

## Standing Committee on the Alberta Heritage Savings Trust Fund Act

2:02 p.m.

[Chairman: Mr. Ady]

MR. CHAIRMAN: I'd like to call the meeting to order. To put us back on schedule, we were debating recommendation 12, which had been moved by the Member for Wainwright, and I believe we are to the point where it would be appropriate for the Member for Wainwright to close debate.

12. Mr. Fischer recommended 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, thereby allowing Syncrude's net profits to be returned to the Alberta heritage savings trust fund.

MR. FISCHER: Thank you, Mr. Chairman. I did have a few items that I wanted to speak about, but most of them were for the benefit of the Member for Edmonton-Meadowlark, and he's not here. So I think that I would like to close debate and urge the members to support this motion that's very important to the integrity of the fund. Anyone that believes in the fund itself I'm sure would support me.

Thank you.

MR. CHAIRMAN: Thank you.

We'll move to recommendation 13 and recognize the Member for Edmonton-Calder to initiate debate.

13. Ms Mjolsness recommended that the Alberta heritage savings trust fund be restructured as follows:

- (1) The current divisions of the fund be consolidated into two divisions, being
  - (a) the securities and investment division, which would hold the assets currently held in the commercial investment division, the Canada investment division, and cash and marketable securities and would earn market rates of return for the purpose of revenue transfers to the general revenue fund and
  - (b) the Alberta research and development division, which would hold the assets currently held in the Alberta investment division and in the various research funds of the capital projects division and would be directed to long-term research and development programs in human and natural resources as an investment to benefit future generations of Albertans.
- (2) Annually the Provincial Treasurer present to the Legislative Assembly for its approval the policy directions and objectives and the budget for the fund's two divisions.
- (3) A legislative office be created called the trustee general, whose office would have trust and fiduciary responsibilities for the management of all financial assets of the fund to ensure all investments were managed in accordance with policies approved by the Legislature. This office would be responsible to the Legislature through the Standing Committee on the Alberta Heritage Savings Trust Fund Act and would be responsible to table an annual report with the Legislature.

- (4) The Standing Committee on the Alberta Heritage Savings Trust Fund Act hold annual hearings with the Provincial Treasurer, the trustee general, and the Auditor General to ensure the fund is benefiting the people of the province of Alberta, and the committee be empowered to call all such witnesses as it wishes to appear at these hearings.
- (5) A broad series of meetings and public hearings be held to receive further input on this proposal to increase the effectiveness and accountability of the fund.

MS MJOLSNES: Thank you, Mr. Chairman. The first recommendation from the Official Opposition is fairly lengthy. Nevertheless, I'll just make a few comments on it.

Mr. Chairman, this is a major recommendation in that it makes some very fundamental changes to the heritage trust fund. Its intent is to both improve the financial performance of the fund as well as the accountability of the fund to Albertans and to this Legislature. The financial performance would be improved by ending capital project expenditures, and we go into detail of this in our recommendation number two, but it also would streamline the fund into two divisions instead of its current five. We feel that that would improve its effectiveness. The proposed research and investment division would also seek to earn a rate of return for the general revenue fund, but this would not be its only objective. It would also have a mandate to diversify the economy.

One last comment, Mr. Chairman. Currently the Legislature plays no role in setting policy directions for the heritage fund, which we think is a major weakness, and this particular recommendation would address this concern. The accountability of the fund would be improved by removing the investment decisions from the cabinet and the Treasury Department bureaucrats and placing them with the trustee general, who would be an officer of the Legislature.

Thank you.

MR. CHAIRMAN: Thank you.

Members of the committee wishing to speak on recommendation 13. The Member for Calgary-Fish Creek.

MR. PAYNE: Mr. Chairman, this is such a comprehensive and multifaceted recommendation that I would have liked to have had just a little bit more time with it. However, I do have one or two, I guess you could term them spontaneous, reactions, and perhaps at a later opportunity I could advance some further reservations or, indeed, supporting comments.

My first concern, Mr. Chairman, has to do with the purported trustee general, but with an office. I assume the office would be staffed by several or perhaps a half dozen bureaucrats, and I remain to be persuaded that an additional bureaucratic hurdle would contribute to the smooth and efficient functioning of the heritage trust fund. It seems to me that with the members of Executive Council who comprise the investment committee, the senior officials in Treasury who currently work with the fund and its investment portfolios, and the existing private sector or consulting arrangements that are in place, not to mention the able membership of this select committee, we have enough players in place, that if we have a difficulty with fund administration, it has less to do with the number of bodies in the process and more to do with policy. If the member sponsoring this resolution has concern with respect to heritage fund policy, she has this forum to enunciate those concerns. She has the Legislative Assembly itself to address these concerns and to bring forward policy recommendations, and if in this democratic process she is able to persuade others of her colleagues on both sides of the

House, then those policy changes will be implemented. To reiterate, I think it has less to do with the numbers of bodies involved in the process and more to do with using more effectively the existing processes and the existing forums that are available to us as Members of the Legislative Assembly. So that's my first concern.

My second concern has to do with item (5) of motion 13, and that is the reference to "a broad series of meetings and public hearings." Before I could be persuaded that that's useful to the process I would need considerably more information as to what is meant by "a broad series of meetings." I acknowledge full well that the parliamentary process functions best when we have the widest possible range of input. Mr. Chairman, I'm sure your experience is not unlike mine; that is, public meetings and hearings oftentimes are dominated not by informed individuals but by stakeholder groups with particular axes to grind. That adds to the burden, it seems to me, of Members of the Legislative Assembly as they work their way through the wide range of inputs they get to arrive at their own personal determinations of policy as regards the heritage savings trust fund.

As I indicated at the outset of my remarks, Mr. Chairman, it is such a complex and interesting proposal that it bears our further examination and analysis, certainly by this member, but I would at the outset like to advance these two reservations. Perhaps the sponsoring member, when she concludes debate, could satisfy my unease in this regard.

MR. CHAIRMAN: Thank you.

The Member for Lacombe.

MR. MOORE: Thank you, Mr. Chairman. The hon. member brings a very long, detailed resolution here, and I'd like to deal with its various sections and try and rationalize the reason for bringing it forward. It seems to me that as long as I've been on this committee I've heard time and time again from various areas, including the opposition benches, that we don't give enough detailed breakdown on the heritage trust fund in the financial statements. Here they're saying, "Well, let's concentrate it so that we don't have that detailed breakdown; bring it into two divisions." I think the way we have it now with all the various divisions gives out a full flow of information, more specific than you'd ever get it by concentrating in two divisions and where it would be lost in a myriad of other figures. I think the people of Alberta like the present format because it does give full information, full disclosure.

Now I move on to the creation of a trustee general to handle this. We have the Auditor General there too. I don't think it's good economic sense, if you feel that somebody's office is not performing up to your expectations and giving you the information you want, to create another body outside, up and above again, and create all that bureaucracy. What you do is give the Auditor General the information that you would get from the trustee general. Why do we create another position when all we need to do is give the Auditor General the information that you would get from the trustee general. Why do we create another position when all we need to do is give the Auditor General the information that you would get from the trustee general. Why do we create another position when all we need to do is give the Auditor General the information that you would get from the trustee general. I find it very, very hard to think of creating another layer of bureaucracy on top of the Auditor General's area, and then to set up a standing committee on the heritage trust fund is sort of saying that this committee isn't functioning and isn't functioning properly. I think this committee is filled by very capable people who can do the job well. Then we go on to the fifth point.

A broad series of meetings and public hearings be held to receive further input on this proposal to increase the effectiveness and accountability of the fund.

I think we have 83 representatives out there from every corner of the province, elected by the people and listening to the people. I know that we on the government side are out there listening to the people and hearing their proposals and bringing their input back into this Legislature at all times. Apparently, some of the other parties don't do this, so they think we should have a broad series of public hearings to pick up this information that the 83 elected representatives should be doing. I have no difficulty from the government side. I see a steady flow of information coming from their constituents into this Legislature and performing well. So I can't understand that fifth one, other than the fact that probably the mover knows her party better than I do and knows that they are not capable of listening to the public and bringing these things forward to this committee, which can perform just as well if not better than the so-called standing committee that is recommended here.

So I think that all of this is just a bureaucratic maze being brought in up and above a good working process that's in place right now. If there's something wrong with that process, then we should strengthen it rather than creating another maze outside of it.

2:12

MR. CHAIRMAN: Thank you.

The Member for Westlock-Sturgeon.

MR. TAYLOR: Thank you, Mr. Chairman. The motion is well thought out and would appear to be a good method of structuring the Alberta heritage savings trust fund if we believed in two things: one, that we can afford to have capital sitting aside to be invested when we're that badly in debt. The second assumption it uses is that there's some repository of wisdom in the Treasury and the trustee general's office. Both of those I question. We've already discussed ad infinitum, maybe even ad nauseam, the reasons for dissolving the heritage trust fund, so I won't go into that again.

