

2 p.m.

Tuesday, November 13, 1990

[Chairman: Mr. Jonson]

MR. DEPUTY CHAIRMAN: I'd like to call this afternoon's meeting to order. We were dealing with recommendation 2. The hon. Member for Lacombe had adjourned debate.

2. Moved by Mr. Payne:

That the underlying principles and structure of the Alberta Heritage Savings Trust Fund be comprehensively reviewed by a task force comprising government and opposition MLAs and academic and investment community leaders with relevant expertise and experience and that their review procedures provide for widespread public discussion.

MR. MOORE: Thanks, Mr. Chairman. I just had another comment to make regarding this recommendation. Inasmuch as no other committees have subcommittees or are appointing committees to carry out a function that has been basically assigned to them, I see no point in us creating it here. I feel that we as a group are qualified and quite capable of assessing and making the necessary recommendations that we see would improve the return and the fund fulfilling its mandate for the people of Alberta.

MR. DEPUTY CHAIRMAN: Having no further speakers on the list, I would ask the Member for Calgary-Fish Creek if he wishes to close debate.

MR. PAYNE: Well, Mr. Chairman, I'm pleased to conclude debate on recommendation 2. In doing so, I'd like to thank the Member for Three Hills and the opposition members for their support. Over the lunch hour while we've been adjourned, I've reflected on the opposing comments of the Member for Wainwright and the Member for Lacombe. Given the government's demonstrated support of the public hearing process involved with the Premier's Commission on Future Health Care for Albertans, the Evans committee on the proposed environmental legislation, the Horsman committee that's now touring the province soliciting citizen input on the important question of constitutional reform, I'm not sure that I understand the resistance to the public hearing process associated with the heritage fund. The implication is that it's okay to talk to the people about health and about the environment and about the constitution, but when it comes to the heritage fund, it's not so okay. I'm puzzled by that position.

Fundamentally, what my recommendation proposes is that we as a committee seek additional guidance from experts and from average Albertans. I think both groups represent potentially useful sources of guidance and illumination and new approaches that could very well benefit the deliberations of this committee.

On that note I would like to conclude, Mr. Chairman.

MR. DEPUTY CHAIRMAN: Thank you.

[Mr. Moore in the Chair]

MR. ACTING DEPUTY CHAIRMAN: On recommendation 3, the hon. Member for Ponoka-Rimbey.

3. Moved by Mr. Jonson:

That priority be placed on directing all available funds in the Heritage Savings Trust Fund towards investments that

yield the best possible monetary return until such time as the budget is balanced and the accumulated debt is erased.

MR. JONSON: Yes, Mr. Chairman. In moving recommendation 3, I'm quite aware that the three purposes of the Heritage Savings Trust Fund are: "to save for the future, to strengthen and diversify the economy of Alberta, and to improve the quality of life for Albertans." However, I think that all those objectives are somewhat in question or in jeopardy as long as we have a deficit and a debt of rather large proportions to deal with. The need to use the Heritage Savings Trust Fund income to support those programs overall in the province, not just as they are dealt with by the Heritage Savings Trust Fund, has already been recognized. That revenue that is now flowing from the Heritage Savings Trust Fund into general revenue is extremely important. We would be in major difficulty if we did not have that savings fund and the revenue to access for the support of our overall programs and services.

I feel it is important that priority be placed on enhancing, improving, or strengthening the availability of funds in the Heritage Savings Trust Fund which will generate revenue to the greatest possible extent so that we do have the fund as stable as possible and hopefully the same or an increased amount of revenue available for dealing with the deficit and the debt.

I know that certain commitments are in place, and they have to be honoured. We have the commitment to the urban parks program; we have the commitment of the Premier to the drug foundation. But as an overall direction for the Heritage Savings Trust Fund I feel priority should be given to directing all available funds towards dealing with balancing the budget and dealing with our debt.

MR. ACTING DEPUTY CHAIRMAN: The hon. Member for Westlock-Sturgeon.

MR. TAYLOR: Thank you, Mr. Chairman. Normally I always am impressed by the thought behind motions from the Member for Ponoka-Rimbey, but in this particular area I can't go along with him in that I think he is being ultracautious or, if you'll pardon the word, ultraconservative. That's a UC instead of a PC.

[Mr. Ady in the Chair]

I think one of the purposes of the Heritage Savings Trust Fund is not just to preserve the past or to take a cautious approach, but there are areas of diversification, areas of research and education which are the real areas of growth possibilities of the future for a landlocked economy such as ours far away from markets. It depends on investments from the heritage trust fund to sort of kick-start some of these areas.

Now, I'm the very first to admit that in times, as we have, of rough economy, brought on by not the UC but the PC government in Ottawa, that may be an argument to keep all the funds on yields. But I think such a short-term approach would leave us naked in the long run. Actually, the best monetary return will be some of these investments into diversification and into the thoughts for the future like what the green revolution will bring on as well as the fields of education and research. So I find myself not able to go along on this issue.

MRS. OSTERMAN: Mr. Chairman, I'm sure that the Member for Westlock-Sturgeon will be expecting me to take a far more liberal approach as opposed to a UC approach, but I'm very

proud to have a UC approach, as he speaks about the terminology.

I would support my colleague in this motion in that I don't agree that it is short-term thinking at all. I believe, in fact, that it is long-term thinking. We have funds available, without attacking the principal of the fund, that could be reprioritized should we see some just investments that are begging to be made by the people of Alberta. Because it's their money we're spending. When we talk about the short-term approach, it reminds me that I guess that's what happens to families when they see their income diminishing. There are wonderful things the children are doing. They are taking music lessons. One of them may have the potential to be a concert pianist. But if they don't have a roof over their heads and groceries on the table, I'm not sure what the prospect of the future is in any event.

I think this is really a moderate approach to the fund and don't see it as short term at all because, after all, the yield is sustaining those very programs that we're talking about. I think in most of the budgets by the various departments of government you will see as well some investment in technology and research. If you would combine all of that together, probably Alberta stands first and foremost in the whole country of Canada with respect to the investment in that regard. So, Mr. Chairman, I would support this motion.

MR. CHAIRMAN: The Member for Calgary-Mountain View.

MR. HAWKESWORTH: Thank you, Mr. Chairman. Well, I do have some sympathy for the intent that the hon. member is getting at with this particular motion. As members will note later on in our recommendations, they will see, for example, that we're suggesting that no further investments be made in the capital projects division, because we recognize that it's important to maintain the integrity of the financial assets still within the Heritage Savings Trust Fund, and perhaps those kinds of investments are better made through the General Revenue Fund or the Capital Fund of the government and part of the overall direction of general government spending: be done in that way and within the priorities of government generally.

2:10

As well, we've indicated that we see that an important principle of the Heritage Savings Trust Fund is to return a good rate of return to bring money back into the province that then can be used towards supporting general government spending through the General Revenue Fund. But members will also note that we've made suggestions that in making investments, there need to be other considerations as well. In terms of making decisions on investments, we should have as a priority something to ensure that the investments are environmentally friendly or certainly that we're not making investments in projects that actually destroy the physical heritage that we're wanting to pass on to our children and grandchildren. That would be counterproductive to the whole idea of a heritage trust fund.

So I think there are other considerations that have to go into any investment decisions to temper the best possible monetary return. I think there have to be some other considerations on top of that, but I certainly have a great deal of sympathy for the notion here that the member is bringing forward: that we should be looking at the fund really as a savings trust fund and put some emphasis that perhaps has been lacking in the past on the monetary return to the fund for those investments. But it's not the only consideration.

MR. CHAIRMAN: Are there other speakers on this? The Member for Calgary-Foothills.

MRS. BLACK: Thank you, Mr. Chairman. I think the concept of the Member for Ponoka-Rimbey is very good. However, I have problems with the wording of "directing all available funds." That gives me some concern because I think the intent of the heritage trust fund when it was established 13 years ago was quite clearly laid out in the report. It was "to save for the future, to strengthen and diversify the economy of Alberta, and to improve the quality of life" in Alberta. Certainly the fund has done that, and it has had a return on average of roughly 11 percent each year from its long-term investments.

To put a halt on the fund and the intent of the fund to take care of another problem in its entirety I think is a mistake. I think it violates the intent of the fund. I can see that we have to be realistic and recognize that we do have financial constraints within the province, and we have to utilize our assets and our revenue base as best possible. But I think we have to do that in a different forum than the heritage trust fund. I think the heritage trust fund should continue on with what its intent was, and that was to provide for the quality of life in Alberta. Whether that be through cancer research projects or diversity within the community, I think we have to have that thrust maintained.

