

[Chairman: Mr. Oldring]

[10 a.m.]

MR. CHAIRMAN: Good morning, everyone. We'll call the meeting to order.

I want to begin by welcoming the Premier to the Alberta Heritage Savings Trust Fund select standing committee. It's been not quite a year, sir, since you appeared before this committee last time. We had hoped you were going to be able to appear last Friday. We had recognized that it was your third anniversary since winning the leadership, and we were looking forward to having you here on that day, but regrettably, because of the situation on Friday, it just couldn't be. But we are pleased that you are able to accommodate us and return so quickly. A couple of our members asked that I extend their apologies to you, sir, that they couldn't be with us this morning. The Member for Lethbridge-West and the Member for Vermilion-Viking and the Member for Cypress-Redcliff all had firm commitments that didn't allow them to be here.

The format hasn't changed at all. We would extend an opportunity to you, sir, to open with some comments, if you wish. It's followed by a question-and-answer period. We extend the opportunity to each member to ask one question, followed by two supplementaries, and then we go on to another member. Just before we turn the floor over to you, Mr. Premier, there are a few members who want to quickly submit some of the recommendations they have. I would remind all members that again the deadline is October 31, so time is running out on us.

I would begin by quickly recognizing the Member for Ponoka-Rimbey.

MR. JONSON: Good morning, Mr. Chairman. I'd like to read two resolutions into the record. First:

Be it resolved that the feasibility of establishing a second tree nursery in northern Alberta be ascertained in order to meet the need for replacing our forests in an effective and prompt manner.

MR. CHAIRMAN: Thank you. That will be recommendation 1 for debate.

MR. JONSON: The second one, Mr. Chairman:

Be it resolved that arrangements be made and funds provided for repainting the hopper cars purchased by the heritage fund.

MR. CHAIRMAN: Thank you. Recommendation 2. We'll get copies to all the members right away.

I would recognize the Member for Lloydminster.

MR. CHERRY: Thank you, Mr. Chairman. Recommendation 1 is:

Given the heritage trust fund's commitment to bettering the quality of life for all Albertans, the committee should endorse the development of an urban parks program for Alberta towns and villages in order to provide continuing recreation and leisure opportunities as well as environmental protection and beautification.

Number two:

That the committee endorse a plan to provide incentives and to encourage private-sector companies involved in heavy oil activities to reclaim and clean up sites.

MR. CHAIRMAN: Okay. Thank you. Those will be recommendations 3 and 4 for the purposes of the committee.

The Member for Lacombe.

MR. R. MOORE: Thank you, Mr. Chairman. I have two

recommendations this morning. The first:

That there be an automatic in-depth review of all heritage trust fund investments on their respective 10-year anniversary dates.

The second one would be:

That a policy be developed related to the awarding of research funding that would include a clause that would ensure that the potential benefits must be of benefit to Alberta citizens and the private sector.

MR. CHAIRMAN: Thank you. Recommendations 5 and 6. Are there any further recommendations at this time?

My apologies, Mr. Premier, for the delay while we handled those housekeeping items very quickly. I would want to say, Mr. Premier, that the committee has had the opportunity this year to tour a number of the projects that have been built here in our province as a result of the Alberta Heritage Savings Trust Fund. We were up at Syncrude, and we've visited some of the underground test facilities up there as well. We were down south, and we toured 1,100 kilometres of irrigation canals and headwork projects and whatnot. We were also in Kananaskis Country; it was their 10th anniversary this year. The tours have been very successful and very helpful, I think, to all the committee members. One that I left out was the Pine Ridge forestry. So I think it's given us all a firsthand opportunity to see just how well the fund is working for Albertans today in a number of very successful projects.

On that note, Mr. Premier, I turn the floor over to you.

MR. GETTY: Thanks, Mr. Chairman. To your committee I just want to first apologize for the scheduling problems I may have caused some of the members and any who have not been able to adjust. I think it's been my fault, and I have really appreciated the way the committee has been flexible in being able to adjust from last week to be able to meet with me now at this time. Yesterday, or even supertime last night, I would have thought I couldn't be here with you, and so I really do appreciate that kind of flexibility on the part of your committee.

I want to just say that I think this is a very important committee, and I thank all the members for the time and the effort they are making, quite a valuable contribution not just to our Legislature and the government but to the people of Alberta. I congratulate you for the effort you're making in going about the province and meeting with people and seeing investments.

One of the things we've discussed every time I've been before the committee, and certainly has been ongoing, I know, over the past since this trust fund has been created, has been the general awareness and understanding and appreciation by Albertans of the role and makeup of the trust fund and the battle to make sure it's communicated as well as possible. I think your tours, while they educate the committee about seeing the investments, also give the people of Alberta a chance to meet members of the committee. I hope that's something that can be expanded.

Because of this funny scheduling I haven't maybe done all the preparations I might normally make for a meeting like this, as I would have in the years past. But nevertheless, I certainly have tried to get myself as much up to date for questions the committee might ask me. And if I don't have the answers, I'll get them and reply back to any member.

You have met with the Provincial Treasurer, I understand, and he's given you many answers on details of the fund when he has Mr. McPherson with him. I found that very helpful, too, in going over the transcript.

I'll try to answer any questions you have, mainly on princi-

ples that you might want to ask me, but on a general government policy basis. If there are others of details that need further work, I may have them, but if I don't have them, I'll get them. Beyond that, Mr. Chairman, I think perhaps the most helpful way is to try and answer the committee's questions.

MR. CHAIRMAN: Thanks very much, Mr. Premier. I recognize the Member for Wainwright.

MR. FISCHER: Thank you, Mr. Chairman, and good morning, Mr. Premier. I notice today that you're the first one here who has come without any help at all. The other ministers all had a deputy minister or someone else along to give them a hand, and you're looking quite lonely over there by yourself.

MR. GETTY: Well, it's the restraint program.

MR. FISCHER: I would like to ask you . . . We heard some of the recommendations this morning, and a lot of them are to spend a little bit more money out of the heritage fund. We've heard numerous requests from the different meetings we've had for more spending and especially in the deemed asset area, research and that kind. We also see our heritage fund not growing anymore. I would like your comments on just where we're going, what our long-term objective with this heritage fund is. We are dependent on it right now to help us balance our budget and so on, and I'd like your comments on that.

MR. GETTY: Well, it's a very good question. As members know, once the Legislature made the decision to cap the fund, we were . . . Well, I guess it's been an evolution. As members know, for the longest time the fund was growing rapidly because all the fund's revenue was being left in the fund. Then sometime — I think it was 1982 — the decision was made to take the revenue and flow it into general revenue. At that point that was a very major decision, and it substantially strengthened the government's General Revenue Fund in the capacity to have more and more programs for Albertans without increasing taxes.

But when we decided, under the stresses of a large deficit and the fact that in order to put more money into the fund we actually had to borrow it, the fund was capped, we then had to realize there was a potential that it would not grow anymore until that condition was changed. The whole philosophy of the fund is that there was an excess amount — at least when we created it — of money beyond the normal needs of taxpayers on an annual basis that should not be spent but should be held in a reserve and then invested in longer term and what I look on as the foundation of the province and, to a certain extent, held for the term "a rainy day." Well, I think over the past several years we've experienced, by the price break in energy and the problems in agriculture, that Albertans faced a pretty rainy day when we're facing a \$3.5 billion deficit. Therefore, the fund was capped. I think when we can have our economy growing strongly again, as it seems to be starting to go right now, when we once again can see that there are excess dollars beyond the normal needs, we should as quickly as possible have those excess dollars flow into the fund once again. Because with it capped, unless we earn in some way greater than inflation, there is going to be a gradual flattening or slight reduction in the fund, unless, as I said, we earn more in a capital appreciation way or other ways more than inflation.

I don't hesitate at all to say that if something was needed in the public interest for Albertans, we might well bring to the

Legislature a desire to actually take some capital out of the fund and do something. I don't see that now, but I wouldn't find that something I would steer away from, because the fund is there to help Albertans when they need it. I hope the various investments in the fund and the strength of our economy will allow us to once again have the fund growing.

MR. CHAIRMAN: Supplementary?

MR. FISCHER: Yes, supplementary. The excess dollars you mentioned and so on is interesting with that, because I do hear — and of course research, for example, is almost endless. It seems we do see needs you can hardly argue with that are being created for those excess dollars. We do depend a lot on not having . . . If we shift into deemed assets more, do you see it affecting our balancing our budget?

MR. GETTY: Well, the fund, with the revenue coming into our budget, certainly gets us closer to a balanced budget. In your original comment you mentioned the recommendations and requests for spending. I would hope the committee, to the greatest extent possible, is going to have their recommendations be on investing rather than spending, and I think that's inherent in a trust fund.