The second part that bothers me is clause (3) in the member's motion. Setting up the trustee general still would mean that somehow or another the government of the day, be it Conservative, Liberal, or NDP, would be investing the capital. I've just seen nothing through the years, my limited experience on this earth, Mr. Chairman, to indicate that governments are that wise as investors. Although there's a peak through the socialist veil here in the direction of appointing a trustee general, it's still a government appointee, probably there at the behest of the government, with bureaucrats making decisions. I think there are areas in this world where bureaucracies do fairly well. Maybe we even have to have them in some areas, but in the areas of investing taxpayers' capital, the people of course that can invest capital best are the taxpayers themselves. Although I'm not all the way to Karl Marx, where all property is theft, you might say in analogy to that, where all funds that a government has are a theft from the taxpayer. I haven't gone quite that far in my belief, although I'm inclined to think, as I get older, that maybe they are a result of theft from the taxpayer. The taxpayer is still the best person to invest funds, and if we don't have the taxpayer investing funds, the next best person is a very independent board, altogether removed from government, to do the investment.

Consequently, although I appreciate the amount of work that's gone into this motion, as I mentioned, two reasons: one, I don't believe that it should exist because we're so badly in debt now, and secondly, a government trustee general is not the way to operate it anyhow. Although it would be an improvement over the present method, it wouldn't be enough.

Thank you.

MR. CHAIRMAN: Thank you.  
The Member for Stony Plain.

MR. WOLOSHTYN: Thank you, Mr. Chairman. I'd like to respond to the assertion that governments can't manage. I think that government can manage as well as the people that are in there. Examples of returns on dollars: Syncrude, AGT before we destroyed it, and Pacific Western Airlines were good investments. Currently, on the municipal level, Edmonton Telephones, Edmonton Power, and Calgary Power are all doing well. Those are all government operations. Just because the government owns, it doesn't necessarily mean that it can't be operated in an efficient and prudent fashion. The question is: how do you manage it?

In the case of this particular resolution, we feel that the heritage trust fund could best be improved by doing some streamlining. As the hon. Member for Calgary-Fish Creek pointed out, you have the executive committee, you have the Treasurer, you have consulting firms from the private sector. Nowhere would all these be drawn together. The fund, as we all know, has been diminishing, some of it from just the way it's structured, and we'll address that in recommendation down the way. Some of it we feel that perhaps a more prudent management could have saved us or improved the return to the fund. Our idea, whether you call it a trustee general or whatever, is simply a matter of having some co-ordinating body in there. The government of the day would determine just how big that bureaucracy would have to be, if at all. It could be using existing . . . I don't know. Obviously, in a recommendation you can't put all the details. But to shoot it down because there's going to be another bureaucracy all of a sudden I think is quite frivolous and unrealistic.

You will notice throughout this recommendation, in sections (3) and (4), the Standing Committee on the Heritage Savings Trust Fund Act would still be here, would still be responsible for presenting their report to the Legislature, and so on. So that part wouldn't change.

I think the Member for Calgary-Fish Creek was quite right in saying that this particular recommendation deserves further scrutiny. We all know that all that's passed here is a recommendation; it is not binding by law. But if in fact the Member for Calgary-Fish Creek is sincere in saying that this kind of an idea deserves further scrutiny, I would enlist his support for this particular recommendation. I'm sure that he will be supporting it.

Mr. Chairman, I think the other area of concern is the meetings and public hearings. I find it difficult to jump to a conclusion that all of a sudden there would be meetings in every town of this province and so on, but I do believe that one of the shortcomings of the fund is, from the public's perception at any rate, that they have not had the opportunity to have a direct input to their elected people with their ideas of in fact how the fund could be more effective and accountable. I think that legislators have an obligation to their constituents, all the constituents of this province in this particular instance, to provide some mechanism to get the input from the people in general. So, Mr. Chairman, I think this particular proposal, although it appears very lengthy, is not that complicated. It's a matter of the operating of the fund, to structure it in such a way that it would be more efficient. Also, I think the other part, that has been brushed over but is extremely significant, is that the Provincial Treasurer would be bound to work with the trustee general, would be bound to present to the Assembly for approval the policy directions and the objectives of the funds, two new divisions.

On that, Mr. Chairman, I encourage all members to support this particular recommendation so it can be further looked at to see if in

fact there are some very good ideas that could be implemented in the future.

2:22

MR. CHAIRMAN: Thank you.

The Member for Edmonton-Calder to close debate.

MS MJOLSNESS: Thank you, Mr. Chairman. With all due respect, I'm having trouble following some of the arguments that have been expressed today. The Member for Calgary-Fish Creek talked about us having the opportunity to come before the committee if we want changes made within the heritage trust fund. That's exactly what we're doing today through this recommendation.

However, having said that, to sum up, I think that this recommendation talks about streamlining, talks about consolidating the heritage trust fund so that it perhaps would be more effective. I won't get into some of the explanations that my colleague from Stony Plain has just expressed about the trustee general; however, I do think that there are some very positive aspects to this recommendation. It's just a case of examining some of the things in this recommendation.

I'd just like to make a quick comment about the public hearings and the meetings. One of the comments I hear a lot from the public when they talk to me about the heritage trust fund, their first reaction is: is there money in that trust fund; what's going on with that trust fund? So I think that the public hearings and the meetings will go a long way in encouraging the public to get involved. We're talking here about accountability directly with Albertans who have a direct investment in the heritage trust fund because it happens to be their money that makes up that fund.

Having said that, Mr. Chairman, I would encourage all the members, including the Liberals, to support this recommendation.

MR. CHAIRMAN: Thank you.

We'll recognize the Member for Edmonton-Calder to introduce debate on recommendation 14.

14. Ms Mjolsness recommended that in accordance with the recommendations of the Auditor General, deemed assets and deemed equity represented by deemed assets no longer be reported on the balance sheet but rather be reported in a note as completed or ongoing capital projects.

MS MJOLSNESS: Okay. Thank you, Mr. Chairman.

I believe this recommendation is fairly straightforward. In the past the figures that have been presented to us have been inflated. I don't think there's any question about that because of the fact that the deemed assets and deemed equity represented by deemed assets have been included in those figures. I think we need to be honest with Albertans and straightforward with them. Removing these figures that relate to the deemed assets and the equity I think would be a very positive move and would be much more straightforward with Albertans.

MR. CHAIRMAN: Thank you.

The Member for Bow Valley.

MR. MUSGROVE: Mr. Chairman, the Auditor General has separated the liquid assets of the heritage trust fund from the deemed assets. Certainly I don't think anybody can argue the point that the deemed assets are not a heritage to the people of Alberta. Not only have our Heritage Foundation for Medical Research and our scholarship foundation been very successful, but in southern Alberta,

for instance, money spent from the heritage trust fund on irrigation is certainly a heritage to the people from Alberta. I can recall when people were struggling with trying to get irrigation water when 85 percent of the water was going down the river in two months of the year and they had no way of using that water. Since they went into headworks funding out of the heritage fund and also the irrigation capital works, it's been a tremendous benefit to the irrigation farmers -- not only for the present time but on into the future. These deemed assets, as far as I'm concerned, are doing as much good for the heritage of Alberta as our liquid assets are. Certainly I see no reason to say that they are not part of the heritage trust fund.

MR. CHAIRMAN: The Member for Lloydminster.

MR. CHERRY: Thanks, Mr. Chairman. I just wanted to echo the same thing that my colleague from Bow Valley has echoed. I think that when you look at the deemed assets -- for example, he brought out the point that if the irrigation was ever sold off, the number of dollars that would be sustained is tremendous, in the billions. Another example of a deemed asset would be Fish Creek park, if we sold it. So I'm not quite sure I know where the member is coming from when she says to have "assets no longer be reported on the balance sheet but rather be reported in a note." Maybe we should take another look at that. I'm very proud, as the rest of us members are, of our heritage and what it can do for us.

Thank you very much.

MR. CHAIRMAN: Thank you.

The Member for Westlock-Sturgeon.

MR. TAYLOR: Thank you, Mr. Chairman. I would support the hon. member's motion. It's been attacked. "What wonderful things the deemed assets are." Nobody's taking that away from it, and the member's motion doesn't take that away either. The member's motion just says that you shouldn't include deemed assets on the balance sheets. As the Auditor General and every person in business knows, you can't put deemed assets on the balance sheet. You can note that you have some.

Certainly I would go along with the Member for Bow Valley and the other member that said that we have these wonderful irrigation and other projects that people need to be reminded of. From what little I've seen of the private members' campaigning, they incessantly and to the point of nausea remind the public of what the heritage trust fund has done as if for some reason or another it sprung out of the ground when we chose to elect a Tory government. This continual reminding them of what we have spent the money on is fine.

The hon. member's motion says, "rather be reported in a note as completed or ongoing capital projects." Not to take away from the old guard and the wonderful things that happened while they were young and full of vim and vigour, that went on here in Alberta; I wouldn't take that away at all. That would still be listed in the reports. I think including it as an asset with a dollar value on it gives a very misleading impression to the public of the province. They actually think there's \$15 billion in assets sitting there, that some rainy morning they could take off their rubber boots and run barefoot through the \$15 billion in coin, but it's not there. It's not there, Mr. Chairman. It's only a fraction, maybe half to 60 percent of it. I think the public should know exactly what's in the fund, what value it has, not a going back. Luckily this government has been in power for quite a while, so they can go back 20 years, I guess, and claim it, claim anything.