Therefore, I would have to speak in concert, amazing as it is, with the Member for Westlock-Sturgeon, in agreement with him that I would have to speak against this motion.

MR. CHAIRMAN: Thank you. If there are no other speakers, does the Member for Ponoka-Rimbey wish to close debate?

MR. JONSON: Yes, Mr. Chairman, just very briefly. I think that one of the overwhelming concerns of Albertans, and for that matter Canadians, is the deficit and the debt which they see governments having to deal with. I think if members of the committee were to think about it, and I'm sure they are, a balanced budget in this province and a plan to reduce the debt, which might be significantly aided by the best possible return from the Heritage Savings Trust Fund, would do more to increase the population's confidence in the future and to strengthen and diversify the economy and to ultimately improve the quality of life of all Albertans than any other particular or specific initiative that I can think of. So I think this should be a priority for the fund in the immediate future. Therefore, I ask for support of the recommendation.

MR. CHAIRMAN: Thank you. That concludes discussion and debate on recommendation 3.

Recommendation 4. The Chair recognizes the Member for Calgary-Fish Creek.

4. Moved by Mr. Payne:
That the Minister of Health direct the Alberta Children's hospital board to reconsider its decision to terminate the mobile team project's outpatient therapy services.

MR. PAYNE: In speaking to this recommendation, I would draw the attention of the members of the committee today to page 26 of the heritage fund annual report. In the section headed Alberta Children's Provincial General Hospital we read, "Outpatient services make up an integral part in achieving specialized quality care." Mr. Chairman, these outpatient services are provided in part through the mobile team project.

The mobile team project is described glowingly in the heritage fund annual report as "a program unique in North America that takes teams of therapists out of the hospital and into the community."

In my comments at the time I read this recommendation into the *Hansard* record, I made the suggestion that the mobile team project be renamed the demobilized team project. Parents of Down's syndrome children and of children with other serious disabilities have told me that their young children have benefited tremendously from the therapy services previously provided within their own homes by various therapists assigned from the Alberta Children's hospital. Now these parents have been told that these mobile therapy services will no longer be provided. These parents' well-grounded fears are that their special needs children will have their development severely retarded as a consequence of now having to be transported out of the home and forced to virtually stand in line for far less frequent appointments at the Children's hospital.

This is reportedly the result of the hospital administration's interest in balancing the budget. That is laughable. What a way to save the equivalent of several professional salaries. Why on earth wouldn't the Alberta Children's hospital administration look at management positions not directly involved in delivering outpatient health care to young children? I daresay that some of those funds could without much difficulty be found in such less sensitive areas as convention and travel budgets. Could it be that such a budgetary decision was aimed directly at a group of infants and small children whose parents' anguish would be aimed at the government MLAs? I hope and trust that's not the case given the fact of the current fiscal year's 10 percent increase in its operating budget.

Or could it be, Mr. Chairman, the decision of senior management personnel with no experience in ambulatory services who are much more comfortable with traditional health care delivery methods and procedures delivered on-site in a controlled environment where bed counts and other institutional criteria are so valued? Need I remind the members today that in the early days of the formulation of the Alberta Children's hospital concept its regional character, including ambulatory or mobile services, was an integral part of the planning that was ultimately translated into a great health care institution by the heritage fund.

2:20

With those remarks, Mr. Chairman, I would earnestly plead for the support of the government and opposition members on behalf of the special needs children of Calgary who have benefited so much from these ambulatory services at the Alberta Children's hospital.

MR. CHAIRMAN: The Member for Calgary-Foothills, followed by the Member for Calgary-Mountain View.

MRS. BLACK: Thank you, Mr. Chairman. I'd like to echo the comments made by my colleague from Calgary-Fish Creek. We've been absolutely shocked and dismayed to realize that this program has been demobilized. It has served the community and the families within the community very well. I find it absolutely appalling that a hospital board would make this decision because of their budget, particularly when you consider the massive increase that this hospital received in their budget allocation last year, far more than the other hospitals. It's absolutely inexcusable and unforgivable as far as I am concerned. That children's hospital was established way back as a

crippled children's hospital by the Shriners to look after children. I think sometimes they've got away from the concept of what that hospital was there for. It is to look after the children and not to be a bed for bureaucrats and academics to sit in and try and play little games. I think that's exactly what's gone on. I am very disturbed that this program has been stopped.

I think the recommendation is an excellent one, and I know my colleagues in Calgary are very disturbed with this move. I again echo the comments of my colleague from Calgary-Fish Creek on this issue.

MR. CHAIRMAN: Thank you. The Member for Calgary-Mountain View.

MR. HAWKESWORTH: Thank you, Mr. Chairman. I commend the Member for Calgary-Fish Creek for bringing this motion forward and certainly highlighting the words that are contained in the heritage trust fund annual report. I think it's fair to say that both the opposition and now it seems the government members from Calgary are in full support of the parents who have appealed to us to intervene to see what we can do to save this program and the services provided in Calgary by the mobile team project through the province.

I do find it odd, though, that these cuts were made by a provincial general hospital, members of the board being appointed by the provincial government, that they would choose to cut that particular program if there really were some other areas that could be cut. I can't think that the board at the provincial general hospital would intentionally pick such a program as this simply to embarrass the minister or to embarrass the government. It may be, and this is what I'm persuaded, that the funding received by that hospital to cover the costs of the recent nurses' settlement and other settlements with staff at the hospital is not nearly enough to meet the costs of those increases and they've had to embark on a program of expenditure cuts, including those that are vitally needed for children that have physical or developmental disabilities. I think that should be understood as a symbol of how deep the problem is with our health care system generally as a result of these cuts by the provincial government.

I certainly agree with the Member for Calgary-Fish Creek that this is quite an appropriate motion to be brought forward for this committee to give consideration to, and he certainly has my support.

MR. CHAIRMAN: The Member for Edmonton-Meadowlark.

MR. MITCHELL: Thank you, Mr. Chairman. I would like to specify my support for this recommendation as well. It is conceivable that this kind of decision - that is, the decision of the Alberta Children's hospital board - runs in the face of what we should be emphasizing in health care today as we attempt to enhance our health care system's efficiency. The fact is that outpatient services, creative approaches to health care may well be the manner in which we can reduce costs and enhance efficiency and that this decision to terminate the mobile team project runs directly in the face of that potential. It is for that reason that I, too, would ask the hospital board to reconsider its decision.

MR. CHAIRMAN: The Member for Three Hills.

MRS. OSTERMAN: Mr. Chairman, I would support once again my colleague from Calgary-Fish Creek's recommendation. I

think this question is a larger one than just Calgary and region per se; certainly children from my constituency benefit. But I think it is also a model that could and should be looked at by other institutions in terms of an outreach program. If it is deemed that outreach is better performed by other groups, then I think that the board of directors should be reinstating the service until such time as they can work with - whether it's health units or other organizations, as we have seen in the past, where we deem that the services can be better co-ordinated by, say, an organization that works strictly with the community . . .

So I would support my colleague's recommendation and hope that indeed, as has happened on other occasions, the Minister of Health sees fit to have a discussion with the board in terms of bringing them some larger concerns that go outside Calgary and region with respect to the principle of this type of service.

MR. CHAIRMAN: The Member for Edmonton-Centre.

REV. ROBERTS: Well, thank you, Mr. Chairman. Although the Member for Three Hills just took a couple of the points I was going to make, and took them very well, I think also, if I recall correctly, that when the Minister of Health was before us and this item was discussed, she even made the comment that perhaps we should have more elected hospital boards in this province in terms of accountability to the people for the programs that the hospitals offer.

As has been pointed out, this is a sort of Crown-owned and -operated hospital. It'd be a good place to start to have some of these board members elected instead of basically all being Tory appointees for good work they've done around the city of Calgary. Then they get on the board and make these decisions. If government members think that there's a problem here with the board and management, that is, I think, the resolution to it.

I must fall more on the point that whether it's trust fund dollars or General Revenue Fund dollars for children's health, the hospitals have a hard enough time keeping up programs for children's inpatient services as well as for children's outpatient services. Consider that in Alberta today there are 77 children who are waiting for cardiac care surgery, 77 children who have to wait months and months for heart surgery.