Research I consider an investment. It's an investment in the future of the province. This fund is exceptional, of course, because of the dollars it provides in the medical research area. I've had it expressed to me by people in our hospital system and in the research area that Alberta now has the superstars of medical research in this province. They are attracting more and more superstars and we are going to have the really dramatic breakthroughs, and of course some are happening. So I would tell the members of the committee that research is a tremendous investment that has to be balanced obviously, because as you point out, Butch, there's a voracious appetite for research dollars and it has to be balanced.

MR. FISCHER: Thank you.

MR. CHAIRMAN: Member for Calgary-Forest Lawn.

MR. PASHAK: Thank you, Mr. Chairman, and welcome, Mr. Premier. My questions this morning are of a broad policy nature, and the first one has to do with one of the stated goals of the heritage trust fund, which is to "diversify the economy" of the province. I think this is obviously an important issue. We have an economy that's essentially dependent on agriculture and energy. When energy prices are high, we do quite well as a province, we have an incredible amount of income generated for the province, and that's when we support the heritage trust fund. However, when prices fall, we seem to get a double whammy. We not only have a shortfall in revenues coming into the provincial Treasury, but the tax base of the province erodes. I'm sure the Premier is aware of all this.

But other parts of the country that have more of an industrial base do quite well because of lower energy prices. So when we've looked at the heritage trust fund, it seems that most of its investment in the direction of diversification has gone into strengthening either the economic sector or the petrochemical sector, and very little that I can see has gone into developing more of an industrial base for this province. I wondered if the Premier would care to comment on whether or not this government has looked at this question. Have they considered using

the heritage trust fund to broaden our economic base beyond reliance on these two traditional sectors of agriculture and energy?

MR. GETTY: It's a good question. We only have to go through the period of having agriculture hurt and energy prices down, as they were in late '85 and '86, to know that diversification is so important to this province. Now, there has been a lot of progress made in diversification. One of the things I've always been determined to do, though, is to have the diversification built on strength. People have said, "Well, why don't we go and chase an automobile factory?" Really, in my mind that would be building something on an unnatural basis. It wouldn't be building on strength.

We've identified three strengths on which to diversify, three major thrusts. You've heard me talk about this, or if you haven't, then I should take some time to explain it to you. When the economy was in trouble, we had to use the financial strength of the government in two areas: to maintain and stabilize the agricultural industry, because it's our number one priority and the foundation of this province; secondly, we had to, to the greatest extent possible, try and keep the energy industry sound. That took a lot of commitment of resources by this government. But at the same time we created, based on strength, three new departments and gave them a strong mandate in diversification: the Department of Tourism — there had never been one before — the department of forestry, and the Department of Technology, Research and Telecommunications. In those areas we feel we're building on strength.

I think you would know, Mr. Pashak, coming from Calgary and in your travels across this province, that this is a magnificent, beautiful province. We haven't even scratched the surface in the tourism area. We have the potential for this beautiful industry — because it's clean, fast growing all over the world, and competitive — but we have to make sure we're in there competing and building the tourism industry. We received, at least early this year, a tremendous boost with the Olympics. So coming along with the new mandate of a Department of Tourism, opening the eyes of the world to this province through the Olympics, we have been able to make a pretty dramatic breakthrough in the area of tourism. We are going to work with communities all over Alberta in a partnership way to create the things that make their community special for people to come and visit and stay. Alberta is going through a tourism boom now, and I think it was partly based on that tremendous spirit that Calgary and the province exhibited to the world with the Olympics. There was a spirit and a drive there. I meet people, industrialists, who say, you know, "We watched or we were here, and something made us think, 'Let's try and do something in that province.'"

So tourism we've identified as an area of diversification. We have said it's a \$2.5 billion industry now; we want it to be a \$10 billion industry by the end of the century. I think we'll do it.

We've also identified forestry. I told you before about when I was Minister of Energy and Natural Resources, natural resources was forestry, and every Minister of Energy in this province has always been wrapped up with oil and gas. He's fought those battles of oil and gas and paid attention to that huge industry, and forestry, I think, has tended to be slightly overlooked. So when I came back into public life, I was determined that we put a greater emphasis into forestry.

Now, from 1968 to 1987 there was \$200 million invested in

this province in forestry. Since the creation of this department, there has been \$1.5 billion in forestry project investments. Those investments are going on right now all over northern Alberta. That's a dramatic commitment to diversification. We have before us another \$2 billion of forestry project investments that the private sector is asking us to consider.

One of the keys to this forestry is the fact that this trust fund allowed us to make sure we developed and strengthened our forests. Someone mentioned today the second tree nursery for Alberta. That may well be a very important recommendation, because I know you have visited the one by Smoky Lake. And the research we've done into forestry, I'm told by our forestry people, has allowed us not just to make sure that everyone who cuts a forest must replace the trees; we are actually growing trees where they've never grown before. So the reason people are coming to Alberta is that we are replacing our forests and expanding them, the only area in North America that is expanding their forests. So I look for it to be a tremendous area of expansion.

Now, those projects were projects we went out and fought for. Once we convinced them of our commitment to forestry, convinced them of the resource we have here, people came here and are coming here. For the first time we have a newsprint mill — never before. We have people talking of doing a second one in our province.

The third area is the very area you've been talking about. With all the research we've done in this province and the commitment to investment in research, we have built up a terrific partnership between the universities, the private sector, and the government in the whole area of technology and research. That's starting to pay off.

Every province is fighting to be the place where the technology and research industry focuses in Canada. I think we're in there in a fistfight to get it. And the indications I get from our minister are that we're getting more than our share here, and we've certainly got it in medical research. In the other areas we'll probably establish that Alberta is the place to be in this technology research sector. That's a tribute to our universities and colleges and the private sector. It's also a result of all these dollars committed that Mr. Fischer and I were talking about.

There are other diversification efforts we've made. One that I find doesn't get a lot of attention but I think is extremely important is the magnesium plant in southern Alberta. Now, that magnesium plant by itself is a great investment for Alberta, but it's only the start. When I was down at the sod turning for that plant, I met companies — Japan and Germany — who were already optioning land around it. So we aren't just going to make magnesium and ship it somewhere. They are looking to build the plants that will use the magnesium for further upgrading, whether it be car parts or other parts, because it's such a valuable, light, strong material. Plus, it'll be the largest user of electricity in this province. So that's another major commitment to diversification, and we have to go and find those and fight for them.

The whole area of processing our agricultural products . . . You mentioned petrochemicals, and I noticed the Provincial Treasurer had a discussion with some members of the committee on petrochemicals. That's another area where we are in a fistfight for diversification. And you're very interested in this, I know, with your responsibilities and living in Calgary — the very use of what was once a discarded product, ethane. I mean, it went down the pipeline to be burnt as natural gas, and we devised a scheme in which we would build a petrochemical indus-

try in Alberta based on natural gas. People started to find in recent years that ethane is valuable, and we had to develop an ethane policy, which I think has generally been accepted as being very balanced, so that we'll not only strengthen the current petrochemical industry but will, I think, get two more plants, both the Nova plant, ethylene 3, and the Dow Chemical plant. So that's another area. Of course, you know the assistance we've been trying to give to food processing plants and meat processing plants. I think that's important, that we upgrade our products as much as possible.

Probably the other area that fits in here and is part of our diversification is that because of this economy coming back and growing, we're having a tremendous growth in the service sector. All the services that service these various industries are strengthening and growing very quickly.

So Alberta has turned the corner. We're not just talking diversification anymore. We have diversified, and it takes a lot of investment and a lot of work. It's a fistfight. Everyone wants to do it. But our economic plan is paying off. We've turned the corner. This province is growing again. I haven't talked about an upgrader or OSLO. We are at the level of an unprecedented capital investment commitment to this province that is laying the foundation for tremendous growth in the future, and I haven't even talked about free trade.

MR. PASHAK: I'll make my second question a free trade question then, Mr. Premier.

Notwithstanding everything the Premier has said about the diversification of the province's industrial base, I think the key question in my opening comments was not really addressed. The Premier did talk about . . .

MR. GETTY: What did I miss? I apologize if I didn't answer your question.

MR. PASHAK: I think you did answer my question, but the heart of the question I put to you was in essence to use our resource when prices are low as a means of stimulating an additional industrial base in this province as opposed to going into tourism, whether it's low-paying jobs and that kind of thing, but using the heritage trust fund to provide some stability to the province during those times when energy prices are quite low.

In any event, the second question I wanted to put to the Premier this morning has to do with the trade agreement. One feature of that agreement would require that we can't charge our U.S. customers more than the domestic price we charge for oil or for gas, but on the oil side, and we know that . . .