The point is that sometime or another common sense dictates when you have to take off your rolls the wonderful buildings and the wonderful things they've done in the past and start talking about the present. Certainly the present doesn't include as an asset, even to the Auditor General, who has been very explicit in this regard too -- and he in turn has used what has been a general practice across Canada: you've got to put this type of thing in deemed assets. You're allowed to note it. You're allowed to take claim for it. You might even put in the notes the years that they were built so that the hon. private members will be able to say to the people, "Look, back in those days I had hair and teeth, and this is what I did," and brag about it. I don't think there's any need to put a dollar value and leave it in there now.

MR. CHAIRMAN: The Member for Stony Plain.

2:32

MR. WOLOSHTYN: Thank you. I'll be quite brief. The Member for Westlock-Sturgeon made the point that I was going to make on quite a few of these issues. I think it's extremely important that we recognize that not only is this recommendation a very, very sensible one; it also brings forth something called honesty, and it has been supported by the Auditor General.

With respect to deemed assets, I don't have any difficulty with where the money has been spent. It's been spent. It's been in most cases a benefit to most Albertans. I would like to point out one of the weaknesses of having a deemed asset on the balance sheet, especially as is outlined here. It's a fairly small number, granted, but under Education there was \$9 million very well spent back between the years '78 and '81 for expendable school classroom supplies. These supplies have been used. They're gone. For the most part they're nonexistent, yet we keep regurgitating a \$9 million asset. It doesn't exist, Mr. Chairman. The fact that it was spent, the fact that it had done a lot of good I will not argue. The prudence of spending the money in that particular area at that time, I think, was very good. We had those large maps of Alberta, some of which may be around yet to this day, and things like the Kanata Kit come out of that. I think it was a good spending of the money. However, it's gone. It's been done. I think it should be reported in such a way that yes, we can note it as having been an expenditure of the fund. That's only fair. To call it an asset of the fund of any description is unrealistic.

Now, I think for the sake of the members, not all of these so-called deemed assets would be, if you will, put away. The scholarship funds are generators. Maybe they shouldn't be in that particular category. What we are striving to find, I think, is a more realistic method of reporting what the heritage savings fund is all about.

Thank you.

MR. CHAIRMAN: The Member for Lacombe.

MR. MOORE: Thank you, Mr. Chairman. It's my opinion that this motion relates to whether people can interpret what the deemed assets are and the value and how they relate to the heritage trust fund. Actually, it relates strictly to disclosure and the method of disclosure. When I look at what we have here in the present financial statement and what this motion says, I think we're going away from open disclosure into a closed deal where there will be less information for the public. "... but rather be reported in a note as completed or ongoing capital projects": mix it in so that people can't see where it's at is what this says to me.

Now, let's look at what's actually happening. I think probably the Member for Edmonton-Calder and the Member for Stony Plain didn't read the financial statement, because if we look at it, on page

31 there's a complete breakdown of each project of deemed assets written for them. If they have trouble understanding a written deal, let's go to the balance sheet on page 41. They don't mix it in with the other assets on the balance sheet; they break it down separately under deemed assets, and they put the amount in there. They didn't mix it in, as they suggest in their motion; they broke it down so that people will know what's there and where it's at.

They refer to schedule 6 on page 55. We go there. Instead of having a written breakdown, now we have it in dollars and cents, a complete breakdown of what the deemed assets are. Nothing could be clearer. Nothing could be more open. It discloses everything out where people can see it, not hide it in some other area and lose it, as is suggested with this motion. "No longer be reported on the balance sheet": well, some of our colleagues here have explained that they are real assets. I think it would be a very, very poor balance sheet. In fact, I don't think it could be accepted anywhere to put out a balance sheet not showing your total assets or trying to hide it in with the ongoing capital projects and so on. I think that's misleading to the public. Breaking it up like this is an honest, aboveboard way of doing it, and it tells the people of Alberta exactly what is there. The full information is there, written or in dollars, for anyone to read. Hopefully the mover of this motion, after she has the opportunity to read the financial statement here, will realize that it is a pretty good statement giving full disclosure.

MR. CHAIRMAN: Thank you.

If the committee would just let the Chair interrupt for a moment, perhaps I would acknowledge a class that's come into the gallery. We would advise them that they're watching the proceedings of the Select Standing Committee on the Alberta Heritage Savings Trust Fund Act. We're debating recommendations that have been put forward by the committee. We're pleased to have you in the Assembly today and hope you will enjoy your stay. Perhaps if you would stand, we will acknowledge your presence here with us today. The committee, please.

Thank you.

MR. MUSGROVE: Mr. Chairman, I just wanted to respond a little to the statements made by the Member for Westlock-Sturgeon which, I believe, if I recall correctly, said: these deemed assets for whatever they're worth today. Now, I would challenge that most of the deemed assets today are worth more than the value when they were put in as deemed assets of the fund. I certainly have to point out that the scholarship trust fund today is worth about \$200 billion, yet it is claimed as a deemed asset, I believe, worth a hundred million when it was put in. The same with the medical research trust fund, which has almost doubled its value as far as they're concerned but is still claimed as \$300 million as a deemed asset. So when you say "whatever they're worth," I have to say that whatever they're worth is in general more than they are claimed as a deemed asset.

MR. CHAIRMAN: Thank you.

The Member for Edmonton-Calder to close debate.

MS MJOLNESS: Thank you, Mr. Chairman. We've thrown around the word "honesty" today. It's come up several times. That's what this recommendation is talking about. Let's be honest with Albertans and tell them exactly how much the fund is worth. When you take a look at the example that the Member for Stony Plain used, that \$9 million of learning resource material included in the total value of the fund, that is misleading to Albertans because those learning resources don't even exist anymore. The money's been

expended; it's not there. So how can they include that in the total and give a clear picture to Albertans?

This particular recommendation states very clearly that deemed assets and the equity derived from the deemed assets would no longer be on the balance sheet. I believe this would paint a true picture to Albertans, who, quite frankly, Mr. Chairman, are very confused about what this fund is worth. It's the kinds of figures that are coming from the government that is causing that confusion.

So I would just say to the members of the committee that I would hope that they see the light, do some math, and support this recommendation.

MR. CHAIRMAN: I'm sorry, hon. Member for Wainwright. Debate's been closed on this recommendation.

The Chair recognizes the Member for Edmonton-Calder to introduce debate on recommendation 15.

15. Ms Mjolsness recommended that the Alberta government develop a strategy for the early repayment of the Alberta heritage savings trust fund loan to Vencap Equities Alberta Ltd.

MS MJOLNESS: Mr. Chairman, this recommendation was passed unanimously last year, I understand, even though I was not sitting on the heritage trust fund committee last year. To date it has not been acted upon. That is why we have reintroduced it this year, in the hopes that it will stay alive and we can see some action on the part of this government.

MR. CHAIRMAN: The Member for Ponoka-Rimbey.

MR. JONSON: Yes, Mr. Chairman. I was just wanting to note that this, as I recall, was one of three recommendations related to Vencap that were passed during our previous year's considerations: two, I believe, from government members and one from the Official Opposition. I think this recommendation is still relevant. I think it has been duly noted, and the answer is that the Provincial Treasurer is -- I guess the best way to sum it up -- working on it. Although I am not sure of the necessity for it at this time, I can see that the member might want to put it forward again.

2:42

MR. CHAIRMAN: Thank you.

Does the member have any closing comments?

MS MJOLNESS: I appreciate the remarks. Thank you.

MR. CHAIRMAN: The Member for Edmonton-Calder for recommendation 16.

16. Ms Mjolsness recommended that so long as Vencap Equities Alberta Ltd. continues to hold an Alberta heritage savings trust fund loan, its mandate be restricted to making investments in Canadian-owned, Alberta-based businesses that contribute to economic diversification.

MS MJOLNESS: Mr. Chairman, this recommendation comes to us because we had a situation occur that most of us are familiar with. It was brought up in the Legislature about Vencap giving money to a U.S. restaurant chain. I know that when the hon. minister was present in front of the committee, I was able to ask questions on this particular issue. We just felt that it's important that as long as taxpayers' money is being lent to Vencap Equities, the mandate should be restricted that Vencap make investments to Canadian-

owned, Alberta-based companies in view of the fact that their mandate currently is to diversify the economy of Alberta, I believe. So that's where this particular recommendation comes from. I think it's a very good recommendation. We have a number of small businesspeople in the province feeling that they do not have access and do not have support from this government. When we see the moneys from NovAtel and now moneys from Vencap Equities going to an American chain, people are very disillusioned, especially small businesspeople. I think this recommendation would go a long way in restoring the faith of businesspeople in Alberta if they knew that the government was taking a stand such as recommended in this particular recommendation.

