAN: We don't have anyone in the afternoon, so I think we're clear there. Any further discussion? The next meeting is on Thursday at 11 o'clock. Motion by the Member for Lloydminster that we adjourn. Thank you, everyone.

[The committee adjourned at 12:01 p.m.]