MR. GETTY: Yes, we can.

MR. PASHAK: We can?

MR. GETTY: Sure.

MR. CHAIRMAN: Mr. Premier, just in case we get too far gone on free trade, we're allowing a broad overview of our economy and whatnot, and I always welcome the opportunity to see some discussion on free trade, but I also note there are seven or eight other people trying to ask questions related to the trust fund. Perhaps a quick response, Mr. Premier, on that particular question, and then maybe we can come back to the trust fund.

MR. PASHAK: I'm just trying to finish the question . . .

MR. GETTY: Okay.

MR. PASHAK: . . . which is that my understanding is that there can't be any kind of discriminatory access to Canadian resources on the part of customers, and that in some sense that will impact on the heritage trust fund because the heritage trust fund builds up when we have a fair amount of royalty revenue coming into the province that's surplus to what we need to manage our General Revenue Fund or keep that in relative balance.

My real concern here is that if we have a North American pricing system, prices will be determined not by our ability to determine royalty but by North American economic arrangements, including the price the state of Texas, for example, might obtain from its share of production in that state or owners of resources down there might obtain. If their rent collection is low, that will force us to keep our rent collection, i.e. royalties, low as well. I wonder if the Premier would care to comment on that concern. [Interjection]

MR. GETTY: Mr. Chairman, I'm surprised at the . . .

MR. HERON: Mr. Chairman, let me interrupt for just a moment and ask for your guidance. I think Mr. Pashak has asked an excellent question, and in cutting off the answer, I think we may be losing sight of a very important point, and that is: does Canada or Alberta have the ability to set its domestic price independent of the States? It bears impact on the very substantial investment the trust fund has in the energy sector, and I would like to hear the fullest possible response to that question.

MR. GETTY: There is nothing in the trade agreement, on a general basis, that prevents us from selling at one price to the United States and a different price in Canada, lower. As a matter of fact, Premier Bourassa has just entered into an agreement to sell electricity, an energy resource, to the United States double what he will sell it to the people in Quebec, double. The only time there are any constraints on your pricing is when you have declared an emergency. If you declare an emergency on a shortage of supply, certain things kick in. At that point, having declared the emergency of shortage of supply, you then maintain your contracts in the way they have been and you can't invalidate them. That's when that percentage kicks in. All the rest of the time, when we have surpluses, we can sell it.

If a supplier in Alberta wants to strike a deal with someone in the United States and they want to pay double what we are selling a resource in Canada for, they can do it. There's no problem with that. Absolutely no problem. If we want to provide a resource to all Canadians at less than we're selling to the United States, we can do it. I don't know why people have been making this argument up to now, because it's absolutely wrong. It's only in the shortage of supply emergency case that that is restricted.

MR. PASHAK: Thank you, Mr. Chairman, and thanks to the Premier for his answer. But I think that the issue of great controversy, at least as far as the energy question in the free trade agreement is concerned, is: just exactly what does nondiscriminatory access mean? I appreciate hearing from the Premier. I'm going to consult some authorities on this question as well, and perhaps I can get back to the Premier on this specific point.

A related question I would have on that, and perhaps the an-

swer from the Premier would likely be the same. I also had another concern with the fact that both provincially and federally in this country we are subsidizing, either through direct grants or through loans or guaranteed loans, the construction of a number of important facilities like the Husky upgrader and the OSLO project and the whole Hibernia development, with much of the production from those facilities destined for the U.S. market. If we can't charge a differential price, what it seems to me it will mean is that Alberta taxpayers, and Canadian taxpayers if there's federal funding involved, will in effect be subsidizing American end users. Would the intention be that if we're going to provide those subsidies to these megaprojects, we would recover that through a differential charge to our American customers?

MR. GETTY: It may work out that way; I don't know. But when you call them subsidies . . . Those are investments. The investment in OSLO of roughly a billion dollars will return something in excess of \$37 billion to the people of Alberta, not even including the \$10 billion in payrolls over the time of that plant. That's a dramatic flowback of funds, not even including the spin-off development or the fact that we are now coming up with a greater security of supply for ourselves in Canada. I don't see that as a subsidy; that's a wonderful investment. Under a high-price scenario — I forget the figures right now; I may be able to get them for you — it could be up in the \$50 billion to \$60 billion or \$70 billion coming back. So I don't consider that a subsidy; that's a dramatic investment, and it's a commitment that we're prepared to make in an Alberta resource.

MR. R. SPEAKER: Mr. Chairman, to the Premier. I'm pleased to see that he was able to make it this morning. I know the other assignment isn't quite as easy as this one, I think.

MR. GETTY: I should take an old smoothy like you with me.

MR. R. SPEAKER: Thank you very much. I may take you up on the offer, although I've grown a little callous over the years, I'd have to say.

During the sequence of meetings we've had with the committee, I've had one thrust that I've tried to pursue. In terms of the fund and the expenditure pattern of government, when times get a little more difficult, you review your sources of funds and try and get everything you can out of that. As well, you look at your expenditure pattern. My questions have been on the side of sources of funds. I've noted that in a number of the program areas where we've expended money or invested money through the Heritage Savings Trust Fund, there have been moneys available from the federal government through various programs. The case that I feel is there and has some validity to it is that during the period of time when we had rather excess money, even in our General Revenue Fund and in the heritage fund, we neglected our responsibility as a government and as legislators to secure all of the funds from the federal programs into our provincial objectives, whatever they may have been.

I sent over to you earlier today, just prior to the meeting, some of the charts that are from a federal/provincial document. It isn't prepared by the Alberta government; it's prepared by the federal government. In those charts as some examples I note three different program areas: agrifood agreements, irrigation agreements, and forestry expenditures. As the province of Alberta we have just not secured our allotment of funds from those federal programs, but in place we have expended enormous

sums of money through the Heritage Savings Trust Fund. We have taken our responsibility to meet the needs in this province.

So my question to the Premier . . . I guess if we're pointing fingers, certainly previous ministers and administrations prior to yours would be more responsible for this than your current administration. But at this point in time when we're trying to review all sources of funds, we have to focus on it. My questions to yourself as the chairman and leader of your party: one, what is your awareness, on a broader scale, of this concern; secondly, have you a specific minister or body within government to pursue this even further; and, possibly, what actions are in place at the present time to assure us as Albertans that we're getting our fair share of federal funding?

MR. GETTY: Well, Mr. Chairman, I think Mr. Speaker is onto something that I believe has been right in the past. When we had large amounts of money, and excess amounts of money . . . There are two things combined to perhaps not have Alberta get every dollar of federal cost sharing that is ours. One is their view, their knowledge, that we had lots of money and excess dollars, and they had a huge deficit. Therefore, there was a reluctance to have Alberta programs necessarily fit federal programs. Therefore, at times we were frustrated in getting the dollars that I think should have come.

Secondly, some of that was also within our own minds, I believe. I'm not saying that in a derogatory way. We had all the funds, plus we had more than we needed, and there is not quite the same drive under those circumstances to go and fight for every dollar from another source. It's there; it's right here. So we have created a new demand on our Department of Federal and Intergovernmental Affairs, which Mr. Horsman has accepted and that department is doing and that is to make sure that every federal cost-sharing or other funding source — we now have the mandate to make sure we get every dollar that should come to Alberta, by doing it, by looking at Ottawa and the programs they have and working with them, but also looking at everything every other province does, because some of them have become quite ingenious in how to get federal cost sharing.

There is one caution in this, though, that I want to raise with you, and that is that to the extent that to get into a federal program you often have to accept or twist, mold your own priorities to the extent that they distort them, then I say the money isn't worth it. If they insist that to get their dollars, you have to change what you set out to do, or that you do something just because it's 50-cent dollars — those two things — I don't think the money is worth it.

I recall when I was minister of intergovernmental affairs. Ottawa would give you money for building homes or apartments in Alberta under Central Mortgage and Housing, but they actually told you the design, the walks, even the landscaping. If you didn't use their designs, which didn't fit Alberta, with our climatic conditions, you didn't get the money. In those days I think it was Mr. Russell who was the Minister of Municipal Affairs. He came to me and said: "Well, this is crazy. But I'm going to get the money. I'm going to have to build these things the way they say." I recall that at that time we made the policy decision: no. We told Ottawa to keep their money. We were going to build them in the best interests of Albertans, the way we thought they needed to be built in Alberta, and we passed up the dollars. The next time we went to deal with Ottawa, though, they realized for the first time that the dollar wasn't going to make us bend and that we had sort of a luxury in that we were well off, in a way, with dollars at that time, and they couldn't

force us to do something by using the power of the dollar. The next time they were much more flexible, because they'd never had a province do that to them before.