MR. JONSON: Mr. Chairman, I would like to first of all say that I think that with respect to the individual case that the Member for Edmonton-Calder has mentioned, my primary concern with that would be that it did not seem to be an investment which was of a venture capital nature, nor did it particularly diversify the Alberta economy. In that sense I think we are in agreement. I don't know that the chickens that they are frying are particularly unique or that there was any research and so on necessary for the development of this particular firm. So I share the member's concern with respect to that aspect of Vencap investments, and I also would add here that there are other investments reported that do not seem to be promoting venture enterprises within Alberta.

However, it would seem to me that if there was an investment which would bring a new industry, a new type of business activity into Alberta, locate it here, employ people on a long-term basis, then perhaps we should not be too limiting upon Vencap Equities with respect to an investment of that particular type. So I just make those comments, Mr. Chairman.

In summary, I guess what I am saying is that I don't quite agree with the recommendation itself, although I do agree with the hon. member's comments about her concerns over Vencap.

MR. CHAIRMAN: Thank you.

Does the member have closing remarks on recommendation 16?

MS MJOLSNESS: Mr. Chairman, just that I recognize the concern expressed by the Member for Ponoka-Rimbey in that perhaps in the future there may be a firm from the United States, for example, that could help diversify the economy. I mean, that may occur, but we wanted to make this recommendation strong enough that it has some clout, because if we open it up again, the same thing could happen. I just want to state that Vencap was started with heritage trust fund moneys through a loan, so we do have some control over their mandate, or I think we should have. We should move in this direction, and I would hope that members would support this recommendation.

MR. CHAIRMAN: Thank you.

The Member for Edmonton-Calder to introduce debate on recommendation 17.

17. Ms Mjolsness recommended that in light of the substantial investment of the Alberta heritage savings trust fund in the Pine Ridge Forest Nursery, the nursery continue to be owned and operated by the government of Alberta.

MS MJOLSNESS: Yes. Thank you. The Member for Stony Plain and I had the privilege of traveling out to the Pine Ridge Forest Nursery. I understand other members on the heritage trust fund

committee have been prior to this year. We were very impressed with the operation. We were given the royal tour when we were out to see the operation. I can't say enough about the staff, how impressed we were with the staff. We really were impressed with the kinds of things that they're doing at that nursery. They're protecting our forests, doing wonderful research, very important research, working with industry. I should add, Mr. Chairman, on behalf of all Albertans that we would just like to see the nursery stay in the hands of the Alberta government, because we feel it is such a crucial and very important and very impressive operation.

MR. CHAIRMAN: Thank you.

The Member for Lloydminster.

MR. CHERRY: I guess this recommendation does bother me. I want to say at the start that I have also toured the nursery. They have excellent staff; no one is going to debate that. But I think the private sector has a job to do in this province. I think one of the things that the private sector can do and do very well is run this nursery. It's something that I believe our policy as a government should reflect and reflect very strongly: the private sector should be out there whenever it can be and doing the job. I'm not taking anything away from the nursery. As I said, they've got very, very good staff. It's run very well. But I still believe that the private sector can do a better job than government ever thought of doing.

Thank you.

MR. JONSON: Well, Mr. Chairman, I'd just like to indicate that as the recommendation is worded, I would certainly support it. The recommendation states that the nursery should "continue to be owned and operated by the government of Alberta." I would hope that the passage of it, though, wouldn't be interpreted to mean that there couldn't be subcontracts let, that the government would be restricted in the way in which it operates it, but certainly as the umbrella owner and operator of the nursery, I support the recommendation.

MR. CHAIRMAN: Thank you.

The Member for Athabasca-Lac La Biche.

MR. CARDINAL: Thank you, Mr. Chairman. I, too, in a way want to speak against the motion, I guess, because it doesn't really say anything different than what is out there now. We do have that process in place now, and it's supplying at this time close to what Alberta needs for seedlings and will continue doing that.

As you are aware, the future needs are going to increase probably to 105,000 or so seedlings within the next five years, and I know there has been private interest in Alberta to supply those seedlings. We are now purchasing some seedlings from B.C., and I disagree with that. I think we should provide private companies in Alberta to supply the balance of our stock as they are required wherever opportunity arises.

So the motion really doesn't say anything, because we have that process in place now. The whole process seems to work well and in fact also looks good in the future to provide additional opportunities for the private sector to provide the balance of the seedlings.

MR. CHAIRMAN: Thank you.

The Member for Westlock-Sturgeon.

2:52

MR. TAYLOR: Thank you, Mr. Chairman. I find it a little difficult to understand the motion, except possibly to try to handcuff the

government to make sure that they don't sell the nursery or contract out part of it to private initiatives. I actually see nothing wrong with selling a public enterprise to the private sector if it looks like it's a good deal on both sides. I'm not committed to government ownership being the best of all things, nor on the other hand do I feel it's the most evil. I think that as time is progressing and our forest industry seems to be taking off, particularly in the pulp area, it may well be time to get out of it. So right now I don't see why we should freeze any future government from making that decision. Consequently, I don't see how we can support it.

MR. CHAIRMAN: Thank you.  
The Member for Stony Plain.

MR. WOLOSZYN: Thank you, Mr. Chairman. I think it's extremely important that the members understand why that nursery is there. The reason for the nursery's existence is to reforest areas that have been harvested, to reforest them in such a way that the seedlings that are returned there are of the same stock that came out to ensure that in fact they do grow and grow to their potential.

One of the things that impressed me on my tour of the nursery along with the Member for Edmonton-Calder was the close liaison between the nursery and the forest industry in the collecting of the seeds and the documenting and the labeling and the planning of how the harvesting was going to go so that the reforestation could be planned along with it. I wasn't aware to what extent these areas had gone. I feel that only an objective, in this case, government-sponsored, government-controlled body could maintain that kind of overall approach to reforesting.

With respect to generating the volume of seedlings, about three or four years ago the Minister of Forestry, Lands and Wildlife made the statement that he was looking for another nursery to be set up in Alberta to do that very job. Instead of setting up another nursery, as was indicated at his meeting here, they chose to sublet that. We don't have any problem whatsoever with other nurseries supplying the seedlings through Pine Ridge. However, I think that in order to guarantee the continuation of proper reforestation programs with the right seeds to the right locations with the right genetic strains, the only place we can trust and totally trust would be Pine Ridge nursery.

I certainly appreciate the comments of Ponoka-Rimbey. This is certainly not intended in any way to tie the hands of the nursery or the government in terms of the operation, but we feel very strongly that we've got a very good monitor of what's required in the reforestation program. As the Member for Westlock-Sturgeon has pointed out, we are on the verge of accelerating our harvesting, and it's all the more important that we keep close track of what trees are put where and that there is a constant supply of seeds available, because these seeds have to be collected from the forested areas.

Thank you.

MR. CHAIRMAN: The Member for Lacombe.

MR. MOORE: Thanks, Mr. Chairman. I, like all of the members of this committee, have toured the Pine Ridge facility. It's an excellent facility. They've got a tremendous staff; there's no question about that. Also, I know that it in itself cannot begin to supply the demand we have for reforestation. We are now contracting out a considerable amount of our requirements to the private sector. From that information on contracting out, it would be a simple matter of finding out which is the most economical way to go.

I would hate to think that we would tie the government into taking on an operation that is not economically comparable to some other operation. I think I would let the marketplace dictate in this case. If we find out the private sector can produce those seedlings for less per seedling, then we should go to the private sector. However, if we find out the private sector is not coming up with it, then we should expand that facility. I think we'd leave it to the supply and demand of the marketplace to dictate which way we go in this area.

MR. CHAIRMAN: Thank you.  
The Member for Wainwright.

MR. FISCHER: Thank you. I just have maybe a couple of questions. I want to first of all agree with what this motion is doing, because certainly right now this nursery is doing a fine job and it's very much needed. What they're doing with their seeds and seedlings is something that hasn't happened in this province, and I think it was an excellent program to put in place. But I have to say: what about expansion now? As the need grows, are we going to expand as a government-owned facility, or are we going to contract it out to our private businesspeople?

I think of the business in Bonnyville now, where they've started up their greenhouses. I can't recall how many millions of trees they've got in there, but they're struggling hard and doing a great business. It's a diversification project that's helping those towns diversify and creating jobs and economic development and spin-off in their own area. I see that some time down the road gradually taking over from the Pine Ridge nursery. Right now I can't see that because certainly with the collection of seeds -- I'm not aware of where else we're doing that, and of course that's extremely important right now. Growing the seedlings themselves I think can be done somewhere else. We have to be careful with interfering with the private sector because they struggle hard to make it happen.

So I'd just like to have an answer on that question: what are we doing with expansion in this motion?

MR. CHAIRMAN: The Member for Edmonton-Beverly.

MR. EWASIUK: Thank you, Mr. Chairman. My comment on this particular motion is that I think there's certainly room in any industry for both the public and private sectors to be involved, and I have some difficulty when my colleagues continue to expound the virtues and necessity that it must be private sector, that in some ways they're more efficient and so on. No doubt they are in some aspects.