Now, I take nothing away from this mobile team project, and I think, in fact, it could well be handled by health units and other people outside of the hospital parameters altogether. But with the battle that's going on for the tight health care dollar within the hospital, you can imagine the difficulty that certain boards of management and administration have between having to weigh whether they're going to fund inpatient cardiac surgery for 77 kids who might die otherwise as opposed to the mobile team project on an outpatient basis, despite how much of a model it is. The problem here is, in my view, the gross mismanagement and lack of proper funding for children's health throughout the province. To blame the board I think is misplaced. Certainly we have ways through the heritage fund to support some of these programs, but I think a wholesale review of funds and programs for children's health to have healthy children for a healthy future is really paramount. It's not the place of this government to be blaming the board of management, unless, of course, they're elected themselves.

2:30

MR. TAYLOR: Mr. Chairman, I have a bit of a problem with the recommendation. It's so easy to vote in favour of motherhood and get out and castigate the hospital for terminating a mobile team project, but I think it gets at a problem, and that's

the whole method of government financing of hospitals. As the Member for Three Hills and some of the others hinted at, it's much deeper than just whether or not a mobile team project has been cut.

What we have now is something like Moses on the mount: there's a thunderclap and the clouds break open and the Minister of Health says, "Thou shalt not get that last few million dollars," or thou shalt do this, or thou shalt do that, yet the local hospital then is expected to tailor, if you'll pardon the expression, the cloth to what new budget announcement has been made. I think it's a little bit cowardly of us in a way - and this is maybe disagreeing even with my fellow Liberal - to be castigating a hospital that has been told to get in line on a budget for what they're going to do. We're not prepared to actually recommend voting the money to keep this thing going, yet we're prepared to support a minister who tells this department to cut costs or get costs in line. I think it's an unreasonable recommendation.

I agree with the Member for Calgary-Fish Creek that it's a noble and honourable thing to do. I think it was a good one. I'm not party to all the real details of the Alberta Children's hospital board budget, but I know from the hospitals in my own area that I have something to do with - and I think the Member for Clover Bar will back this up - that to come out and tell the hospital he and I look after or a hospital in other areas that they can't drop this program and can't drop that program yet tell them their funds have been cut by \$1 million, \$2 million, \$3 million, \$5 million seems to me kind of cowardly. This is why I have trouble. I want to vote for it because it's a good and noble thing to have done, but on the other hand, I hate to pin the tail on that donkey. The donkeys that the tail should be pinned on are right here in this committee.

MR. MOORE: Mr. Chairman, the intent of the motion is excellent. The mobile team project outpatient therapy services are essential to a lot of families and mean a lot to them.

When we look at this, we should look at the overall cost, like the Member for Westlock-Sturgeon. He's got his economics a little twisted up, but he gets his advice from - well, we won't say where. We don't finance on the terms that he outlined. Hospitals get their funding based on what they present as to their needs, and then within the ability of the government to provide it, we do that. We have done that all along.

Now, I heard the Member for . . .

MR. CHAIRMAN: Calgary-Mountain View?

MR. MOORE: . . . Calgary-Mountain View talk about cuts to the budget. Well, I know that hon. member wouldn't ever mislead this Legislature intentionally. I know that. I know he wouldn't lie, but he's damn well wrong on that, Mr. Chairman, because they got a 9 percent increase. For him to sit in here and say that they cut the budget and caused this I just find totally unacceptable. But I give him the benefit of the doubt. I don't think he intended that to come out the way it did. It's just that he was, as usual, misinformed.

However, when we look here, we have the management team of the Alberta Children's hospital, the board, looking at the funds they have and determining where they can operate to the best advantage of the patient load, and they came up with this decision. It wasn't a happy decision to them, I'm sure. Now, the Member for Calgary-Fish Creek says they should have cut some administration. That's probably correct. But you never see anybody cut the administration when they can cut at the bottom

end, especially government-funded programs. I would be very surprised. So there probably are some there. I'm not privy to that information. Maybe the people from Calgary are. There could be that area to cut.

We do give all hospital boards, not only the Alberta Children's hospital board, a budget, but we don't tie them down and say, "You must cut, but you can't cut here; you should cut there." That is local autonomy to that board, and we from this committee can't involve ourselves. It's completely beyond our mandate to dictate anything that indicates to the Alberta Children's hospital board how they should spend their money. When we come in here and say, "You couldn't do that, so you're kind of bad guys; we'll make it up out of the fund," it sort of shows that, well, you couldn't do it, so we had to do it for you. I don't like that attitude. I think we have a good board down there. They have to make those decisions, and they're tough decisions. Believe you me, Mr. Chairman, I don't believe that board was happy about making this decision in any way, shape, or form, but they looked at the dollars available. We all have to do that. We all have to make those compromises, and they're tough compromises to make.

Now, if we were to go here and make up that difference, that shortfall, from the heritage trust fund to put this service back in — and that's what we're doing — then why shouldn't we go to every hospital here that had to make those same tough decisions and cuts somewhere and say, "Put that program back; restore here and restore there"? That is not the mandate of nor the intent for the use of this heritage trust fund, as well-meaning as it is. I'm in full support of restoring that, but that comes out of general revenue through the budgetary process like any other hospital for any other program.

I only wish we did have the revenue, Mr. Chairman, that we could give every hospital the amount of money they require to provide services as demands are placed on them. But that isn't reality. We on the government side must live in reality. There are a couple of other parties involved in this Legislature that don't have to live in reality; however, we must live there. We can only come in here and work with the dollars that are available. To move this way with the heritage trust fund I don't believe is in the best interest of the fund nor in the best interest of the health care system in its entirety, because we should treat every hospital equally, not just pick one out. It's very emotional when you come to the Children's hospital, and they use that as an excuse. But for somebody that's 40 years old, it's very emotional if they're sick and they have that program that's benefiting them cut off by some other hospital. It's very emotional for that one.

So I think this particular motion is an excellent motion, but it should be through the budgetary process not the heritage trust fund to provide that.

MR. CHAIRMAN: The Member for Wainwright.

MR. FISCHER: Thank you. I guess I would just like to probably agree a little bit with the Member for Lacombe in the fact that I don't believe the government should appoint a board and then come along and say: "We don't like your decision. You have to change it." We have many boards in this province. We appoint those people because they are closer. They study the very project that they're in, and they know exactly their dollars and cents. They tie their budget right to their programs. We're not close enough to make an informed decision on that. I myself wouldn't want to be part of that decision, being as far away as I am from it. It's a little bit scary to think that the

government should come along and say to a board, "We don't like this, so you change your decision," even though maybe they've made a mistake. I know the issue is very sensitive.

Thank you.

MR. CHAIRMAN: Thank you.

Does the Member for Calgary-Fish Creek wish to close debate?

2:40

MR. PAYNE: Yes, sir. Mr. Chairman, I appreciated the clarifying comments of the Member for Lacombe, because I do feel it was inappropriate for the Member for Edmonton-Centre and the Member for Calgary-Mountain View to draw a direct correlation between supposed or mythical cuts in government spending and this budgetary decision by the Alberta Children's hospital. The Member for Lacombe is quite correct that in the current fiscal year government funding at the Alberta Children's hospital increased virtually 10 percent, twice the rate of inflation. As a consequence, I feel this specific budgetary decision is indefensible.

I'd like to thank all the members of the committee on both sides who have spoken in support of my recommendation today. Whatever the final disposition is of this recommendation, I would hope that the board and the management of the Alberta Children's hospital would reconsider the decision to terminate the mobile team project. If they do not, I frankly will be hard pressed to sustain the heretofore positive view that I've had with respect to that hospital and the way it's been managed.

The Member for Lacombe makes the point often made in this House that government shouldn't get involved in local autonomy. I daresay that if I were to ask my constituents, "Should I get involved in local autonomy with respect to this decision?" I think they would be of an entirely different view. They feel that I as their MLA should get involved with this kind of budgetary decision. Let it be said: the Alberta Children's hospital was established with funds from the Alberta Heritage Savings Trust Fund. We are the Alberta Heritage Savings Trust Fund select committee. I think it's entirely appropriate for this committee to advance recommendations of this nature.

The Member for Lacombe argues for reality. I, too, argue for reality. There are a number of parents of special-needs children in my constituency who know a great deal about reality: the reality of being the parent of a child with Down's syndrome or even more devastating special needs. It's that reality that drives me to this recommendation.