Now, just one other thing, Ray, and that is that one of the benefits of the Meech Lake accord which I think people have overlooked is the capacity to opt out of federal programs in areas of our exclusive jurisdiction. If they are distorting your priorities, you can take the dollars now and do it, as long as you meet the general purposes of that program. I think that is a very, very important feature of the Meech Lake accord. In areas of our exclusive jurisdiction Ottawa used to be able to end run the Constitution by taxing you and then offering you the money back to do something in your area of exclusive jurisdiction, and only Quebec and ourselves and some others now and then, depending on how badly they wanted the money, would complain. But we fought to have that opting out potential. I know some people have said that that prevents Ottawa from establishing national programs. Well, I don't buy that at all because they shouldn't have national programs in areas of our exclusive jurisdiction. We say we want that freedom. We've fought for it, and it's an important part of that accord.

MR. R. SPEAKER: Mr. Chairman, to the Premier. I appreciate the answer that the matter is being pursued. Is there any consideration of, say, the Minister of Federal and Intergovernmental Affairs making a formal report to the spring Legislature on such an item as a review in his ministerial report or something to that effect so that we can be assured as legislators and members of this committee that, you know, we haven't allowed our fund to be eroded again by the federal government?

MR. GETTY: I'll discuss it with the minister and see. It might well be something that would be very helpful. I don't know whether it should be by a motion for a return or something in a report way, but I'll discuss it with him.

MR. R. SPEAKER: In the investments in another area of the Heritage Savings Trust Fund one of the discussions we've had ever since this committee was established was the matter of whether something should come out of the General Revenue Fund or out of the Heritage Savings Trust Fund. I noted that the funds for the upgrader, for example, are to be funded from the Heritage Savings Trust Fund instead of the General Revenue Fund. It could have come either way. Does the Premier have any sense of feeling for that at this point in time, as to which direction we should go?

MR. GETTY: Actually, I use as a general view that if it's a long-term foundation or investment in this province and the funds are there, the trust fund is the place. As Mr. Johnston mentioned to you when he was here — I forget the date — he hasn't made the final recommendation to us yet. But I think he was giving you a pretty good idea that it was going to come from the trust fund with the very way he crafted his answer.

That's just a very broad generalization: if it's a long-term investment in the future of this province, in this case that heavy oil resource. Because one of the things I felt strongly about is that if somebody had built an upgrader in Minneapolis or Chicago and we had continued to send the heavy oil, the goopy oil which is being used in that huge U.S. road-building program, and they'd started to just put it into an upgrader down there, we would not have gotten an upgrader here. There'd be no economic reason to do it. The first person to capture an upgrader

would establish that area, in this case the Lloydminster area, as the centre for upgrading heavy oil and make that heavy oil so much more valuable and give us the capacity. If someone said, "We're cutting off that U.S. road program; what are we going to do with all the heavy oil?" the market would have evaporated almost overnight and hurt a large part of our economy. We get that upgrader built and it can be converted into lighter oil, and it can compete anywhere in the world.

So that's the long-term investment in the province that I think should be in the heritage fund, plus I'm looking forward to that being a very good investment in terms of returns.

MR. R. SPEAKER: I'll come back again, Mr. Chairman.

MR. CHAIRMAN: Member for Calgary-Buffalo.

MR. CHUMIR: Thank you, Mr. Chairman. I'd like to welcome the Premier to our deliberations. I listened with interest to his answer to the question that was asked with respect to our jurisdiction relating to energy pricing, and I must state that I found the answer incomplete. He dealt with half of the equation, and that half was accurate. The half that he dealt with was with respect to the role of the market. The half that he didn't deal with was with respect to the role of government, and I think it's very clear — and the free trade agreement deals with this — that it precludes the government from interfering in pricing so as to establish a higher price for our resources going to the United States. It does, on the other hand — and this is the part that the Premier dealt with — leave it to the market to make that decision. Prices could be higher in the U.S. However, the reality is they could also be lower, and we have some complaints from Ontario now that some of our gas going to spot markets is lower. So it's a two-edged sword. The reality is that it limits our sovereignty as a country to have government set policy; it leaves it to market and industry. That I believe is a serious problem.

MR. GETTY: Sheldon, what do you say to the Premier of Quebec? That was a deliberate government decision to sell it at twice the cost in the United States than to the people of Quebec.

MR. CHUMIR: That would be a negotiated contract on that.

MR. GETTY: By the government of Quebec.

MR. CHUMIR: But there's no minimum price established. If the Premier is trying to say that there's a minimum price that can be established for our resources being sold to the United States, I'd be very pleased to debate him at any time on that issue. We don't have the time now, but I'd be very pleased to debate that, because it ain't so.

MR. GETTY: I didn't argue the minimum price. We're not into those kinds of controls. But the government of Quebec made a policy decision — you talk about sovereignty — to sell it to the United States at double what they're selling it to the people of Quebec.

MR. CHUMIR: Well, as I say, I'd be happy to debate the Premier on that.

MR. CHAIRMAN: Supplementary.

MR. CHUMIR: In any event, the question I wanted to ask does relate to free trade and what I perceive as a threat of the free trade agreement to our capacity to diversify the province. As we know, we've agreed to a level playing field, and if we look at the heritage fund, we see a great deal of assistance to industry in some of our programs. They're generally smaller programs, I might note: the electronics industry, food processing, hopper cars, irrigation, grazing reserves, forestry, and meat packing to some degree.

The concern I have is that under the free trade agreement, with the agreement to live under a level playing field rule, the United States is going to look even more closely at our subsidies, and we will have problems using our heritage fund and other resources to be able to assist industry in order to diversify the province. I note that the federal government seemed to have some problems in putting money into the meat packing industry and wouldn't participate in the last round of assistance to our packing plants. I wonder if the Premier might comment as to his vision of where we're going with respect to our capacity to use government programs to assist industry in diversifying.

MR. GETTY: There's no question in my mind that regional development within Alberta is perfectly allowed. We will be able to help our industries to develop within this province, and Canada can do it in Canada. But no trade agreement provides for the right to break the rules. I mean, we didn't try and strike an agreement to break the rules and outsubsidize somebody else. In fact, we were looking at getting ourselves to a position where we could compete. That's where we're philosophically so different on this matter. I believe and our government believes that it's the ability to compete that Albertans have that makes this trade agreement so valuable to them. I have no problems with any of the programs the government currently has, that they will be a problem under the trade agreement.

MR. CHUMIR: The Premier talks about the philosophical difference at the same time as the province is providing over \$2 billion of assistance to industry over the last two or three years to help them to compete.

MR. GETTY: Those are investments, Mr. Chairman.

MR. CHUMIR: A \$4 million grant to Mr. Pocklington is an investment?

MR. CHAIRMAN: Final supplementary.

MR. CHUMIR: I've only had the one question. We've had a little bit of repartee, but the only question I've asked was with respect . . . And you only heard one answer.

I would like to ask the Premier with respect to potential future uses of the fund. There have been suggestions through the press that the government might use the heritage fund for financing the government's role in the Husky and OSLO projects. There's another issue on the table. The Premier talked about possibly buying some of the remaining real estate assets with respect to the two failed Principal Group companies, and there is of course the issue of what happens if the Code inquiry in some way says something that leads us to conclude that the government is responsible.

MR. R. MOORE: Mr. Chairman, a point of order.

MR. CHUMIR: I'm wondering whether or not the Premier envisages some role for the heritage fund in both these two megaprojects that I referred to and to the Principal Group funding if it's required.

MR. CHAIRMAN: Member for Lacombe, did you have a point of order?

MR. R. MOORE: I have a point of order. I don't know where the Principal Group is getting into the heritage trust fund discussions or questioning this morning. It seems that is another area, and there is another arena to question this. I think we should get on. There's a lot of government members here who have been waiting all morning to ask questions in the proper, related areas where we're supposed to be, Mr. Chairman. I think we should get on with the business of the day and let those areas be discussed in their proper arenas.

MR. CHAIRMAN: There's no question that the Member for Calgary-Buffalo is stretching to be able to bring the Principal inquiry into this, but he did relate it to the trust fund in the suggestion that perhaps there would be funds from the trust fund. Maybe he's making that a recommendation; I don't know. Mr. Premier, did you want to comment on that quickly?

MR. GETTY: I'd only say first of all on the two major projects — which, by the way, gives me a chance to say to this committee how pleased I am that we have been able to get both the huge synthetic oil plant for Fort McMurray, some \$4 billion, and the upgrader for Lloydminster, \$1.3 billion. I recall when I came back to public life and said that this government was going to do that, most people said, "You'll never be able to it." Checking *Hansard*, I found that quite a few times. I'm so pleased that we said we were going to do it, we promised the people of Alberta we were going to do it, and we've done it. I think that's a major accomplishment.