Here's an operation that was started and funded by the heritage trust fund, an operation that I think stands on its own record, and for some reason we feel that down the road when it becomes perhaps even more valuable, we are going to sell it off to a private-sector operation and in fact through expansion we should probably put it in an expansion deal somewhere. Again, I re-emphasize the fact that I see where there's room for participation with the private sector in these types of operations, but I look at the history in this province of private-sector involvement through the encouragement of this government and I see a huge deficit in this province. I'm wondering whether the be-all solution that private enterprise does everything cheaper and better has really helped this province. I would have to suggest it has not.

So to argue that we can't support this resolution because it may somehow impede our ability to turn it over to the private sector to me is not a viable argument. I would suggest that the need for the province to be able to operate and to own this operation is

paramount in light of the fact that the money has been invested from the fund to get it where it is at the present time.

3:02

MR. CHAIRMAN: Thank you.

The Member for Edmonton-Meadowlark.

MR. MITCHELL: Mr. Chairman, I oppose this motion. I oppose it for a number of reasons. I think I would begin by saying that the one argument that's implicit in this motion is that because the heritage savings trust fund has invested substantially in this nursery, we should not sell this nursery; it should continue to be owned and operated by the government of Alberta. So to take that to its logical conclusion would mean that we would never sell our interest in Syncrude because we have a significant and substantial investment in Syncrude, that we would never sell our interest in any number of the bonds and stocks that are owned under our financial assets because the heritage trust fund has a substantial interest and investment in those kinds of financial assets. It is simply an extremely weak argument. To say that we will not sell something because we have a substantial investment in it is to say that we will always own something no matter what the conditions are, no matter what the reason is, no matter whether those conditions or circumstances have changed. It is an extremely weak argument.

AN HON. MEMBER: That's not what he said.

MR. MITCHELL: Well, that's what it says right in the motion:

In light of the substantial investment of the Alberta heritage savings trust fund in the Pine Ridge Forest Nursery, the nursery continue to be owned and operated by the government of Alberta.

That's one argument that's used in favour of this motion. It's right in the motion.

Another argument made by the New Democrat members is that somehow the private sector can't always do things better and maybe government can do things well and so on. Well, that's an interesting argument, but what I don't see is some kind of criteria upon which the New Democrats make that decision. Just because we happen to have invested in this kind of enterprise: is that the criteria? Well, what if they'd invested in pizza parlours? Would that be the criteria to continue investing in pizza parlours? No. I mean, pizza parlours make money, so maybe we should invest in them so that we can make money and pay off our deficit.

The fact is, Mr. Chairman, that we have to have a very clear idea now of what government should and shouldn't be doing. Today I learned that the Treasury Branch is selling a history book. Last week I learned that the parks department is selling a coffee-table parks book. I mean, it's out of control. Government has to become focused on what government should do, what it should appropriately do and do well.

At this point I don't see any particular need for government to be in the nursery business. I think there are private-sector interests that can undertake that, that are undertaking it. The idea that it has to be done in a special way, as the Member for Stony Plain said -- well, the private sector can do it in a special way. They can make sure that the cones from a certain area, a certain elevation can be returned once processed to that area for reseeded. There's no reason why the private sector couldn't do that.

One of the real downfalls to having government do things that government shouldn't do is that it then doesn't do what it's supposed to do properly because it's distracted. Are there unnecessary costs involved in government being involved in this? Well, I can remember the day that the heritage savings trust fund went out to

look at it. The cost involved in MLA time, the cost involved in senior members of the forestry department out there showing us around: why should government spend that money?

So, Mr. Chairman, I think this is a motion that's driven by some kind of ideological obsession, and I'd have to vote against it.

MR. CHAIRMAN: Thank you.

Does the Member for Edmonton-Calder wish to close debate?

MS MJOLSNESS: Yes, Mr. Chairman. I'd like to just respond to some remarks and some questions that have been expressed. I'd like to just respond to the last speaker, the Member for Edmonton-Meadowlark. I'm surprised that the member cannot see beyond what is written down in this recommendation. Certainly we could have expanded on this, and maybe we should have done that.

I'd like to just say to the member that I believe very strongly that our forests and our environment need to be protected by government, and I was surprised that he would make those comments, being the Environment critic for the Liberals. What we're talking about here is not a philosophical argument about whether or not government can run things better than the private sector. Certainly there are cases where the government needs to be involved, and there is no reason why they can't be as efficient and as economical as the private sector. With all due respect to the present government, just because they maybe have problems in this area, there is no reason why a government-run facility cannot be just as efficient and effective as the private sector.

I do believe, though, that we need involvement from the government in this area because we need a body involved that is objective. I believe our future forests are at stake here. Certainly the private sector is already involved, and we would not object at all to them perhaps getting into the growing of seedlings.

MR. WOLOSHYN: They already are.

MS MJOLSNESS: And they already are, as one member pointed out.

So we can see that if we were to expand it, certainly they could play a role, but any documentation or any of the storage of the seedlings, just the overall operation of the nursery and of reforestation in this province needs to be kept under the auspices of the provincial government. That's the real point here. You have to think in the future and what we want for our forest and for the environment.

I don't believe that the amount of the investment really is an issue, although we do have a substantial investment in the nursery. It's not to me an issue of the amount of the investment. The fact is that it's a good investment. I think we need that investment. I think we need the government to stay involved for the sake of our future forests.

Thank you.

MR. CHAIRMAN: Thank you.

The Member for Stony Plain to introduce debate on recommendation 18.

18. Mr. Woloshyn recommended that except for the various research funds, no further expenditures be made through the capital projects division; that the division be phased out, no longer reported as deemed assets of the Alberta heritage savings trust fund; and that outstanding commitments for future budget years be made through the general revenue fund and the capital fund.



MR. WOLOSHYN: Thank you, Mr. Chairman. This recommendation follows on the heels of recommendation 12, and it also alludes to some degree to the problem identified in recommendation 7. We're not against the scholarship fund or any of the research funds or anything of that nature. As a matter of fact, we're not against any of it. We want to have a little bit more of an open way of showing what is happening in the fund once again. As the Member for Edmonton-Meadowlark pointed out this morning, there is circular financing going around. One of the best parts of this would be that funding for some of the capital projects made out of mortar and brick would come out of where they're supposed to come out of, and that's the general revenue fund and the capital fund. Also, this would help in terms of reporting because we wouldn't have that deemed asset side growing in a nebulous sort of fashion and would make the fund more realistic.

Also, I might point out at this time that as the money is put into bricks and mortar, the amount that's left behind in the fund diminishes and it doesn't show the true value. The real value of the fund is diminishing, yet when you bring this through on the deemed asset side, it makes the fund appear that it hasn't lost any. This would, like I say, add on to recommendation 12 and make the fund a little bit more realistic in terms of reporting and operating.

Thank you.

MR. CHAIRMAN: Thank you. Does the member have any closing comments to make on that inasmuch as there are no speakers on debate?

Would the Member for Stony Plain like to initiate debate on recommendation 19?

19. Mr. Woloshyn recommended that in addition to being the first minister to appear before the Standing Committee on the Alberta Heritage Savings Trust Fund Act, the Provincial Treasurer be called to appear a second time after all other ministers and the Auditor General have appeared.

MR. WOLOSHYN: Yes. I feel very strongly, first of all -- I didn't indicate it in the motion -- about having perhaps less of the two hours allocated to the Provincial Treasurer done in rhetoric and a little bit more in information. Having said that, what I've found through the course of these hearings -- and again I'm a rookie at this particular committee -- is that it appears that there are a lot of questions that are put forth as the various ministers come before us that only the Treasurer can answer. I feel that it would enhance the work of this committee and actually give us a greater degree of accountability if the final minister to appear before us before we enter into our recommendations were in fact the Provincial Treasurer. So he would be requested to appear at the beginning of the hearings and be the final witness, as it were, at the end of the hearings.

3:12

MR. CHAIRMAN: The Member for Lloydminster.

MR. CHERRY: Thanks, Mr. Chairman. Just going to recommendation 19. The member was saying that we have a lot of questions after, and I know that other members probably have the same thing. I believe one of the things that perhaps would be beneficial is to bring the Provincial Treasurer in last. That way you could give him the two hours, and he'd be able to answer all your questions and more questions.

MR. CHAIRMAN: Thank you.

The Member for Bow Valley, followed by Westlock-Sturgeon.

MR. MUSGROVE: Well, I have to agree with the Member for Lloydminster. The only thing is that the questions generally come up from the other ministers that we have in plus the Auditor General. So if we were to have the Auditor General in for the first two-hour meeting and then the other ministers and then follow up with the Treasurer, we should be able to get all our questions answered without repeating the questions to the Treasurer that were already asked of the other cabinet ministers that we had here.

MR. CHAIRMAN: Thank you.  
Westlock-Sturgeon.

MR. TAYLOR: Thank you. Mr. Chairman, I would like to support the motion. Certainly over the years I've seen many times when the Provincial Treasurer has given answers that were at odds with what we received later on from other ministers. It would be nice to be able to corner -- well, I don't know if anybody ever corners this Treasurer; he's a real verbal Nijinsky. Nevertheless, it would be nice to attempt to find out why the differences in the statements he has made and been known to make in the past and what the ministers that we encounter later are saying. Having the Treasurer come in a second time as a cleanup hitter, as you might want to call it, is just logical.