MR. CHAIRMAN: Thank you. That concludes debate on recommendation 4.

We move to recommendation 5 and recognize the Member for Clover Bar.

5. Moved by Mr. Gesell:

That a new division be created under the Alberta Heritage Savings Trust Fund, the environmental investment division, and that investments from this division be considered for projects that will provide short- and long-term benefits to the people of Alberta through enhancement of our environment and through reduction of pollution.

MR. GESELL: Thank you, Mr. Chairman. I'd like to deal with that recommendation with two basic points. First, I'd like to provide a little bit of background and some of the procedural

discussion related to that recommendation, and secondly, I'd like to deal with the merits of that specific recommendation.

On the first point, members of the Heritage Savings Trust Fund committee will realize that this is a repeat of a recommendation that was considered last year, except for the small amendment that I made earlier this morning where the word "made" has been changed to "considered," and I'll deal with that later on in the discussion on the merits of the recommendation. So this motion really is one that this recommendation has carried forward. I should stress in saying it is carried forward that in consideration last year that recommendation received unanimous consent by the members of this particular committee. It was offered to the government, and the response by the Treasurer to that particular recommendation, passed unanimously, was that those projects that may be contemplated under the environmental investment division could also be handled under the capital investment division.

I see this particular recommendation as a framework similar perhaps to enabling legislation. It does not attempt to establish a fund as such; it is there as a framework that would allow the consideration of particular programs or projects that have environmental merit, and they could then be considered. If the motion passes in committee, then the logical follow-up, the logical procedure would be that an amendment to the Alberta Heritage Savings Trust Fund Act would be required. The divisions under the Act are set out under the legislation, and if the committee members agree to this particular recommendation, then I would propose that during the spring session I introduce the required amendments to the Act to actually implement the creation of this particular division. That will involve some time.

But let me go on to the merits of the recommendation. As all members of this committee will know, and as the Member for Ponoka-Rimbey has indicated – and I'm referring now to the annual report 1989-90. If you look at page 4, right at the very beginning, there are stated the three objectives under which this fund operates and has operated since its inception some 13 years ago. I want to read them to you because I feel they are important and related specifically to the division the recommendation attempts to create.

1. to save for the future,
2. to strengthen and diversify Alberta's economy, and
3. to improve the quality of life in Alberta.

If you then look at the divisions that have been established under the Heritage Savings Trust Fund Act to actually implement those concepts, those three main objectives, you'll see that we have basically six divisions: the Alberta investment division, the Canada investment division, the commercial investment division, energy investment division, capital projects division, and cash and marketable securities.

If you go on and look at the parameters for those divisions, in fact what the investment must do – and again this is specified in the Act and restated in simpler language on page 7 of the annual report, which I previously referenced, all of these divisions. Alberta investment division has as their objective or as what the investment must do statement, "Yield a reasonable return or profit"; Canada investment division, "Yield a reasonable return or profit"; commercial investment division, "Yield a commercial return or profit"; energy investment division, "Yield a reasonable return or profit"; capital projects division is slightly different and indicates, "Provide long-term economic or social benefits to the people of Alberta"; and the last one, cash and marketable securities, "Yield a market return."

The reason I'm restating what the investments must do, these operating clauses, is that they relate back to the three objectives that I started off with, and they relate to numbers 1 and 2 quite specifically: "to save for the future," and "to strengthen and diversify Alberta's economy." But they have limited impact, all six of them, on the third objective of this Heritage Savings Trust Fund, and that is "to improve the quality of life in Alberta." The only one of these divisions that might address that to some degree is the capital projects division, but the capital projects division talks about "long-term economic and social benefits." It does not specifically talk about environmental benefits or other benefits that may be necessary in order to enhance the quality of life for Albertans. So my point is that this new division is not a duplication of an existing division. It is a new thrust in accordance with the third objective for this Heritage Savings Trust Fund.

I've made the point on the process earlier that there could be consideration of special projects, and I want to outline some of them to you, some examples that may come and that I'm seriously considering. I also want to deal with the amendment that I introduced earlier this morning.

2:50

Let me deal with the amendment first. The original recommendation read, and I quote partially, "that investments from this division be made for projects." To me that implies that if a project comes forward, there's an obligation then to invest in and fund that project. I would prefer, and this is the reason for the amendment, that there be a choice, that those projects that come forward are evaluated as to their merit and that the choice be made at that point on whether they deserve funding or not. That's why I have the change from investments be "made" to investments be "considered," so that option actually exists.

Dealing, then, with the other part of specific projects that might be considered in here under this environmental investment division, there are a number of areas that very genuinely concern people in Alberta and politicians. Regional waste management is one of those areas. Particularly in the Edmonton metropolitan area, it is a critical problem that exists right now and needs to be resolved. I see perhaps the environmental investment division as a vehicle to provide some leadership, some consideration in this particular area. Provincial recycling on a broader scale is something that our Department of the Environment is pursuing actively, and it should be pursued actively in order to deal with the problems that exist with respect to our waste management. CO₂, global warming: all of these issues could be addressed under this particular division and could benefit Albertans in the short and in the long term by providing a better quality of life, the third objective.

I don't want to stray here, but the next recommendation that I will be speaking to would be even more appropriate under this particular division rather than the capital projects division. Since the division does not exist at this point in time, it can only be considered under the capital investment division, but it would fit more closely with the objectives and the intent of the environmental investment division.

Mr. Chairman, I see a need and an opportunity for all Albertans to co-operate to enhance environmental protection. This proposed division will set the initial blocks in place for that consideration. Some members may claim that it is too broad, that it is a motherhood statement, but it needs to be addressed because it is critical. If we create this particular division, we may then act as a catalyst or as encouragement in a co-operative

way with the private sector in initiating a number of programs and projects, and I've listed some of them: waste management, recycling, the CO₂ situation, carbon dioxide, ozone depletion, and so on. There are a host of other projects that will yield a return by protecting and enhancing our environment, by protecting and enhancing our future, and they will do that by improving the quality of life in Alberta.

Thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you.

The Member for Ponoka-Rimbey.

MR. JONSON: Yes, Mr. Chairman. I'd like to start out by saying that I recognize that the member has put a great deal of thought into this particular recommendation and what he visualizes as being the outcome, but I just have a couple of comments and a reservation.

When we speak of an environmental investment division and the way the term "investment division" is usually used both in the context of the Heritage Savings Trust Fund and other places, we're talking about a situation in which there will at least be a reasonable monetary rate of return. That's modified somewhat in the Heritage Savings Trust Fund as opposed to a commercial rate of return or a market rate of return for some of the divisions. I'm not sure in this particular recommendation whether the member visualizes there being any investment type of return in monetary terms. Here we are getting into a return in terms of enhancement of the environment and through the reduction of pollution, and certainly that is a very important and valid return for some initiative that a government might take. But I think we'd be better advised here, if that's the type of return we're looking for and solely that type of return, to call it the environmental projects division or something of that nature, which would make what we could expect as an outcome of this division fairly clear.

The second comment I'd like to make is that one of the things I feel we have to recognize about the whole area of protection of the environment is that the sooner we can get governments and the general public to realize that protection of the environment has to be paid for on an ongoing basis, the better. The hon. member mentioned regional waste management. Certainly that's a problem across the province in many locations. I would not want us to use the vehicle of the Heritage Savings Trust Fund to allow people to escape the reality that that particular program has to be funded. It's long overdue for having some additional support and some of the questions surrounding it resolved so that regional waste management can go ahead more effectively than it currently is.

We take the whole area of recycling, Mr. Chairman, and there are numerous proposals around right now for recycling. Many of them are based on good technology and so forth, but very few of them at this particular point in time are in a position to pay for themselves or have a structure supporting them whereby they will carry the operational costs into the future. We could talk about tire disposal. We know there's a proposal to provide the ongoing operating funds for that particular project. We know also with respect to hazardous waste management that we have the state-of-the-art facility at Swan Hills. But once again, Mr. Chairman, I think on a long-term basis we have to start getting into order the means by which these types of initiatives can be financed on an ongoing basis. The reality of their cost and their importance is before the general public.

So, Mr. Chairman, if this particular recommendation were stating it as it is, and that is that we should be supporting

additional research projects or certain projects as examples or experiments from which other operationally sound programs could develop, then I would support it, but I have difficulty with an investment division for the purpose as stated. I think there's a conflict there.

Thank you.