I think both of those projects would be natural projects to be an investment for the trust fund because they fit that long-term investment in the future of Alberta, plus they're good investments. I'm sure, as Mr. Chumir knows, the Syncrude investment by the heritage trust fund has been an outstanding investment. I have also speculated, as you know, that perhaps the trust fund should not go on too long in investing in the running of a plant but, in order to build this province for the future, perhaps sell the Syncrude investment, because we're in the business of building and getting more plants built rather than just running them. But that's another decision. So I think both the upgrader and OSLO would be excellent investments for the trust fund.

I couldn't possibly speculate on the Code inquiry itself and what will be in Mr. Code's report, so I think speculation would not be helpful. As far as the first question, though, about the consideration that I agreed to at a meeting with the investors' leaders that our government, once the public part of the Code inquiry ends, will look at the possibility of buying the real estate and other assets at market value. Then they would have the dollars immediately and we would sell them off, perhaps over a year or two years, at market value, whatever. That I think would be General Revenue Fund. I don't see it as a long-term investment in the future of Alberta.

The consideration there, why I felt the government should consider it, is that one of the things that has caused me so much concern about the Principal failure is the fact that so many of the people were advanced in age. It hurts me when any Albertan

suffers, but when the elderly suffer and if they have to wait three, four, and five years to get their dollars back, that is a concern. Because they're at that age when they can't count on three, four, and five years, and they suffer during the period. So I was pleased to tell them that we would give consideration to that, but I don't see it as a trust fund investment.

MR. CHUMIR: Finally, Mr. Chairman, I just would like to ask the Premier about our 36 percent. We own 36 percent of Alberta Energy, and I'm very interested in the degree to which this is a tool of government policy. I note that they have heavy oil interests up near the Husky upgrader, and they weren't prepared to come to the party and participate, notwithstanding that that be government policy. Are they an instrument of government policy in any way? If they aren't an instrument of government policy, why is it we have such a very heavy position in them in that one company? That would seem to be such a heavy position that it's beyond investment; it's almost a de facto control situation. I'd appreciate the Premier's observations on that.

MR. GETTY: Well, it goes right back to our original reasons for the creation of Alberta Energy. As we met individual Albertans, they said, "The government holds a lot of wealth for us, and we appreciate that, in royalties and land and oil and gas in the ground, and roads and bridges and trees, but we'd like an opportunity to invest directly, personally, in some of those resources. It's one thing to buy shares in Imperial Oil or Gulf or something, but we would like better if it was some uniquely Alberta type of investment." So we created Alberta Energy Company. Albertans responded, as you know, by taking up all the shares, when investment dealers had told us that they might take 10 million to 15 million at the most, and they took 79 million or 80 million of the requests for 75 million in shares. So obviously they wanted to do it, and it's been a very happy investment for them.

But we said at the time that that was for Albertans to invest in both the risks and the profits of the resource business, so we have not exercised control over Alberta Energy. We've placed it in the hands of a board of directors elected by the shareholders. We held our shares both because this was a unique investment and we felt it was good for the heritage trust fund as an investment, and also, since this had never been done before, we wanted to have a certain number of shares so that if something dramatic happened — because we were trying something new — we would have enough shares that we could say, "Hold it; there's something wrong with that." But we do not in any way become involved in the operations of the company, and this is a perfect example. I mean, people have made the argument in this Legislature that we tell them what to do, and we did not tell them to invest in the Husky upgrader. If at the time they didn't have the dollars, they were fully invested in other places, fine; we didn't force it on them. And that's been our policy. I think there's a general feeling that we went from 50 percent down to where we are now, but we're basically going to stay where we are right now, in holding that percent.

MR. CHUMIR: I just want to end and ask whether in my next visit out to the drink concession I might get the Premier a coffee or one of my own special brand of camomile teas.

MR. GETTY: Is there anything sinister in that tea?

MR. CHUMIR: Well, look what it's done to the chairman of

the committee. I leave you to make your own assessment of that. He's been drinking it this morning.

It's already coming? Fine. Thank you.

MR. CHAIRMAN: Member for Innisfail.

MR. PENGELLY: Thank you, Mr. Chairman. Good morning, Mr. Premier.

One of the promises in the 1986 campaign was to offer individual telephone line service to all Albertans, financed mostly by the Heritage Savings Trust Fund. I am told that some 20 percent of the party lines in the province have been converted already, so it's pretty obvious that this program has definitely met one of the Heritage Savings Trust Fund's objectives, and that is improving the quality of life for Albertans. We all know it has also created many jobs. My question: do you think that this program has helped to strengthen or diversify the provincial economy in any other ways?

MR. GETTY: Well, when I travel through rural Alberta, I meet many small businesspeople, and of course our farm operations are businesses, in many cases big businesses. One of the problems for them is that they must be able to make decisions on an instant basis, whether they're hedging their grains or other sales, whether they're selling hogs or cattle. They need instant communications. I think those businesses throughout rural Alberta and those businesspeople, just on the business side of it, leaving aside the quality of life, needed those instant communications of single line telephone service.

So, yes, I think it has been and will be a superb investment in the future of rural Alberta and helping them to compete. To compete you must be able to get the information and to make a decision and convey that decision back, and to wait on a line service where you have a party line wasn't working. Also, there are now ways in which you can use the telephone to tap into computers and fax things. All of those things I think will be now available to rural Alberta.

The second thing: just the investment in the quality of life in rural Alberta, where we've all been striving over the years in government to make sure that we provide the kind of things that we take for granted in the cities, such as that telephones and individual service should be available throughout our province. It will bring an additional quality of life, which in itself is an investment in the future of this province. It makes that individual line service extremely important. It was the very reason that a large investment was made back in prior years to get natural gas service to all Albertans as well.

MR. PENGELLY: Thank you, Mr. Premier.

Mr. Chairman, I'll save my questions for later on to let the other members get in.

MR. CHAIRMAN: Member for Lacombe, followed by the members for Athabasca-Lac La Biche, Lloydminster, Ponoka-Rimby, Stony Plain, and Little Bow again.

MR. R. MOORE: Thank you, Mr. Chairman. Mr. Premier, a recurring issue in the province has been the argument of including the \$2.6 billion of expenditure on deemed assets, that it artificially inflates the true value of the heritage trust fund. I know we've heard that. There is not any fact based in it, but it keeps recurring. When we had past witnesses appear before us, the Auditor General and the Provincial Treasurer, I've asked

them the same questions. Hopefully, it will be put to rest with your comments.

Now, most of us are aware that deemed assets are investments made in agriculture, health care, housing, education, and other issues. And they're clearly specified and outlined what they are in the heritage trust fund financial statement in pages 19 to 27 inclusive, headed with big bold letters: deemed assets. Then we go to schedule 7 in the statement, and nothing could be clearer. It lists the '87 value of every one of those investments and the '88 value. So for a financial statement, in my opinion, it clearly outlines to anyone who would take the time to look just exactly what those investments are and what they are doing for Albertans.

Now, the Auditor General has one opinion: it should not appear on the balance sheet. And the Provincial Treasurer has it there. Now, they're both respected individuals in the accounting profession; it's their accounting styles, and both can be supported with their arguments. So there's no question about who is right or who is wrong in it.

My question to you this morning, Mr. Premier, is: do you feel that the way it is outlined in the annual report here is clear enough to Albertans exactly what those investments are and where they're at?

MR. GETTY: Yes, I do. Last year I congratulated the trust fund people on the way they set it out in such a clear division, and I congratulate them again because it seems to me to be so clearly laid out: here is the portion that is kept in the deemed assets section of the trust fund; they go into the details, and I find this year . . . Well, they start on page 18, 19, where they go through agriculture, the hopper cars, the grazing reserves, the irrigation, the heritage foundation, AOSTRA, cancer research, the economic diversification, food processing, the terminal buildings, the Electronics Test Centre. They lay it all out, make the point that these are the deemed assets, the investments in the future of Alberta. At the same time in this report they lay out the dollars that are sitting there in the financial assets and where they're invested. I can't see any confusion in anybody's mind in the way this is laid out.

I'll tell you one place confusion might pop up now and then. I've heard people make some outrageous statements that the trust fund is broke and then have our friends who communicate to the public pick that up. I can't believe how . . . I mean, that is such a ridiculous statement. As even the Provincial Treasurer pointed out in his visit with you, the trust fund is getting more and more liquidity. Its some \$2.8 billion or \$2.9 billion liquid assets right now need to be invested constantly.

I find absolutely no problem with the way the deemed assets and the financial assets are shown. I understand that accounting principles are open for debate and have been since time immemorial. As a matter of fact, sometimes you change to the way general accounting principles are, and they change back on you again. No, I just find that one very puzzling, and I don't understand it because it couldn't be more clear.