[Mr. Jonson in the Chair]

MR. DEPUTY CHAIRMAN: I have no other speakers.  
The Member for Stony Plain to conclude.

MR. WOLOSHYN: I believe all has been said that needs to be said, Mr. Chairman.

MR. DEPUTY CHAIRMAN: Thank you.

Moving on, then, to recommendation 20 moved by the Member for Stony Plain.

20. Mr. Woloshyn recommended that all transactions which involve borrowing from the heritage savings trust fund by other government funds or agencies be separately disclosed in the financial statements or notes and that the source, amount, and purpose of the borrowing be identified.

MR. WOLOSHYN: Thank you, Mr. Chairman. This again I believe would get support from Mr. Meadowlark because this addresses this business of circular financing, if you will. What we're driving at here is that the internal borrowings from the heritage fund for any purpose negatively impact the province's bottom line. There's no question about it. The general revenue fund's debt servicing costs are increased so that the heritage fund can earn income on these borrowings, which is then transferred back to the general revenue fund as investment income. This is not the same as the other heritage fund investments or borrowings where income is earned supposedly from external sources, and then this money happens to be transferred to the general revenue fund. As of March 31 of this year there had been over \$1.2 billion borrowed from the fund, and by June 30 of this year it was \$1.9 billion. This is money that has been transferred back and forth within the government, and I very strongly feel that that and the purpose should be identified clearly so that we can quit wasting money by lending from one pocket and putting it in the other.

[Mr. Ady in the Chair]

MR. MUSGROVE: Mr. Chairman, the quarterly report of the heritage trust fund sets out where the money is loaned, so that's noted in that particular case. I get the impression that the hon. member feels that there's money lost through some of these transactions, and of course the Auditor General rightfully pointed out to us that any losses incurred by any department borrowing money out of the heritage trust fund has to make up those losses out of the department there. The trust fund is repaid with interest all of the money that was loaned to them. So I don't understand why we need this particular auditing on the movement of this money. As long as the money is returned with interest by the department, it's their responsibility then to see that it's a loan that is in good order. Also, then all we have to do is look in the quarterly statement to see where that money is loaned to or borrowed from, who's borrowing money from the heritage trust fund.

MR. CHAIRMAN: Edmonton-Meadowlark.

MR. MITCHELL: Mr. Chairman, I'm not opposed to this motion, although I'm a little bit puzzled by it. It's not only the case that loans to other governments appear in the quarterly reports; they actually appear in the annual report of the heritage savings trust fund, in this case on page 49. It's the Canada investment division. I'm looking at the most recent report, and it says: province of New Brunswick, \$147 million; New Brunswick Electric Power Commission, \$85 million. I mean, it's all listed here. If the member is interested in getting some element of information that isn't outlined in this particular schedule, I could be sympathetic to that, although I think he might then want to be more specific in his motion and specify what exactly it is that he wants that he doesn't see in schedule 2.

MR. CHAIRMAN: Thank you.

The Member for Edmonton-Calder.

MS MJOLSNESS: No. I'm fine, Mr. Chairman.

MR. CHAIRMAN: Thank you.

Does the Member for Stony Plain wish to close debate?

MR. WOLOSHYN: Yes. I think that perhaps my intent wasn't understood clearly enough. It's not the moneys that are loaned outside of the province to outside agencies where there'll actually be new money generated and returned. I'm speaking to moneys borrowed within the provincial government from the heritage savings trust fund. That is the part I am referring to here, and that's the part that concerns me. As one of the previous speakers pointed out, so what. He was right on.

In the motion the department that borrows the money has to make good with the interest, and it comes out of their departmental funds. Well, their departmental funds are normally general revenue funds, and we end up with circular financing. I feel that this kind of activity should be reported in greater detail. I'm sorry if I misled members by the motion. This was my intent: to get a handle on the circular financing and the costs that are hidden in terms of how the transactions are going back and forth between government agencies and the heritage trust fund.

MR. CHAIRMAN: Okay. Thank you.

The Member for Stony Plain to introduce debate on recommendation 21.

21. Mr. Woloshyn recommended that the segmented information attached as a note to the audited financial statements be expanded to include a breakdown of the income earned on each investment of the Alberta investment division of the Alberta heritage savings trust fund.

MR. WOLOSHYN: Yes. On the Alberta investment division all that I'm asking for is to have just a little bit greater detail so that again we can see whether we're receiving realistic and good value on the individual investments.

MR. CHAIRMAN: Thank you.

Other speakers on recommendation 21? The Member for Westlock-Sturgeon.

MR. TAYLOR: This may not be so much pro or con, but it's the only way I can ask the member to cover it in his summation. Somehow or another I had the impression that we already get a breakdown on the investment division. We get a sheet of paper called -- March 31, 1992, is the last one I've got here -- Alberta heritage savings trust fund commercial investment division investments. In it, it lists the stocks and what we paid and market value and book value. Book value is what we paid. I think that answers the question the hon. member is asking, "a breakdown of the income earned." I think he's probably meaning the gain in the assets and also the liquidation, which we already get. I'll be interested in seeing where I may be wrong.

3:22

MR. CHAIRMAN: Is the Member for Westlock-Sturgeon finished?

MR. TAYLOR: Yes. I'm sorry.

MR. CHAIRMAN: Thank you.

MR. TAYLOR: Usually when I stop moving my lips it's . . .

MR. CHAIRMAN: Okay.

The Member for Bow Valley.

MR. MUSGROVE: The Member for Westlock-Sturgeon just made my point: we already get a breakdown of the Alberta investment division. Why do we need another one?

MR. CHAIRMAN: Okay.

The Member for Edmonton-Calder.

MS MJOLSNESS: Yes. Thank you. We've got a breakdown on page 29 of the annual report, but what we're talking about here is a further breakdown and simply disclosing things like income earned or annual earnings of investments or dividends, which should be disclosed as well. Mr. Chairman, we're being handed some documents here, and part of the problem, I think, of this whole process is that sometimes you don't have all the information. So it's just a further breakdown of annual earnings of investments or dividends. We feel that those should be disclosed as well, unless the hon. Member for Stony Plain can find this in his documents.

Thank you.

MR. CHAIRMAN: Thank you.

Does the Member for Stony Plain wish to close debate?

MR. WOLOSHYN: Well, at least the point has been made. If I can't find it, I'll get back to the committee. That'll be about the only comment I have.

Thank you.

MR. CHAIRMAN: Okay. Thank you.

The Member for Stony Plain to introduce debate on recommendation 22.

22. Mr. Woloshyn recommended that the Alberta heritage savings trust fund end its funding commitment to the Alberta Family Life and Substance Abuse Foundation and that instead adequate funding from the general revenue fund be provided to the Alberta Alcohol and Drug Abuse Commission to enable the carrying out of its mandate.

MR. WOLOSHYN: That motion again is somewhat along the lines of recommendation 8 but perhaps just a little bit more specific. It appears from our perspective that no matter which way you slice it, the Family Life and Substance Abuse Foundation would best be incorporated with AADAC, the Alberta Alcohol and Drug Abuse Commission. I'm quite concerned that if the two groups are permitted to go their separate ways, we'll have one hand finding out the information and the other hand, the program delivery portion, may be getting hamstrung, if you will. Although I don't question for a moment the intent of the Family Life and Substance Abuse Foundation, I certainly feel that we would be further ahead to take those goals, put them together with AADAC, and make sure that AADAC gets sufficient funds from the general revenue fund to do its mandate.

MR. CHAIRMAN: Thank you.

The Member for Edmonton-Meadowlark.

MR. MITCHELL: I'd like to say, Mr. Chairman, that I would support this motion, although I would want to see the funding requirement reviewed because I'm not certain how much of the funding that is going to the Family Life and Substance Abuse Foundation now is required because of duplication and redundancy in expanding a bureaucracy in a way that I think is unacceptable. In fact, it's very interesting to me how this government decided to create the Family Life and Substance Abuse Foundation as a parallel structure to AADAC, which would be more than capable of doing this. While it might be that AADAC isn't performing those responsibilities that the Family Life and Substance Abuse Foundation is now, it certainly could, and we wouldn't need two administrative structures to ensure that whatever it is that this new foundation is doing would be done. For me to watch a Conservative government and a Conservative Premier make this kind of decision is a real puzzle. Then to hear the Member for Lloydminster this morning trying to somehow shave the expenditure allocation to this in a way that justifies expanding bureaucracy at a time when this government has a \$2.6 billion deficit -- the eighth in a row, promising three or four more -- is just incomprehensible, as I'm sure you know. So I will be voting against this particular motion.

MR. CHAIRMAN: Thank you.

The Member for Lloydminster.

MR. CHERRY: Thanks, Mr. Chairman. I spoke on this this morning. I mean, people obviously are not listening. I informed them this morning of the difference between a foundation and

AADAC, and they're not listening. I'm going to say it again: AADAC is an entity that works daily with people in substance abuse and drugs. The foundation does not work with those people on a daily basis. The foundation is there, tailored after the medical research foundation, where you can bring scientists in from all over the world and study this problem and make recommendations to this problem. Now, I don't know what's plainer than that. My good friend just indicated: throw it all over to AADAC. Well, if it was all thrown over to AADAC, we've lost the purpose of a foundation.