MR. TAYLOR: Mr. Chairman, I'd just like to take a short amount of time and support the Member for Clover Bar's motion. I think it's a very good one. I believe the green revolution is upon us. Investments in this area in the early stages are not just a case of doing what appears right or what is right to protect our environment, but they could be very good business decisions. As a matter of fact, I've always argued that I see very little difference between good business and good environment. Those that would argue that doing something good for the environment automatically gives us a cost I don't think have thought it through. I think in the long run good environment is good business. One of the beauties about creating this division and taking a lead in this area, I think, would be to semaphore or telegraph a signal to the investing public in Alberta as well as some of the corporations that this is a place to invest in environmental ideas. I think this would give leadership to the private sector in these particular areas. Indeed, I suspect a lot of it may be used in partnership with the private sector. But if there is anything we can develop to create jobs for the future in Alberta - back again to our landlocked economy - it won't be commodities that we can build and transport out here; it will be ideas and plans and research. The hon. member's recommendation is in the right direction.

Thank you.

3:00

MR. CHAIRMAN: The Member for Calgary-Mountain View.

MR. HAWKESWORTH: Thank you, Mr. Chairman. Well, it's perhaps difficult to argue against any initiative this member or government members are wishing to bring forward to enhance a commitment to the environment. But what concerns me about this proposal is that it strikes me as being a bit of tokenism in that now we're going to set up a sort of token investment division that's going to be exclusively tied to the environment. Likely there would not be much money put into it. I would guess everything this government seems to be pursuing in the environment is: let's go slow and let's do pilot projects and demonstration projects and reinvent the wheel.

What I think is really required by the Heritage Savings Trust Fund is that the entire fund start to make the environment a priority, that we don't just content ourselves with token efforts. That is that all the investments of the Heritage Savings Trust Fund be reviewed to ensure that they meet the criteria of being environmentally friendly by providing short- and long-term benefits to the people of Alberta or, indeed, Canada and all the investments of the trust fund work toward enhancing the environment and reducing pollution. If we took that kind of attitude, Mr. Chairman, then in terms of reviewing the portfolio of all the investments of the fund, we might decide that there are some investments that would have to be divested and perhaps some others that would take their place.

Without picking on any particular one, I know that some years ago Inco was debating making a major investment in pollution reduction equipment in their plant in Sudbury. If I remember correctly, they made the decision to pursue that investment - I think it was half a billion dollars - to improve the pollution-

reducing effects of their plant. Well, I would say that with the trust fund having an investment in Inco Limited, as a shareholder we might say that was a wise choice. If they had not made that decision, that would be a group of shares that it would not be proper for the trust fund to continue to hold. You could go through MacMillan Bloedel, Domtar, Canadian Pacific Forest Products, the whole pulp and paper industry, and in terms of being shareholders do what we could to improve the management of those companies to be more sensitive and responsive to the concerns for the environment that the public has.

Then we could look at investments in Alberta. I mean, we want to leave a heritage to Albertans. We don't want to use a trust fund to finance the destruction of the natural heritage of this province. You know, maybe we should be doing some environmental impact assessments of some of these projects that we're putting hundreds of millions of dollars of the trust fund's money into. Maybe we should be doing those environmental impact assessments before we make those investments. We don't want to be investing pennies in a new division called the environmental investment division if, on the other hand, we're using dollars to undermine the environment.

I think what we really need is to be really imaginative and bold and take a look at the entire fund through the eyes of the future to ensure that all the fund is being directed towards projects that provide short- and long-term benefits to the people of Alberta through enhancing the environment and reducing pollution. Then I think we'd really have something, Mr. Chairman. That's why I would suggest that we could, if you wished, include that as part of a research and development division for Alberta, which we're proposing. As well, we could do that by setting out a series of criteria for the investments of the entire fund and some requirements for environmental impact assessments and for companies that receive the investments from the trust fund to follow or practise sound environmental policies. I think that would be a much better way to go to ensure that the entire fund is moving in the direction of being environmentally supportive and friendly.

MR. CHAIRMAN: Edmonton-Meadowlark.

MR. MITCHELL: Thank you, Mr. Chairman. I'm torn on this recommendation. On the one hand, I appreciate what the Member for Calgary-Mountain View is saying: that it is important to do a complete review, the kind of review that's been called for by the Member for Calgary-Fish Creek, before we begin to make suggestions for piecemeal change in the management of the fund. On the other hand, I am driven by the cold reality of the difficulty of getting the government members of this committee and the government itself to do what's been called for by Mr. Payne from Calgary-Fish Creek and by the realization that in fact this type of recommendation was passed last year and sent an important message to the government.

On balance, I would have to say that I would go with what is possible and welcome the fact that at least there is the Member for Clover Bar, and at least last year his government colleagues supported this particular resolution, which while perhaps not perfect because it is taken out of the context of a complete review, at least I think addresses a very, very important issue, exactly the kind of issue that should be studied and undertaken by the heritage trust fund. If anything is to be critical for the future, if anything is to fulfill the trust fund's mandate to secure improvement for this province and its people for the future, then clearly an environmental investment division that would be

premised upon certain kinds of environmental research, research into environmental projects, is extremely important. I would therefore state that I would support this resolution.

However, while I have the opportunity, I would also like to raise with the Member for Clover Bar, draw to his attention, the importance of him following up on his resolution, passed last year, and question whether he shouldn't have appropriately pursued its status with the Premier in public and whether he is utilizing his associations and relationships within government, cabinet and caucus, and in more public venues such as the heritage trust fund committee to in fact embarrass this government into saying why it wouldn't have accepted and acted upon a recommendation that was passed by this committee last year.

So, on balance, I would support this recommendation. I would ask that the member, however, not do this simply for window dressing but be prepared to fight for that where it counts; that is, with his Premier and in public with the Premier and ask him why it is that he hasn't done what we asked him to do.

3:10

MR. CHAIRMAN: The Member for Clover Bar to close debate.

MR. GESELL: Thank you, Mr. Chairman. While I appreciate the comments from the members both for and against, I'd like to just address those comments that have been made.

First, the Member for Ponoka-Rimbey indicated some caution, and he suggested that perhaps the environmental investment division might be more appropriately named the environmental projects division. His argument for that was that the way it was stated, it would not involve a reasonable monetary return. At the same time, he also admits by his hesitation on this recommendation that there is some valuable return to this particular investment division, and that's the protection of our environment. Now, it's obviously very difficult to measure that in money terms, but still it provides a tangible return. It's just the question of measuring it that becomes a little bit more difficult. My intention in calling this an investment division is not only to protect the environment and derive a return in that fashion, but if possible I would like to see a monetary return, an economic return, on this investment as well such that the first priority of this particular investment division would be to protect the environment, to reduce pollution. Perhaps a second priority would be: yes, wherever possible it should yield a monetary return.

The Member for Westlock-Sturgeon indicated his support, and I appreciate that. He indicated that this would show some leadership - and I appreciate that comment - some leadership to the private sector, some leadership by this government to all Albertans to implement this type of investment division.

The Member for Calgary-Mountain View was very negative in his response. I object to the term he used that this is tokenism, that all investments under the Heritage Savings Trust Fund Act should have this environmental concern built in. Well, I think he misses the point. I believe that environmental consideration is there; it's a reality right now. He just states the obvious. I think in any of the investments we now make that environmental consideration is there, and that's a reality. There are environmental impact assessments. There are considerations, public hearings and all the rest, that are important with any of these investments that are taken. So I do not accept the rebuke from that particular Member for Calgary-Mountain View that the research development division he's proposing would do the job

much more effectively. Not only that; I'm wondering if the division he is proposing actually does incorporate the consideration for the environment that he proposes should be incorporated in all the divisions.

I appreciate the remarks from the Member for Edmonton-Meadowlark, the support. He indicates that we should do . . . And he raises some very important points, that this is an important issue. It's an important issue because it affects our future and assures our future. He makes some excellent points with respect to the follow-up that is required in pursuing this initiative and to see that it is actually implemented, to fight for it. I appreciate those points, because I intend to do just that.

I indicated in my leadoff right at the start that there would be some amendments to the present Heritage Savings Trust Fund Act required. I indicated I would be pursuing that. But there are other alternatives I wish to pursue in order to see that this investment division is implemented. I feel strongly about it, I feel committed to it, and I think it's important for all Albertans.

MR. CHAIRMAN: Thank you. Well, that concludes discussion on recommendation 5.