MR. R. MOORE: Mr. Chairman, to the Premier. Some of the misunderstanding that's promoted by certain sectors and supported, usually, by the media is the fact that you can't liquidate the Mackenzie centre, you can't liquidate the irrigation systems throughout central Alberta, the Kananaskis Country, and so on; therefore, they should not be included in the balance sheet. Now, I'm wondering where we're maybe going wrong in letting that be promoted by these quarters.

It's an investment that can't be liquidated; that is right. But it's a major infrastructure, all those in Alberta today. They're investments in Alberta that provide the multiplier effect of spin-off far in excess of the normal spin-off multiplier of a business coming to Alberta. The spin-off dollar benefits to Albertans are there, so they are investments paying huge dividends back. Take the irrigation system, that back to us; Kananaskis Country: in tourism dollars, it comes back through that. They're a tremendous return on an investment. I think that perhaps, and I'd like to hear your opinion on this, we should have a section added to our annual report which explains exactly the multiplier effect and the return on the investment to Albertans through these very important investments that have been placed there and that it is not a thing that has gone down the drain, that has no value to Albertans because we can't liquidate it. This crazy notion out there is something I can't understand, but it still lingers in some minds. Could we put that in there and show the multiplier effect of that section, saying just exactly what role it plays in our economy?

MR. GETTY: Well, it's something that could be looked at. Some might say it's too much of a judgment that is being made, but you could probably, at some cost, have an independent assessment of each of the deemed assets and try to estimate in some projected way, quantify, how much the investment is paying back. That's something to think about. We all know, for instance, that the rail hopper cars or the grazing reserves or the irrigation, as you've said, are pouring back in growth and development in our province, and in this medical research and AOSTRA. I mean, if you just think about AOSTRA by itself, that we have the largest oil reserves in the world, far bigger than Saudi Arabia, but only 10 percent of them in the oil sands can we get by the way we know now; in other words, mining them the way we do, and Suncor and Syncrude and OSLO will do. So that means that if this AOSTRA investment makes that breakthrough, and they're making progress every year — the fantastic benefits that would pour back there, where you've got these huge oil sands. Suddenly the other 90 percent could start to be developed in a dramatic way. I mean, it would just flood revenues back that we couldn't even dream of: 10, 20, 30 times the size of the trust fund.

So perhaps to counter your concerns on people saying that these are not real investments, some work should be done on that.

MR. CHAIRMAN: Before I recognize the Member for Lacombe for his final supplementary, with the permission of the committee I'd like to introduce some guests that are seated in our members' gallery.

It's my pleasure on behalf of the MLA for Red Deer-North, Mr. Stockwell Day, and myself to recognize and welcome 53 guests from the city of Red Deer. In Red Deer the MLA for Red Deer-North and the MLA for Red Deer-South get along extremely well, and this morning we have students from Red Deer-North and Red Deer-South getting along extremely well. We have from the Central elementary school 22 people: students and teachers Mr. Schneider and Mr. Campbell. And from the Joseph Welsh elementary school, a school in my constituency that I had the opportunity of visiting last year, we have Mrs. Kathy Schneider and some parents: Mrs. Markevich, Mrs. St. George, Mrs. Hildebrandt, Mrs. Walls. I would ask them all to stand and receive the warm welcome of this committee.

For the information of the teachers and parents and students,

sitting this morning is the Standing Committee on the Alberta Heritage Savings Trust Fund Act, and what we are doing is making sure that your dollars have been invested soundly during this past year and are continuing to work for you today. Appearing before our committee this morning we have the Premier of the province, the Hon. Don Getty. So welcome to the parents, teachers, and students.

I recognize now the Member for Lacombe.

MR. R. MOORE: Well, Mr. Chairman, would you put my name at the bottom of the speaking list? There are others here that haven't had the opportunity to get in this morning. I'd sure like to see them go ahead, and I'll come in again.

MR. CHAIRMAN: The Member for Athabasca-Lac La Biche.

MR. PIQUETTE: Thank you very much, Mr. Chairman. Welcome to the Premier.

One of the interesting things when you talked about the diversification in the province — you mentioned the forestry industry and, of course, Millar Western just opening up their operation in Whitecourt and looking at using new technology, the thermomechanical process which uses up to 90 percent of the tree, in terms of pulp for the manufacture of paper or other paper products. We are also very fortunate in northern Alberta. Within my constituency we have a number of companies vying for expansion to build a pulp and paper mill in that area.

Now, I wanted to ask the Premier: in the view that we are diversifying that whole forestry area, and I think we really have a window of opportunity to do that because of the great interest we have in Alberta, is the province, in your opinion, making sure that new pulp and paper mills coming up are going to be using the most pollution-free technology that's available today so that we don't repeat some of the mistakes done in the past where kraft mills, et cetera, have polluted the environment in other countries and other parts of North America? We do have that ability now to make those decisions in Alberta because we are in the avant-garde of technology. In the final decision of these plants which are going to be built or allowed by government to access lumber resources, is that a very important priority of the Premier: to ensure that the environment is really protected in that expansion of the forestry industry and diversification?

MR. GETTY: Absolutely yes. There will be no compromise of environmental standards for any economic development project in this province, not just in the forestry sector but in any economic development project in this province. We will not compromise our clean air/clean water legislation, our environmental health in any way at all. As a matter of fact, you may as an MLA come to see me and say, "You've turned down the projects," because they will be turned down unless they absolutely have the highest level of standards and equipment possible to be used. You would be coming and saying, "I wanted those jobs; I wanted that development in my area," and we'll be telling you, "No; they would not keep it at the highest possible level of technology knowledge standards." We won't compromise.

MR. PIQUETTE: Following up on that, in the number of companies I've met privately, in terms of interest in expanding in the province, we have a couple of them which are kraft mill proposals and a number of them which are thermomechanical pro-

posals like Millar Western, I think, that I went to see. It's just a tremendous technology in the use of the resource. Will the Premier and the Department of the Environment and, of course, forestry be taking a look to ensure that the companies that present good economic plans and are using thermomechanical processes be the ones we choose as opposed to even kraft, where the most modern technology, I understand, only uses the tree up to 50, 60 percent as opposed to 90 percent? And also, of course, the pollution is a much greater problem with them as well. Will those kinds of choices be made by the Premier and this government?

MR. GETTY: I won't commit to you that it's thermomechanical or one other, because there are all kinds of considerations that our department of forestry will make and the minister then make in his recommendation to cabinet. But I'll just say to you that the use of the resource, the environment, the amount of financial assistance, if any, that might be required, the way they build into the community, whether they will use local workers, whether they'll have a head office here in Alberta, whether they'll commit to having purchasing in the province or use local engineers, all of those things will be factors that will go into any decision. But I come back and tell you that environmental standards will not be in any way a bargaining ploy. There will be no compromise of environmental standards.

MR. PIQUETTE: I appreciate your comments, Mr. Premier. The last supplementary that I want to ask the Premier . . . Of course, in the whole drive for diversification we talked about forestry. The other aspect is tourism. We in northern Alberta feel that we have a lot of — you know, we have some of the most beautiful sandy lakes in the province. Up to close to 75 percent, I guess, of all the sandy beaches in the province are within the Lakeland region. Now, that land has been set aside for a few years now for potential provincial park development, private development, et cetera. Last year I introduced — and I guess Mr. Norm Weiss previously had made some recommendations in the past relating to developing that resource.

Will the Premier be moving much more vigorously in terms of addressing the disparity in terms of tourism funding out of the heritage trust fund in terms of southern Alberta? Now, I'm not going to argue that these are not good investments but, I guess, in terms that we as northerners are saying that it's our turn now. We do have the beautiful beaches, the captive market of Edmonton here to develop that tourism industry, but we do need the government kind of involvement to make sure it does happen. Is the Premier prepared to take a look this year at recommendations from the committee which would be highlighting that type of development?

MR. GETTY: Yes, Mr. Chairman. And to Mr. Piquette, I agree with you. We have in the north, and you have in your area, and there are in northeastern Alberta so many potential tourism developments that I'm convinced there has to be a greater shift of both private-sector and government attention to developing those. It's our turn; yes.

MR. PIQUETTE: Thank you.

MR. CHAIRMAN: Member for Lloydminster.

MR. CHERRY: Thank you, Mr. Chairman. Good morning, Mr. Premier.

MR. GETTY: Good morning.

MR. CHERRY: I'd like to speak about the Husky upgrader for a moment, if I may, and I would like to again say what an opportunity it is there for us in that area. For the slow learners, I guess: the agreement is in place, they're stripping the land at this time now, and we look forward to the jobs and the opportunities that it will give us in the future.