As far as the staff of the foundation is concerned, there's one executive director, one clerk. That's two people plus the board of directors. These people who are on the board are very, very distinguished people. They're not run-of-the-mill type of people like . . .

AN HON. MEMBER: Like you.

MR. CHERRY: Thank you very much. But they are.

You know, we went through this when we did the public consultations, and we had to change the public around. By the time of the end of the meeting -- usually the meetings lasted no longer than two hours -- we were able to change the people around so that they knew what we were talking about. Now, obviously I've done a very poor job here today, because this is the second time it's come up and I haven't been able to get through to them. Mr. Chairman, if that isn't sufficient, I don't know what is.

Thank you.

MS MJOLSNESS: Mr. Chairman, it seems to me that it's the Member for Lloydminster that's not listening. He's not listening not only to the opposition; he's not even listening to some of his own government cabinet ministers.

I'd like to point out to him that the foundation may be responsible for research, but that was part of AADAC's mandate before they set up the foundation. Earlier this afternoon we heard the government expressing concern about setting up a brand-new bureaucracy with our recommendation 1, which called for a general trustee for the heritage trust fund. That was their concern, Mr. Chairman: "Oh, don't set up another bureaucracy." Well, clearly that's what this foundation is doing. No one's questioning the integrity or the abilities of the people that are involved in the Family Life and Substance Abuse Foundation, but it is a duplication. Even some government cabinet ministers have acknowledged that. I would suggest that the Member for Lloydminster is the one that should listen.

Thank you.

MR. CHAIRMAN: Thank you.

Would the Member for Stony Plain like to close debate?

MR. WOLOSHYN: Yes, Mr. Chairman. We understand this is a foundation, we understand there is a difference, and we understand they should be amalgamated. Hence, the recommendation.

I don't have any difficulty with the credentials of the people, but the problem I have is that I see \$4 million this year, \$4 million next year, \$4 million and more every year flying out the window to tell Albertans what they already know: substance abuse is a problem; substance abuse does impact on family life. Currently the AADAC group are the ones that are making their level best effort to counteract that. So unless this is redone substantially to give it some merit, then I am sure that all the members would support my particular recommendation.

3:32

MR. CHAIRMAN: Thank you.

The Member for Stony Plain to introduce debate on recommendation 23.

23. Mr. Woloshyn recommended that the government of Alberta stop using the Alberta heritage savings trust fund to provide loans at below commercial rates to foreign-owned companies such as the Alberta-Pacific joint venture, which seriously harms the fund's future investment income.

MR. WOLOSHTYN: Yes. I think that all the private enterprise buffs are going to support me on this one wholeheartedly. There is no question in my mind that these kinds of activities, as has happened with the heritage fund relative to Al-Pac, are one of the reasons why governments get a black eye in terms of their ability to manage. Let us be clear that we are not against heritage trust fund money going into whatever the activity is; it's how it's placed in there. This particular transaction I'm only using as an example of what we want to put a stop to.

This is not a normal commercial one. First of all, the province, from what I understand, is providing the funds to Al-Pac at the same rate that the province borrows. There is no administrative or covering charge, which is always placed on the second borrowers if you will, and there is a large degree of risk associated with the loan. Secondly, the heritage fund has a secondary security position behind a \$600 million U.S. bank loan, so it's got another higher level of risk. Finally, the last recipient of repayments, after interest, after other principals, will be the loan to the heritage savings trust fund. If you put those together, those kinds of provisions make this a much higher than normal risk, and as a result it should be covered by charging a higher rate of interest.

What this recommendation states quite specifically, Mr. Chairman, is that if there is a higher degree of risk in a loan and you're down to second and third level of security on it, then the interest rates charged by the heritage trust fund should reflect that.

MR. CHAIRMAN: Thank you.

The Member for Ponoka-Rimbey.

MR. JONSON: Well, Mr. Chairman, after the Member for Stony Plain's remarks I think I now understand a little bit better what his intent is. When you look at the annual report and the various provisions in the notes with respect to Alberta-Pacific, which is the main example quoted here, it's not the interest rate that might be the cause for concern or for some apprehension. It is the various provisions, which provided for a delay in the paying of interest and certain other favourable considerations in that particular loan or debenture situation. So I would think that if it is those special conditions which are the member's concern, then the recommendation should be directed towards that because, at least as I understand it, the rates that are provided for are not lower than other commercial rates. If the member is also saying that we should take more risky investments as long as we can on paper get a high rate of interest, I don't think that should be the direction we go.

MR. CHAIRMAN: The Member for Westlock-Sturgeon.

MR. TAYLOR: Mr. Chairman, I have trouble with the motion in that it's loosely worded. I think I see what the member is driving at: those foreign bugaboos are coming in here and stealing us country boys' money or getting loans cheaply when maybe local people

could do it. But there are so many ways around this. First of all, what's a foreign company? I would expect he means that it's somebody outside Canada rather than just outside Alberta. Secondly, through the system of subsidiaries and multiple subsidiaries, it's so easy to get around foreign ownership regulations. I've operated in many countries of the world, and there's always a smart local lawyer that can set up things in such a way that you're no longer a foreign company. I think we get ourselves into the question of making loans on the nationality of the recipient rather than the quality of the project. Therefore, I find it hard to support something like this, because the other side of the same coin is that if it's locally thought up, therefore the loan should be all right. Well, as you know, we've lost about as much money on local loans as we have on foreign loans. So there's no way of vetting it. I think the ultimate is still: number one, whether a project is of value to the province; number two, whether the government has a philosophy of skewing the marketplace or interfering with the type of economy as it would develop. For instance, the Minister of Agriculture has his own bank which runs around this province. It's called the Alberta Agricultural Development Corporation. As long as you tell them you're going to convert native wheat or native canola or native rabbits into something edible that you can sell to the rest of the world, you can get a loan. It's a department that's gone wild because of the whole idea that if you can upgrade something that you already have, it's an automatic good.

Consequently, I question the whole fact of whether the government should be lending money to foreigners or anybody. Certainly putting something in like this implies two things: one, as a government it's all right to loan money to businesses; and secondly, somehow or other people native to Alberta have more brains than those who come from outside of Alberta. I don't buy either one of those surmises.

MR. CHAIRMAN: Athabasca-Lac La Biche.

MR. CARDINAL: Thank you, Mr. Chairman. I'd have to speak against this motion for a couple of reasons. Even the wording of the motion doesn't make too much sense. When you try and define "foreign-owned" -- the Member for Westlock-Sturgeon pointed out: who is foreign? If you turn back the clock far enough, I think all of us are foreign, even myself as an aboriginal member. When do we draw the line that after that date everybody else is foreign? That's one area that I think needs clarification.

The other one is that the motion indicates that the fund's future investment would be harmed. Number one, the project would not be there today without the wise investment of this government in utilizing the Alberta heritage fund. Today there are 3,000 people working on site. The project is 50 percent complete and is pumping \$1 million a day to the Alberta economy. In fact, it's probably one of the only projects going in Alberta that's holding up the economy, even in Edmonton and Calgary. I would question that it wasn't a wise investment. Once that project is rolling, the annual payroll will be \$75 million. You're looking at annual purchases of \$20 million; \$7.4 billion generated in export sales over 20 years; an increase in property taxes for the local municipalities; \$200 million a day in operating costs, which will no doubt go to Albertans as a priority; and dealing with over 300 suppliers; never mind the thousands of jobs that project is going to create.

If we can't utilize the heritage trust fund to create long-term economic stability for our province and good education and a good standard of living for our young people in the future, then what is the fund for?

I think this motion is definitely outdated. I feel that without the involvement of this government and without the availability of the heritage fund, that project would not be there today. A majority of the cranes that used to work in Edmonton putting up buildings are at the Al-Pac site today. I know that if you had left it to both the Liberals and the NDs, those cranes would be sitting in somebody's backyard in Edmonton; none of them would be working.

Thank you, Mr. Chairman.

MR. CHERRY: Mr. Chairman, I just wanted to make a couple of comments about the loans. Basically, in the location where I am, Lloydminster, there's a bi-provincial upgrader sitting on the other side of the road that has dollars loaned to it by this government. Had it not been for this government, you would not see a project such as that working. There were somewhere around 3,800, 4,000 men working out there at one time, which benefited Saskatchewan more -- hell, Saskatchewan would be in dire straits today if it had not been for that influx of . . .

3:42

MR. CHAIRMAN: Hon. member, perhaps you should withdraw the . . .

MR. CHERRY: Yes. Oh yes, I withdraw that statement. I apologize.

What I'm trying to say is that the influx of work that happened there would not have been possible had this government plus the other two partners not loaned the bi-provincial some more dollars. I'm sure that it's going to pay back 10 times over.

Thank you.

MR. CHAIRMAN: Does the mover of the motion wish to close debate?