We'll move to recommendation 6 and recognize the Member for Clover Bar.

6. Moved by Mr. Gesell:

That the Alberta Heritage Savings Trust Fund capital projects division consider investment of research funds to determine the best possible environmental and technical parameters for individual sanitary disposal systems.

MR. GESELL: Thank you, Mr. Chairman. Where my previous motion was fairly general and dealt with a philosophical concept, this recommendation is very targeted, but perhaps not as targeted as some members might believe.

Now, before dealing with the targeting of that motion, I'd like to deal with why this particular recommendation is under the capital projects division. This recommendation would fit more appropriately under the environmental investment division that we've just discussed, but since it does not exist at this point in time, it's difficult to put projects forward that would fall under that division. In line with the recommendation of the Treasurer that whenever we want to pursue some of these projects they should come under the capital projects division, I have done that.

Now, dealing with the targeting of that particular recommendation, members should realize that individual sanitary disposal systems are utilized by some 400,000 Albertans. Members may consider that it only applies to acreages or the small parcel development in the metropolitan area around Edmonton and Calgary. That's not quite true. You need to broaden your view of where these systems are actually used. They're used on farms. Most farming operations, farming homes, do not have access to a municipal sewage disposal system. Small towns and hamlets are users of these particular systems. The rural industry uses them. Yes, acreage subdivisions use them. There is considerable development around our lakes that uses this type of individual sewage system as well. In some cases that development is of such density that the quality of the lake is adversely affected. There are some specific examples of that. Antler Lake in Strathcona is a good example of that, where because the individual sewage systems were not developed in an appropriate fashion, there needed to be put in a municipal system at some tremendous cost. Would it not be better to research the topic of individual sewage systems in a rational, reasonable, and

logical way to come up with some solutions that would prevent us from spending the extraordinary amounts of money that are required for municipal sewage systems?

The problem with the individual sewage systems that exist right now is that most of these systems fail after a certain period of time, and they fail because of the nonabsorbing clay soils that most of them are built upon. There's a controversy here, because the developments where those systems are generally used are directed toward those areas that have low agricultural productivity. That's rightly so. But if we talk about those areas of low agricultural capability, we're also talking about the areas that are generally clay and do not allow the septic, the effluent, to percolate through the soils and thereby be disposed of in a reasonable fashion. So what we end up with when the systems fail in these tight soil conditions is untreated sewage pooling on the ground and running in roadside ditches, on adjacent properties, or into our natural water bodies.

Now, when I discussed some time back the situation of the North Saskatchewan River and the Aurum dump, there were some comments made that perhaps I should address also the problem of these individual sewage systems. I think that comment came from the Member for Edmonton-Meadowlark. It may have been made facetiously at that point in time, but it is a valid comment, and I seriously want to address that problem that we do have in the rural area.

3:20

Let me deal with the technical aspects of the difficulty. Right now we have systems that provide water treatment for potable water that are tailor-made, packaged systems so to speak, that deal with a small number of users. I believe we have at the Environmental Centre a trailer, actually, that does that effectively. We do not have the same type of system or research or parameters that have been developed for individual sewage systems, and the present system of septic tanks in fields does not work over the long term. They fail, and if they do fail, then they require expensive and extensive retrofitting, and even with that retrofitting there is marginal long-term success.

Mr. Chairman, I believe that research into this area is essential because of the large proliferation of these types of systems that exists throughout Alberta, not just in the metropolitan area but throughout the total Alberta area where we have lakes, where we have hamlets, where we have farms, where we have acreages. I would encourage members of this committee to support the investment of research funds to determine the best possible environmental and technical parameters to deal with this particular problem.

Thank you.

MR. CHAIRMAN: The Member for Westlock-Sturgeon.

MR. TAYLOR: Yes, Mr. Chairman. At the risk of creating such a shock to the hon. Member for Clover Bar that he may never recover, I am going to support him twice in a row here. I think the idea of focusing on the rural problems in environment is something we've overlooked for some time. We've always had a tendency when we talk about environmental problems to think of factories and smokestacks in towns and cities. Well, yes, there's no doubt about it; they're still the largest polluters, but what we have lost sight of is the fact that a great deal of our countryside is also polluted. There's not a stream out there that is safe to drink from. There is a disappearance of the flora and fauna that we've had. Maybe the use of pesticides and herbicides has in general brought the whole

rural environment to a very precarious knife edge in what it's lying on. Rachel Carson's *Silent Spring* may have been written a generation ago, but it is starting to happen now.

The only regret I have with the motion is that it focuses maybe too much on just sanitary disposal systems, but a start has to be made in some area. Maybe it's too many years ago, before the hon. member was that interested, but I pushed for some years to try to get regional sewage treatment plants where we would be able to truck in disposal system effluent from the tanks, and that was a step. But I agree there is partly a financial problem, partly a research problem. The rural people for too long have seen research dollars diverted mainly to the macro problems of pollution by our urban cousins and not enough has been spent on, if you want to call it that, micro problems of individual pollution through the rural areas. Some of it is by residential, some of it, of course, by the very livestock and food-producing industry that we have, but I think we need to spend a little more money and time on this project, and this is a step in that direction at least by recognizing the individual sanitary disposal system. To that end I support it.

MR. CHAIRMAN: Does the member wish to close debate?

MR. GESELL: No. I would just like to thank the Member for Westlock-Sturgeon for his support.

Thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you.

I will recognize the Member for Lacombe for recommendation 7.

7. Moved by Mr. Moore:

That the current value of the fund be maintained in 1990 real dollars by reducing the interest transferred to the General Revenue Fund by the amount expended on new initiatives and lost to inflation, until such time that oil royalty revenue is again flowing into the fund.

MR. MOORE: Thank you, Mr. Chairman. Everywhere I've gone, I've heard from constituents and people across Alberta the recommendation that we protect the financial stability of the fund, maintain it. When I look at the balance sheet, I see that it's a little lower this year than it was last year, 1989-90. I think the motion speaks for itself. The financial integrity of the fund should be protected. I can go on and talk for at least half an hour on the merits of the fund and what it does for Albertans. I think they all understand that on both sides of the House. It is a tremendous service to Albertans, and we do not want it diminished in the years ahead.

With that, I have no more to say on it. It's just that the financial integrity should be protected and maintained at today's level of value.

MR. CHAIRMAN: The Member for Edmonton-Centre.

REV. ROBERTS: Thank you, Mr. Chairman. I'm glad the Member for Lacombe has raised this. This is really the nub of the issue. I think we should have spent far more hours debating this resolution than a lot of other things in here, because this matter concerned our own caucus in terms of how to approach this. I do wish we could have more of a debate in here and in the public about the amounts transferred to the General Revenue Fund from the trust fund.

I was interested to hear the Premier's own comments in response to my question about this, saying very definitely that he was not prepared, nor was it government policy, to in a sense inflation-proof the fund. Then he took what I thought was a very political position, stating that we needed that revenue to bolster the General Revenue Fund, which worked right into the life blood of the province in a day-to-day operating kind of fashion. I think there's a lot of political merit in his statement. Certainly many of us would be ill prepared to go out to our constituents and say: we're not going to have - I don't know the figures exactly, how much was transferred this past year; say it's a billion - the billion dollars transferred to the General Revenue Fund, which will further cripple our operating fund so that in fact you're not going to get that school and you're not going to get that hospital program or that irrigation district, because we in our wisdom have decided to inflation-proof the Heritage Savings Trust Fund and preserve the integrity of the trust fund.

Now, there are those in their wisdom who might think that's smart. We have to keep making the mortgage payments and not just pay off our Visa bill. But I think we'd be hard pressed by an electorate that really does see that there is what we call a rainy day out there. It's bad enough when there are services that are under intense pressure. People are being burned out at a number of different levels working in government agencies and government-funded institutions. But to further exacerbate the amount of revenue going to support those programs would be quite devastating. In fact, in our caucus we checked: if this policy had been in place over the last few years, we would have a provincial deficit in the operating account of another \$6 billion. What would we do? We'd have a trust fund perhaps with that amount of increase, but to pay down the interest on such a huge accumulated debt, borrowing from wherever on the money markets, I think would be very, very hard to explain.

Now, you could take a very fiscally conservative approach, which maybe is where this member is coming from, saying, "Well, damn it anyway, the Provincial Treasurer shouldn't be spending all this money and then cutting back here and cutting back there and all the rest." Well, if he wants to take that kind of Reform Party approach to provincial spending all for the purposes of, as I say, undergirding the integrity of the Heritage Savings Trust Fund, then again I think you have a very difficult political argument on your hands.