I guess my question to you, Mr. Premier, would be: in your opinion, do you visualize that this \$285 million that will go towards the upgrader will come out of the Heritage Savings Trust Fund, sir?

MR. GETTY: I think so. I think it's a natural investment. Now, the only reason I'm even not making a full commitment to you is that the Provincial Treasurer has the responsibility to bring the recommendation to us, and we have not yet had it before cabinet. But in reviewing his comments to this committee, obviously he gave you the feeling and the impression, I think, that he would be recommending it in that way, because this is an investment in the long-term strength, future, of our province — and that's exactly what the trust fund is for — and to make sure that we upgrade that resource in this province and in the Lloydminster area because, as you know, it's just across the border, and to make sure that the jobs are here and the benefits flow to Albertans and the Lloydminster area.

I'm not sure if you have the information in front of you, but one of the dramatic things, I think, was when the federal government, the two governments, and Husky put together the benefits and how dramatically they flow into Alberta. There's nothing sinister in that in relation to Saskatchewan. It's because we have developed the service sector; it has its base in Alberta on a natural, long-term basis. There's so much servicing to a project like the upgrader that the huge employment and other activity benefits flow in a disproportionate way into our province. That's one of the reasons we fought for that upgrader.

MR. CHERRY: Mr. Premier, my other question would be — and it's premature, possibly — but security of supply in the heavy oil: if this upgrader takes off and it does prove positive, do you think that in the future we will see other upgraders go in, possibly on a smaller scale? I remember several years ago that a cabinet minister said it was his opinion that you would see several upgraders in the future.

MR. GETTY: Yes, I do. I believe there's such a huge heavy oil resource that while this upgrader will be in the area of 45,000 to 50,000 barrels a day, now that we've established for sure that we're going to have the upgraders here, we will see probably — well, I'm going to be careful whenever I make predictions, but there'll definitely be more upgraders, definitely. They will be valuable because they will convert that resource to a fine, lighter oil that can compete, and not only compete but probably outcompete, with other supplies of oil anywhere in the world.

MR. CHERRY: Thank you, Mr. Premier. I'll pass now and let other members get on.

MR. CHAIRMAN: Thank you.

MR. JONSON: Mr. Premier, with the release of the Heritage Savings Trust Fund report we're all well aware that there was a

great deal of attention and various comments on the overall value of the fund. I think that in your initial remarks and in your response to the first question you certainly outlined the benefits of transferring the revenue from the fund into the general revenue of the province and also the continued use of our resource revenue for that purpose because of the needs that are currently there. In the debate of the committee thus far this fall there's been quite a bit of questioning, on the one side, of various parts of the fund which might be undervalued, and then there have been some very good questioning points made on parts of the fund that are perhaps much more valuable than is currently written up in the report.

However, that debate aside, we do have the overall general factor of inflation, and I think on a previous occasion you've expressed interest in maintaining the value of the fund. So my question would be: would you see merit, having perhaps now had time to consider the report, in either retaining a portion of the revenue of the fund, or I suppose it could also be the transfer of natural resource revenue into the fund, in a proportion that would make up for that inflation factor and its impact on the fund, perhaps 5 percent or something in that neighbourhood?

MR. GETTY: Well, Mr. Chairman, to Mr. Jonson, that's a very important feature, and I dealt with it just briefly earlier. I would love to be able to say: let's make sure that we have enough, either by appreciation of assets or by some portion of the return staying there, to make sure the fund always exceeds the potential it might lose in inflation. But the problem with that on an overall responsibility basis for the province is that to do that, we would have to literally borrow the money. In terms of the fund, which was intended to be the result of excess funds, it's pretty hard to rationalize going to Japan or the United States or Europe and borrowing the money in order to put it into the fund to do that and then have taxpayers have to come up with those dollars. It's still, though, not a matter which the government and certainly myself have closed our minds to. My desire, of course, is to get us to a balanced budget, and hopefully a surplus, and then immediately have the fund protected as to its total. That's something, Mr. Jonson, that the committee might well express an opinion on.

MR. JONSON: Just a comment, Mr. Chairman, that the Premier may or may not consider worth responding to. In a sense, if we used a portion of the revenue the fund itself is generating, that would be a little bit different, perhaps, in the way it's perceived than letting the fund be accused of dropping in value by the factor of inflation. It would be cutting off the argument, so to speak, that the fund is being devalued in any sense by the increase in the rate of inflation.

MR. GETTY: You're right, but let's just take a figure. Let's say that therefore you would keep \$100 million in the fund. We would then have \$100 million greater deficit, under current circumstances, and therefore we would have to go and borrow those funds and taxpayers' dollars to pay them back. That's the judgment we're exercising. In my mind, we should wait until we have a balanced budget. That's generally the way we're thinking right now. As I said, though, the decision isn't closed on that, and the committee's views — not just the committee's views but views, if you receive them, from the people of Alberta — would be highly valued.

My view is that the people of Alberta know that the trust fund was excess dollars, that it was put away for when we might

be in trouble or have a rainy day, and they don't view with alarm using the fund when it is tough times. I don't think they feel any fear, which some might try and generate, that if the fund was actually reduced—I'm not saying it is, but if it was—if it helped them in a tough time, that they would have a major concern about that, as long as it didn't go on and on.

MR. CHAIRMAN: Final supplementary for the Member for Ponoka-Rimbey.

MR. JONSON: That's fine.

MR. CHAIRMAN: The Member for Stony Plain.

MR. HERON: Thank you, Mr. Chairman. The last few days we've been permitted to focus in on very specific questions with the Provincial Treasurer and the Auditor on the generally accepted accounting standards and the underlying value of those assets which cannot be explained by showing assets at cost, especially when they're not traded securities. Just one overview: it's sort of a sad observation, but you're forced into liquidation to really prove that something's worth what you think it is in terms of the accounting debate which was included in the Premier's response to the hon. Member for Lacombe.

I'd like to shift, because at the outset, Mr. Chairman, you said you would like to focus on the broader principles of the heritage fund in directing questions to the Premier. While it was addressed earlier in this session—that is, the impact of the free trade agreement on the heritage fund investments—I compliment the hon. members for Calgary-Forest Lawn and Calgary-Buffalo on focusing on the pricing misconceptions for oil and gas. In fact, to the hon. Member for Calgary-Buffalo, I've noticed a certain radiance and upbeat nature, a certain depth to his questions. I suppose it can only be explained by the process of osmosis and his preference for a certain seat in this Assembly.

But that said, Mr. Chairman, I'd like to move on, to go just a little further into this pricing misconception for oil and gas and see what we can do to satisfy Albertans that our substantial investment in petrochemicals, in oil and gas, are safe even after a free trade agreement is passed. I would like, then, to ask my first question to the Premier. In terms of the broadest possible sense, does he think that we can set out a hard-hitting fact statement to the public, concentrating on the various investments Alberta has made? By example, I make reference to the popular debate that's been going on in the last few days. One says, "Well, you can't price your oil and gas according to section 904." Then a couple of days later somebody comes back and says, "You have to read section 904 in the context of section 401, which clears up the pricing misconception." Is there a way that we now can send out a message to Albertans, not only as elected Members of the Legislative Assembly and as the Premier of this province but as members of this Heritage Savings Trust Fund?

MR. GETTY: Well, Mr. Chairman, that's certainly an excellent suggestion and quite a challenge, because it's the communication of all of the things that are in the free trade agreement and getting it in plain English—and some of it almost defies that, in a way—to the public of Alberta.

I think we should make every possible effort. Now, there are both some ups and downs about having the federal election on right now, because I thought this would bring out all the facts,

but unfortunately it has not. It's being used as a scare in some cases, which is really disappointing. Because we have in here such a large investment in health, medicine, the concern is that somehow the United States will damage, because of this commercial trading arrangement, the health care system in Canada and therefore in Alberta. I ask the members to just think of that. For less money we're able to provide in Canada the most comprehensive health care system in the world. Now, we have problems with it from time to time in that sometimes it gets used too much. Nevertheless, it's looked on as the best health care system in the world. We're going to trade with the United States more and more. We have been trading up to 80 percent, and we've still at this time developed a better and better health care system than them.

Without a doubt in my mind, as greater competition goes on under this trade agreement and the people in the United States pay more and more attention to our health care system, the change is only going to go in one way. The United States is going to want to have a health care system like ours, that we're proud of and that we've developed, and the idea, the negative thought that some timid Canadians have that they will somehow destroy ours, seems so without basis. Surely they're a people who care for their children, their hospitals, their health. So they recognize something that's better, and they'll want to do it. They will want to do it. One of the great benefits of this trade agreement to the United States, I think, is going to be them converting to a health care system closer to ours, because right now they don't have anything near it. I don't feel that sense of timidity that I hear in those who are against this trade agreement, who say that somehow or other ours will be changed.