MR. WOLOSHTYN: Yes. I find it rather interesting that these great supporters of private enterprise suddenly lose their perspective. I would say to the hon. Member for Athabasca-Lac La Biche that if that whole project depended simply on heritage savings trust fund money, he's whistling in the bush somewhere and he hasn't found the first tree that he'll bump into.

The point that I'm making is not whether Al-Pac should or shouldn't be there. It's a fait accompli, and I don't have difficulty with that. I didn't even bring up the issue that along with the sweetheart deal on the loan, as the Member for Ponoka-Rimbey pointed out, there is another aspect, and that is the potential delays for paying back on it, on the interest and on the loan itself. I didn't even mention the \$75 million donation that went into something that we call infrastructure.

MR. CHAIRMAN: Hon. member, that has to do with the general revenue fund of the province . . .

MR. WOLOSHTYN: I have been on topic, sir.

MR. CHAIRMAN: . . . not the Alberta heritage savings trust fund. So if you'd just keep clearly focused.

MR. WOLOSHTYN: Yes, I will limit it to that.

Without the icky picky people trying to figure out what "foreign-owned" does or doesn't mean, what the motion intends, what we're trying to point out is that if moneys are going to go to support any industry, then for heaven's sake, let's get a rate of return on it relative to the risk that's going. If it's going to be high risk -- and in this case

the Member for Athabasca-Lac La Biche pointed out that without that money it wouldn't go -- then it has to be high risk. I'm not purporting that we should go out and use the fund and find every high-risk project going. Other funds were indicated. Husky is a nice one too; it's now costing us \$500,000 a day in operating funds. I didn't bring all that into it until the other members did, Mr. Chairman. The point is: if we're going to lend money, let's do it as businessmen would; let's not give it away.

MR. CHAIRMAN: Thank you.

The Member for Bow Valley to introduce recommendation 24.

24. Mr. Musgrove recommended that a foundation of \$5 million be set up from the Alberta heritage savings trust fund and the income be used for research in gerontology.

MR. MUSGROVE: Thank you, Mr. Chairman. This is not a new request. There have been requests around for several years that this type of a foundation be set up. Of course, the request has always been through the Senior Citizens Advisory Council on behalf of an organization called the Alberta Centre for Gerontology. The reason that the seniors council makes the request is because we are the link between other provincial organizations and the government of Alberta. There was a request some years ago by the former chairman, which was tabled, and it's been ongoing for years. As a matter of fact, I was looking at a private member's Bill last year that didn't get debated for a similar reason.

Now, somebody is going to say that this money could be taken out of the Alberta medical research foundation. There is certainly lots of research being done out of the medical research foundation for senior-related diseases, but gerontology and geriatrics are two different words. Gerontology doesn't necessarily say that you are doing research on senior-citizen-related diseases. Gerontology deals with health, social structure, housing, and what, other than medical programs, makes senior citizens healthy. It was felt that the \$5 million foundation income at one time, which would have probably been about 10 percent, would supply them with about \$50,000 a year, which they felt was adequate to carry out their necessary research. Now, on top of that it's intended to be set up so that it could accept donations from corporations and individuals, and it's already had some indication that there was some money that would go in on top of it. What we need to do is get some funding in place for the studies in gerontology, not necessarily senior-related diseases.

Thank you, Mr. Chairman.

MR. CHAIRMAN: The Member for Stony Plain.

MR. WOLOSHTYN: Thank you, Mr. Chairman. I, too, feel that this is a very, very worthwhile recommendation. I think we have a tendency always to focus on the negative, and that's good; we have to research the different types of diseases. But our population is quickly heading up the ladder in terms of average age, and I think these small amounts of money being asked for here, that would in some way enhance the life-style would create an understanding for how aging really happens, if you will, and you address the social and health problems, if you will, in advance. I can certainly see that this kind of small investment out of the heritage fund could have megareturns in the future, and I think it's a very, very good recommendation.

MR. CHAIRMAN: Calgary-Fish Creek.

MR. PAYNE: Mr. Chairman, first of all, I would like to thank the sponsoring member for drawing to my attention the distinction between gerontology and geriatric study or geriatric research. That was a distinction that I had not previously understood or appreciated, so I would like to thank the Member for Bow Valley for that clarification.

Even though the constituency of Calgary-Fish Creek has perhaps the lowest or one of the lowest percentages of population that are in the seniors category, it is a subject that has become increasingly important in the constituency and to myself personally. I would like to concur with the comments of the Member for Stony Plain: that any funding investment, albeit modest, in gerontological studies could very well result in research data that could influence government policy and program initiatives that in turn could affect positively the well-being of our senior citizens and thereby perhaps reduce expenditures from the general revenue account that are associated with or caused by health and mental and psychological and sociological problems encountered by that important part of our community.

The one reservation I have, however, Mr. Chairman, has to do with the \$5 million and to sourcing it from the heritage fund. It's a matter of common record and a matter of public discussion that with all of the interest income from the heritage fund being expropriated by the General Revenue Fund, in fact we have declining principal. I'm somewhat hesitant to concur in a proposal that would diminish that principal even further, so I just leave on the table the unanswered question: is there some other way, perhaps through reallocation, to find the \$5 million contemplated by this recommendation and thereby not diminish further the principal of the fund?

3:52

MR. CHAIRMAN: Thank you.

The Member for Westlock-Sturgeon.

MR. TAYLOR: Thank you, Mr. Chairman. I'm going to have to speak against this. I realize that the intentions are good and the amount of money is small, but if there is a powerful group left in our society today, it is the seniors. Anybody in government can attest to the fact that if they scratch them once or twice or do something the wrong way, the lobby is very, very effective indeed. The birth rate keeps slowing down. Unless some of our seniors take on the position of our recently retired Prime Minister, it looks like it'll still stay down and the seniors will increase in population as far as the percentage is concerned. So it's a very powerful group that is well able to look after itself.

As a matter of fact, since I've become a senior, material floods across my desk. Things to improve everything from my golf stroke to my love life come across the desk every day. I don't see where we need too much work done . . . [interjection] You'll have to pay if you want to hear any more.

The point is this: there's lots and lots of material out now on geriatrics and gerontology. I think that because the seniors of this world have more money than the juniors, a great deal of our private research is directed in that area anyhow. We just toured a facility in Calgary where a good chunk of money was devoted to Alzheimer's and some other was to putting in new parts as we wear out. You had everything except an oil change. You could get your wheels aligned; you could get new wheels. You could get everything when you're down there.

So the whole idea that our seniors are being neglected in any way just doesn't apply as far as I can see. Whether it's a movie theatre or whether it's a research house or whether it's entertainment, I think

our seniors are doing all right. I'd much rather see money out of Treasury devoted to scholarships and fellowships for the young to try to develop their own abilities. I'd rather see it that way than to fund gerontology. I think it's being well looked after as it is now. Mind you, we haven't found the fountain of youth yet, but after we find it, then probably we won't want to live that long anyhow.

MR. CHAIRMAN: Thank you.

The Member for Edmonton-Calder.

MS MJOLSNES: Thank you, Mr. Chairman. I would support this recommendation as well. I think we're all quite aware that we have an aging population. I'm always supportive of research if it's important research and it needs to be done. I would share the Member for Calgary-Fish Creek's concern: I am not sure where the \$5 million would come from, but I'm sure that we could look at that.

I was fortunate, Mr. Chairman, when I was at university to take a course on gerontology, and it was one of the best courses I took there, although it was a few years ago. I'm not sure if the member in his opening remarks commented on whether or not there is research being done at the universities in this area. The particular professor that was teaching this course was an expert in this area. If in fact there is a lot of research going on at the universities, then my concern again would be that we don't duplicate what is already going on. I'm wondering how that would be co-ordinated, if the member could respond.

Thank you.

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

MR. MUSGROVE: Thank you, Mr. Chairman. In answer to the last question, yes, there is some research in gerontology going on at the university, but only when there is a particular grant that comes from some organization or in one case from our seniors advisory council through our grant program, but it's very small and could certainly be expanded.

I would like to point out to the members, particularly the one for Westlock-Sturgeon, who said that this money would be better spent in youth research, that in the very near future the percentage of the population of Alberta that is over 65 will be very close to the percentage of the people in Alberta that are under 21. The cost of people over 65 is certainly a lot less to service than the cost of people under 21, on an equal basis. So I don't see that the seniors will be taking away from the youth of the day any of the public money. The \$5 million foundation could be considered a deemed asset, and would always be \$5 million or more because only the revenue would be used for research.

Mr. Chairman, I hope everybody will support this recommendation.

MR. CHAIRMAN: Thank you. That concludes debate on recommendation 24.

Our time has expired for the day. I would just draw the committee's attention to the fact that we have only seven recommendations left. Hopefully we can complete that tomorrow morning from 10 until 12.

The Chair would recognize the Member for Lloydminster with a motion for adjournment.

MR. CHERRY: Right. In view of the hour, I move that we adjourn for the day, Mr. Chairman.

MR. CHAIRMAN: Thank you. All in favour? The committee stands adjourned until 10 o'clock tomorrow morning.

[The committee adjourned at 3:58 p.m.]