3:30

I myself am quite torn. I think that as a young father and as a young politician in this province I'd like to see the Heritage Savings Trust Fund remain as it is, a high-interest-yielding and investment-bearing fund for the province and for future generations of Albertans. On the other hand, we have at the previous government's behest built enormous infrastructures throughout the province which now need operating dollars to keep going. We sort of have that as a legacy as well.

So I'm going to keep you guessing as to just how I'm going to vote on this, but I think it is a matter of great debate, and I'd like to hear the comments of other members in relation to it.

MR. CHAIRMAN: The Member for Westlock-Sturgeon.

MR. TAYLOR: Thank you, Mr. Chairman. I think it's an idea that has merit and is worth while. It has two positive features about it that appeal to me. One is that the fact that we'd have to make up for inflation attracts the attention of the politicians as well as the voting public as to just what inflation is and what inflation costs us. It puts an actual mark on inflation. I think

one economist said some time ago – and I have a tendency to agree with him – that ultimately the biggest danger to our western capitalist system is inflation. Therefore, anything we can do to fix attention to it and show the public what the actual costs are would be a move in the right direction. So that would be one of the indirect fallouts of such a message as proposed by the Member for Lacombe.

The other area that intrigues me too is that I believe the heritage trust fund should be matched off against debt. Debt is one of the great causes of inflation too, but if the money that should go to the heritage trust fund is used for current revenue, it's all too easy for the politicians . . . Although the Member for Lacombe seems to think that his party will be around till the Second Coming, I suspect the second coming for his party might be within two years. I don't think whatever party takes over the governing of this province should be allowed to take funds that are normally dedicated to the heritage trust fund, which to me means paying down debt. If you go to the heritage trust fund – when it gets there, it could be liquidated to pay debt or it balances debt. But either way you look at it, money that goes into the Heritage Savings Trust Fund is either directly or indirectly balancing debt. I think it's very, very important to get our debt down. If we continue to put funds that should go to the heritage trust fund into current revenue, it's too easy for us politicians to just keep spending it and forgetting about the debt.

So I liked it. I don't think it goes as far as I would want it to, which would be the liquidation of the liquid assets of the heritage trust fund to pay down debt, but establishing a savings account, or a sinking fund if you want to call it, that doesn't lose value opposite that debt is next to paying debt. I think, therefore, I am inclined to support the Member for Lacombe's motion.

MR. CHAIRMAN: The Member for Calgary-Fish Creek.

MR. PAYNE: I don't know whether it's appropriate or not to refer to a meeting of a constituency association in this forum, but because of the interesting coincidence, I feel impelled to report to the members of the committee that last evening in Calgary when I met with the Calgary-Fish Creek PC Association board, I directed several policy questions to them to get their input, and I directed to them this specific question, not realizing that we would be discussing it today. A very interesting discussion ensued. The bottom line of the discussion, however, was that inflation-proofing the heritage fund should be a secondary objective or priority to balancing the budget. Obviously, Mr. Chairman, balancing the budget would be extremely difficult without the transfer in this year, for example, of \$1.24 billion to the general revenue account.

I suspect, Mr. Chairman, that the views of my constituency board are somewhat representative of the views of our much wider constituency, the people of Alberta. However, they did add a rider, and it's a rider that I'm happy to endorse as well. That is: once the budget has been balanced, then I would expect that support for inflation-proofing the fund would be quite substantial.

In the interim, then, let's work on the deficit; let's use our heritage fund income to help with that battle. As a consequence, I regret I cannot support motion 7.

MR. CHAIRMAN: The Member for Calgary-Foothills.

MRS. BLACK: Thank you, Mr. Chairman. I think I must have attended the same meeting as the Member for Calgary-Fish Creek, only about a week and a half earlier up in the north.

I can't support the motion because, again, the people from my riding have indicated that inflation is something we have to consider, but after we have the budget balanced. The number one priority has got to be balancing the budget, and certainly the transfer of funds from the heritage trust fund to the General Revenue Fund is in keeping with that thought. After – again, the same rider: after – the budget is balanced and the debt has been reduced, then we must look at the inflationary factors as they affect the Heritage Savings Trust Fund.

I think it's a situation of timing. If we were not in a deficit position today, we probably would readily accept this recommendation. However, I think, surprisingly, that I may even have an agreement with Edmonton-Centre, and I was pleased to hear him say that this fund has a high-interest yield on an annual basis which allows for transfer of funds to the general revenue. So I think he's catching on to the fund, and I do agree with him that a lot of programs on the other end would not be available, particularly essential services, if some of this transfer was not made from the Heritage Savings Trust Fund to the General Revenue Fund. So I think it's a matter of timing, and in the long run the concept is very good. However, in this fiscal year I don't think it's practical that we proceed with that recommendation.

MRS. OSTERMAN: Mr. Chairman, I would support the proposal pretty well as stated. I'm listening to my colleagues' comments about what their constituents have said, and to some degree I hear the same thing. But adding to those comments about balancing the budget and continuing to use the revenue of the heritage fund to assist you through these tough times – because I think we have to bear in mind that there was a time not that many years ago when, in fact, the revenue from the heritage fund was staying in the fund. Then we started using the revenue from the fund, and then we stopped. As well, we stopped putting any funding into it, so obviously with inflation in a real sense we are losing dollars.

I guess the question that has to be asked, moving beyond balancing the budget: when is it that any government in this country, and particularly in Alberta – I mean, if we take a look at our economy now, it is reasonably strong. It is very strong relative to the rest of the North American continent in particular. So if we can't, by looking at our revenues in a very tough fashion today, say we're going to balance the budget, and the citizens of Alberta believe there are programs we must keep in place notwithstanding the fact that we're doing it on the backs of our grandchildren – and somebody I hope will tell me how our grandchildren are going to be able to pay for things for themselves when they're paying for us today as well. If we can't do that, then we have to raise taxes if people want to see all of these wonderful services stay in place. With that in mind, if we are to get over tough times – and these are not tough times relative to what is happening in a global sense – then how on earth will we ever have an opportunity to weatherproof this fund, so to speak? Mr. Chairman, I submit that we will not, and therefore I think that in terms of the timeliness today is a good time to be looking very seriously at such a policy.

MR. CHAIRMAN: Okay. Member for Lacombe, would you like to close debate?

MR. MOORE: Very good, Mr. Chairman. [interjection]

MR. CHAIRMAN: One moment. The Chair apologizes. We do have some additional members who wish to speak.

The Member for Wainwright, followed by the Member for Calgary-Mountain View.

3:40

MR. FISCHER: Thank you, Mr. Chairman. I think I would like to support this motion or at least part of this motion. I don't know whether you can entirely protect that inflation all at once or not, but I would like to mention that due to the inflation factor we're having trouble protecting the integrity of the fund. We have to protect some of our capital investments. We did hear from our medical research people that even though their fund was worth quite a lot more than the original \$300 million that was put in there, they still have not kept up with inflation, and they would like to have some more dollars go into that because they are not getting as much value out of that \$490 million, or whatever it's worth, as they were originally out of the \$300 million. I think we have to protect some of those investments that we have put together now.

The other thing I don't particularly like with leaving it where we're not putting any dollars into it is that the longer our government stays on using that money, then the more dependent on it they get. It would be nice if we could just ease them off that little by little. I think we'll be hearing about motion 8, which does just that, a little bit later on.

MR. CHAIRMAN: Thank you.

The Member for Calgary-Mountain View.

MR. HAWKESWORTH: Thank you, Mr. Chairman. Just to make a couple of comments in regard to this particular motion about sort of inflation-proofing the fund. I don't know whether members of the committee are aware of the extent to which the capital of the fund has been eroded both in real terms and in value as a result of inflation, but they might be interested in just a couple of figures in this regard.

If we take the high-water mark for the fund's financial assets, that occurred on March 31, 1987. The peak in the value of the financial assets at that point was \$12.75 billion. Since that time the fund's asset value has been in continuous decline, basically because the entire income of the fund has been transferred to the General Revenue Fund and the capital asset base has been eroded by committing financial assets to pay for spending in the capital projects division.