The other areas that we're going to see great benefits to Alberta—the member talked about the pricing arrangement. The United States is currently fully involved in the Middle East. Aircraft carriers, all kinds of intelligence and stress and strain because they are fighting to keep open a supply of oil to them and the free world that they badly, badly need. Now, the Middle East has got a different religious background, different social background, different economic background from the United States, and it's a highly unstable area. Here we are with more oil and gas reserves in Canada. We're neighbours and friends with the United States. We take holidays there; they take holidays here. We own property there; they own property here. We have this huge unmanned border, and we can provide this resource to them by pipeline from excess supplies on a secure basis. It's not going to take very long under this trade agreement to have investment pouring into Alberta to tie up additional of our surplus oil and gas.

Why the focus is on shortages I don't know, because we have more reserves than anywhere in the world. To a great extent we know how to develop them, and I would see the United States saying, when OPEC get their act together and tighten their hands around the throat of the free world again, "We want in Canada to be able to not just take care of our needs but to have surplus development that we could then trade in the world with." What a competitive advantage. I mean, that's the exciting thing about this. Then you'd want to see the United States start to look at Canada and say, "Okay, that kind of an agreement: certainly you can get your agriculture and other things." It's laying the foundation for such an exciting new growth for Canada.

I think some of you have heard me say this before, when other Premiers have said to me as these negotiations have gone on, that this agreement looks like it's written for Alberta:

energy, agriculture, forestry, petrochemicals. It's such an exciting thing for Alberta. It doesn't touch our sovereignty; it doesn't touch our culture; it doesn't touch our medical care or our social programs. That's the challenge you've just said: how do we get that across? We've just got to keep working at it, because it took me two years, working with the other Premiers, to see this developed on a painstaking basis, making sure that it's good for this province. We've just got to make sure Albertans understand. I think they are in a greater and greater awareness, because the strongest support in Canada for free trade is in this province, and it's because, I think, Albertans have inherently never been protected from anybody like they are in the east. They've always been wanting to compete, and they see this as extending their horizons, not threatening them at all.

MR. HERON: Mr. Chairman, when one looks to page 41 of the heritage fund, you see some short-term, highly liquid assets of \$2.8 billion. Glancing another page over, you'll see that the commercial investment division has another very large holding in Canadian financial institutions. I'd like to track these investments back to the free trade agreement and what impact it might have upon our very substantial investment in these institutions.

I'd like to reflect for a moment that the Royal Bank of Canada, the largest Canadian financial institution, was one of the first companies to study and issue a positive report on the benefits of free trade to Canada and in particular upon the investment industry. Yet there are many people out there in the community sending out messages of how bad the free flow of capital across our borders will be. Could we, then, for the record of this Heritage Savings Trust Fund, ask the Premier to reflect on the points I've just made and to give us any assurances that he might have that these investments will not be negatively impacted upon after the free trade agreement goes through?

MR. GETTY: Well, Mr. Chairman, the member again is on a very important feature for our province, because what we have in Alberta are the resources and the talent and the people, and what we've always needed has been the capital. One of the things that has been most frustrating here in the west, but particularly Alberta, is that often when we've needed the capital, right at the time you need it, it's controlled and centred in central Canada and you can't get it. It doesn't flow out here. It was true back in the development of our energy industry, of course, that the risk dollars came from the south. Thank gosh they did, because I was one of the businessmen who went down there and tried to find dollars in central Canada, and they said: "Look, forget it. We understand mining; we understand those kinds of things, but that oil and gas business is just like rolling dice. We don't have the dollars for that." So we developed on the old pattern of north/south investment. But under controls that were imposed on us under FIRA and others, that capital started to be shut off, and then the national energy program discriminated against capital coming in here from our friends and neighbours. We were strangled and badly, badly hurt. Well, this trade agreement is going to provide that that capital can flow again.

Now, that capital we need because, as I said, it's our resources and people and talent we have; the third ingredient is capital. Now, it's not going to come in here and hurt this province. It comes in under the rules of this building, this Legislature: the rules of environment, the laws of this province, investment rules, and all the legislation that this Assembly can put in place to make sure that this province is run in the best

interests of the people of Alberta. So one of the frustrating things for me is how good this agreement is for Alberta and that there is a level of concern that we can't communicate it as well as we should. I take that on as a challenge for our government, to get more out. Let's hope, too, that during the debate in this federal election it comes out more clearly for the people of Alberta and all of Canada.

MR. HERON: Thank you. Certainly my own conviction about the positive impact that free trade will have on Alberta is well known, but I do sense a certain frustration, a frustration that there's fear and paranoia out there about it. The frustration comes with not being able to reach all of the people the way I would like to and have that message given to them. I look at the Heritage Savings Trust Fund. But we have a tremendous investment in people services, in health care, in occupational health and safety, and programs directed towards the family, towards the aging population, and to now hear of situations where this investment may be negated by the fear and paranoia creates a sense of frustration.

Let me give you an example, Mr. Chairman. The other evening a group of social workers had a speaker, and this speaker said, "Vote against free trade; free trade will be harmful to the social work profession," and gave an example of where if a large company had a day care centre within it, that would be deemed to be a subsidy and that company would be competing unfairly. For that reason alone this very wise person created a suspicion about the free trade agreement.

Another example. I was at the Golden Age Club in Spruce Grove the other evening. A senior came up to me and said, "Jim, we really think your programs and your investments in the seniors are here for the long term, but is there an outside chance, the remotest possible chance, that after the free trade agreement our pension cheques would be cut off and our medical services taken away?" Well, you know, we can respond to that small group of 85 people with absolutes, but I would like to ask you, Mr. Premier, if you've encountered similar frustrations and similar fears in looking at the tremendous capital investment that we have in these programs, and then when you look out there and see the minor annoyances being created by very few people, if there's something we could be doing to help put away these fears, especially amongst our senior population. That disturbs me.

MR. GETTY: I do run into it from time to time, and you're right; you can deal with it if you can meet the people on a personal basis. But the frustration comes because you know there must be other concerns out there, and how do you get to them? I guess it's just going to be a challenge to all of us. I don't know, just talking to you, if it's possible that even your committee could ask in the report that there be a supplementary or some type of assessment made on the impact, positive or otherwise, of free trade on some of the very matters that are investments in this report.

The difficult feature is to say to someone, "I want you to understand all of a free trade agreement." Then there is this search for knowledge. But I've always come back to Albertans on this basis: sure, you'll get all the details and facts over time, and you'll live with it, and you'll understand it, and it's going to be beneficial, but just deal with it also, if you like, in your vision of Alberta and Canada. I mean, what is your vision of your province and your country? Is it a vision of a country or a province that needs protection, that is timid, that can't compete, that is so

weak in terms of our national identity as Canadians that we could be just folded into another country? Or is your vision one of strong, competitive people, good at what they do — our farmers and ranchers — able to take anybody on on a level playing field, always competing, never having the protection of other parts of Canada, so sure of your identity as Canadians that nobody is going to make you change? Surely it's the latter vision of Canada. That's the vision that is embodied in this commercial trade arrangement, and it's one that I think is just going to be, as I said, another foundation for the springboard into future economic growth that this province is going through.

MR. CHAIRMAN: Mr. Premier and members of the committee, I hate to cut off the excellent discussions and exchange of ideas that we're having this morning, but it's come to that time again.

MR. GETTY: It goes fast when you're having fun.

MR. CHAIRMAN: It goes fast when you're having fun, Mr. Premier; that's right.

It has been a helpful morning, I think, for all of us. We do appreciate the significance and importance, Mr. Premier, that you place upon this committee, and we appreciate your making

time in a busy schedule to be with us and share some of your thoughts and ideas. I think it has been a helpful morning, and one of the things we appreciate the most is being able to broaden the parameters of this committee when the Premier appears. When the ministers are here, we focus in on some very specific areas and specific subjects. We perhaps take a little additional liberty, Mr. Premier, when you're here, so we do appreciate your responding the way you do.

MR. GETTY: Thank you, Mr. Chairman. I've enjoyed it. I appreciate the nature of the questions and how we're really talking about laying out the future for Alberta and the big role this trust fund plays. Just one final comment, to again thank the committee for being so adaptable to what has been a pretty hectic schedule of mine. I really do appreciate the way you've adjusted to it.

MR. CHAIRMAN: Thank you.
I recognize the Member for Lacombe.

MR. R. MOORE: I move we adjourn.

MR. CHAIRMAN: Motion to adjourn. Thank you, everyone.

[The committee adjourned at 12 o'clock]