So if we look at the audited financial asset value for the year ended March 31, 1990, the one that is concerning this committee at the moment, we see that the figure of the actual dollars has dropped to \$12.26 billion, which leads to an overall loss in value of \$490 million in that three-year period. Now, if we just took the projected capital projects division expenditures for the first half of the current fiscal year that we're in, the 1990-91 fiscal year, our estimate of the fund's financial assets on September 30 of this year would be \$12.18 billion. For those who are sort of keeping track of my comments by writing these dollar amounts down on a slip of paper, that means we've now seen an overall loss of \$570 million in three and a half years due virtually entirely to expenditures in the capital projects division of the fund over this period. That's \$570 million.

Now we want to look at the whole area of inflation. If we use the consumer price index as a basis for calculating this loss of the fund due to inflation - the inflation rate for Alberta since

March of 1987 - had the fund been inflation-proofed from the time it reached its peak on March 31, 1987, it would have to be worth \$14.73 billion today. So if we just simply look at its current financial value, we can conclude that the fund has lost close to \$2 billion simply because of the ravages of inflation in the last three and a half years. Simply adding up \$570 million that has gone into the capital projects division and what has not been inflation-proofed, the loss, the combined reduction in the value of the heritage fund, is now at \$2.55 billion. That, Mr. Chairman, adds up to about a thousand dollars for every man, woman, and child in Alberta. So if we want to know what inflation and expenditure in the capital projects division have been, in three and a half years the effect of those two factors has been to reduce the value of the fund by approximately a thousand dollars for every man, woman, and child in Alberta, or \$2.55 billion.

Mr. Chairman, this is not something that can be turned around overnight, but members will note that one of the recommendations the Official Opposition has made this year is that further capital projects division expenditures not take place after the end of this year and that if government considers these commitments for future years to be a priority, they should then do that spending through the General Revenue Fund or through the Capital Fund of the province and not take that money out of the financial assets or the capital base of the Heritage Savings Trust Fund. That one step seems to me certainly prudent in the short term as a way of sort of stopping the erosion of the fund: phase 1. That will make a significant difference of perhaps a hundred million dollars or a couple of hundred million dollars in the next fiscal year if the government adopts that recommendation. That doesn't inflation-proof the fund, but it's a way of starting to turn the fund around to ensure that it's not eroded by the actual spending of financial asset dollars into the capital projects division, thereby eroding the financial assets of the fund.

In order to fully inflation-proof the fund, the provincial government would have to retain in the Heritage Savings Trust Fund somewhere on the order of between \$400 million or \$500 million of the revenues of the fund and not divert them into the General Revenue Fund of the province. I think, given the fiscal difficulty that the government is currently in at the moment, that sort of hit or change would be quite dramatic and probably couldn't be financed in the course of a single year. So what we're having to accept, I think, as a fiscal reality is that over the long term the fund ought to be inflation-proofed, but it's going to be a difficult transition, so a more gradual effort in that regard is likely to be prudent and realistic. However, to do that quickly is not going to be an easy matter, and we would suggest that as an initial step phase 1 would be to stop funding the capital projects division and thereby start changing this fund around to ensure that its capital base is not further eroded.

3:50

MR. CHAIRMAN: Thank you.

The Member for Lacombe, would you like to close debate?

MR. MOORE: Thank you, Mr. Chairman. Well, there seems to be a lot of viewpoints on this. I think it comes down to how you evaluate the programs provided through general revenue and the ones provided through the heritage trust fund and just which side you think the funding should be put in, whether it should be held in the heritage trust fund to fund other programs like we have in there or brought over to the general revenue side, where there are a lot of good programs. We're looking at

our lack of revenue coming in on that general revenue side. It may support some of those programs so they won't have to be cut. That's an evaluation the members of this committee have to make, and we'll make it come voting day.

MR. CHAIRMAN: Thank you. That concludes the discussion on recommendation 7.

We'll move to recommendation 8 and recognize the Member for Wainwright.

8. Moved by Mr. Fischer:

Whereas royalty exemptions under the terms of the Alberta Crown Agreement which took into consideration the results of low oil prices and the capacity addition expansion project should expire this year, resulting in increased revenues to the General Revenue Fund, that consideration be given that the net profits from Syncrude be exempt from section 4(2) of the Alberta Heritage Savings Trust Fund Act, which states that the net income of the fund shall be transferred to the General Revenue Fund. This would allow Syncrude's net profits to be returned to the Alberta Heritage Savings Trust Fund.

MR. FISCHER: Thank you, Mr. Chairman. You'll notice in number 8 is one suggestion that would help stop the erosion from inflation by directing the net profits of Syncrude back into the fund. My suggestion is there because the royalty agreement that has been in place will let more royalty funds come back into general revenue.

I would like to just explain for a minute how it works. The royalty agreement is such that it is only in place when they make profits. There were none in 1979, and from 1980 to '86 there was over \$1 billion of profits on royalties. From 1986 until now there have been no royalties paid. The reason for that is that the capacity addition project, which was to increase the capacity of Syncrude - there were some big expenses there, and the agreement was that the capital expenditures would be back before any more royalties were paid.

Now, those expenses are forecast to be back in '91 or '92. That would then let anywhere from \$150 million to \$200 million, depending on the amount of net profit, flow back into the General Revenue Fund, and it should free up some dollars that would be able to then go back into the heritage fund. For instance, this year the government's investment in the fund for the first six months has a net profit of \$27 million. If the price of oil stays up, we probably are looking at anywhere from \$65 million to \$75 million of net profits this year if we get an average of about \$27 a barrel. Now, that \$70 million I think could go back into the heritage fund and help protect it from erosion, and it would be an easier change for our Treasurer because there's new money coming back in to offset that.

I think it relates back to number 7 as well, Mr. Moore's recommendation. I believe we should be protecting that inflation erosion to a certain extent. I know this probably wouldn't be enough, but it would certainly help, and I believe it has to be a slow transition.

With that I look forward to other people's thoughts about it.

MR. CHAIRMAN: Members wishing to speak to that recommendation? If not, we'll move to recommendation . . . [interjection] Oh, I'm sorry. Westlock-Sturgeon.

MR. TAYLOR: Number 8 we're on, aren't we?

MR. CHAIRMAN: Yes.

MR. TAYLOR: Yes. I wanted to support that because here again it's back to the idea that next to paying down debt, establishing a sinking fund that equals debt is the best thing you can do, and in fact I believe earlier here when we were examining people on the heritage trust fund, the Premier and the Treasurer, they mentioned the fact that Standard and Poor's out of New York totaled all the debt of the province and offset it against the heritage trust fund. Consequently, if we can't liquidate the heritage trust fund and pay down debt, the next best thing we can do is build up the heritage trust fund. Therefore, anything like this that's moving towards building up the heritage trust fund and not taking it into general revenue I think is a step in the right direction to ultimately balancing our books and looking like a well-run province.

The second aspect that I like about this move is that in effect we are liquidating an asset. In general, in income tax laws and generally doing business throughout the world, I've found that whenever you're liquidating a nonrenewable asset, you should be setting up a depreciation fund or a replacement fund. So when we're selling tar sand here, to take all that revenue into income is misleading. It's robbing our future generations. Your money that comes from liquidating a nonrenewable asset should be going into trust, and that trust, which will last forever, should create the fund. Now, it can either last forever or pay down a debt, which allows it to last forever, so I think the hon. Member for Wainwright is barking up the correct tree, if you'll pardon the expression in this case, which is better than he usually does with trees. Nevertheless, it is the right way, I think, of running the economy and running a solid, sensible economy that establishes sinking funds hopefully, in time, equivalent to our debt.

MR. CHAIRMAN: Does the hon. Member for Wainwright want to close debate in one minute and move for adjournment?

MR. FISCHER: Yes. Well, it's nice to hear that the Member for Westlock-Sturgeon should agree with something I mentioned. I would like to correct him, though. I do a lot of things with trees, but I don't bark up them.

There was one thing I failed to mention, and that was that certainly there's been a lot of discussion over selling off the Syncrude project, but this resolution would be until the timing was right and until that was done. There's a lot of discussion about the timing and when you should do it, but in the meantime I would like to see this resolution passed. I'd look forward to all of your support.

MR. CHAIRMAN: Okay, the Chair would entertain a motion for adjournment.

MR. FISCHER: I'd like to move we adjourn for this afternoon.

MR. CHAIRMAN: All those in favour? Any opposed? The committee stands adjourned until 10 o'clock tomorrow morning.

[The committee adjourned at 3:59 p.m.]

