

Standing Committee on the Alberta Heritage Savings Trust Fund Act

10:00 a.m.

[Deputy Chairman: Mr. Jonson]

MR. DEPUTY CHAIRMAN: I'd like to welcome the committee this morning and ask them to please come to order. We are continuing to debate the recommendations, and we had reached recommendation 25. I'd like to call on the Member for Edmonton-Meadowlark to make any opening remarks.

25. Mr. Mitchell recommended that the Alberta heritage savings trust fund be liquidated in order to pay down the Alberta government's debt.

MR. MITCHELL: Thanks, Mr. Chairman. I have presented this recommendation because I believe that there are some very important reasons why we should be liquidating the heritage savings trust fund in order to pay down the Alberta government debt.

I think it goes without saying that the debt is extraordinary in its magnitude. While the figures and analysis differ in exactly what it is, which is frightening in itself of course, the debt is placed at anywhere between \$17 billion and \$25 billion. If it's \$25 billion which is provincial government back debt, that's a debt of about \$10,000 per Albertan, about \$40,000 for a family of four.

There seems to be little relief in sight. The current Treasurer has given us eight consecutive deficit budgets. He has promised, believe it or not, three or four more. Now we see for the first time that the interest on that debt this last year was greater than the earnings we had from the heritage savings trust fund. We also see that there is an amount of debt upon which we are paying a higher interest rate than we are earning from an equivalent amount of heritage savings trust fund assets.

The fund has certainly served the people of Alberta well to some extent, but in many respects it hasn't reached the objective that this government some years ago set out for it to achieve: rainy day liquidity. We'd be hard-pressed to see that in fact this government is now trying to sell assets of the heritage savings trust fund to create jobs or to do something that it's not already doing. In fact, if we wanted to achieve the objective of rainy day liquidity, it might well be – in fact, it is – that this recommendation of mine addresses that directly. Let's liquidate what there is and pay off the debt, which will diminish, if not corrode severely, the future heritage of this province.

It was to replace income – that is to say, declining nonrenewable resource income – to the province, but in many respects it hasn't done that. A huge portion of the income earned by the heritage savings trust fund comes from Crown corporations which lose money, and the only reason that they can pay the interest they owe the heritage trust fund on their debentures is because they are subsidized by the general revenue fund. This circular accounting severely diminishes the quality of earnings of the heritage savings trust fund and leads to a conclusion that it hasn't achieved its objective of income replacement.

It was to diversify. Well, most provinces in their attempts at economic development do that through general revenue funds, but much of the use of the heritage savings trust fund wasn't directed at true diversification. It was directed at promoting more or less conventional resource development, but it didn't in fact promote diversification successfully.

The government tells us that they know they have a problem with their deficits and their debt. They pay lip service to that. When we

pursue the question of what are the solutions, we don't see much in the way of concrete initiatives. Somehow the government seems to believe that something will happen or they will be able to pull something out of the bag or they will be able to get past the next election and deal with it later. This is a serious, serious problem. It is out of control. Deficits haven't gotten smaller; they've gotten larger. In order to meet that problem, we are going to have to take extraordinary measures.

At one level nobody wants to liquidate the heritage savings trust fund, but in the absence of other solutions this becomes a very, very important and integral part of an initiative to solve our deficit and debt problem. Government members will say: "Well, we're going to lose what this fund does." I suggest, Mr. Chairman, that if we don't get our fiscal management under control, if we don't begin to pay down debt, we will lose much more than simply what this fund does.

We're not saying that we'd simply cut or sell the heritage trust fund out of context or in a vacuum. Government has to demonstrate that it has been prepared and has in fact cut, streamlined, created efficiencies, and enhanced productivity in absolutely every conceivable way possible so that this doesn't become a crutch, so that this doesn't become a short-term solution. But once government has pushed the limits of its fiscal paring down, of its cost cutting, of its enhanced efficiency, then it must, and properly can, liquidate the heritage savings trust fund in order to pay down government debt. In the absence of other proposals from this government, and I cannot imagine what they might be, it seems to me only responsible that each member of this committee support this resolution.

MR. DEPUTY CHAIRMAN: The Member for Cardston.

MR. ADY: Thank you, Mr. Chairman. I appreciate the opportunity to get into the debate on this motion. I take this opportunity because I am vehemently opposed to the position that the hon. member is taking: to sell the assets of the Alberta heritage savings trust fund. To me it is wrong in principle to do it.

Here we are in today's world, and for the last number of years we've been sucking \$2 billion a year out of the ground, out of our natural resources, and spending it. In our last budget that was the amount of nonrenewable resources that were sucked out of the ground, sold, and spent through our general revenue fund. In addition to that, we take a billion-plus dollars per year of earnings from the heritage savings trust fund and spend that as well. Our problem is that we're not dealing with the deficit. It's not the fault of the Alberta heritage savings trust fund. How much of a nonrenewable resource do we really feel this generation has a right to take and spend? Now the hon. member is advocating that we take the savings account that was built up from those same nonrenewable resources and spend that. This generation does not have a right to take those assets and spend them, and that's what the hon. member is advocating.

Well, he makes another point that I just don't buy. He says that the fund is earning less money than the debt is costing. I don't buy that. I know of one component of the provincial debt that is out there at 11 percent, costing the province 11 percent, and that's the Alberta capital bond component. There is one group of those that was guaranteed at 11 percent for five years. I don't have the dollar amount of that; it's easily accessible, but I don't have it. I know there is a large component of the provincial debt that was placed in Europe, in the United States in the New York markets, and it went there in order to take advantage of low interest rates. Now, last year our annual report on the Alberta heritage savings trust fund indicated earnings in excess of 10 percent. I don't believe for a minute that our provincial debt is costing us more than 10 percent across the

board. If the hon. member has some numbers to back up what he's saying, I'd be happy to hear them and also to have him verify those same numbers, because I don't believe for a minute that our debt is costing us more than the heritage savings trust fund is earning. Not only that; there are some peripheral advantages to what the Alberta heritage savings trust fund is doing for us in addition to just debt versus cost of debt. Let's look at it for just a moment.

10:10

The Canada investment division: it's \$1.18 billion invested in Crown corporations outside of this province. The range of interest is 9 and a half to 16 percent and probably averages about 12 percent. That, to me, is going to be above what we're paying for interest on the provincial debt, that component alone. The cash and marketable securities: about \$5 billion in that component of the fund. The report indicates they yielded about 10.4 percent, and the previous year, 14.7 percent. Now, where is that in relation to the provincial cost of debt? They may say that's short term. That same report indicates that the cash and marketable securities are invested from one to five years and on average are about two and a half years to maturity. That tells me that we can look forward to that component continuing to yield in excess of 10 percent. That's pretty substantial compared to what I understand much of the debt was placed at in foreign markets.

Let's look at the capital gains on the commercial investment division. If we sell the fund, cash in the fund, such a thing as capital gain is gone. We have no opportunity for that. Last year the capital gain on the commercial investment division was \$160,000 on a \$350,000 investment. That's pretty significant. Cash it in and we lose all opportunities for that kind of gain. That's gone, as is the money.

The other thing that happens is that it creates an illusion that we've paid the debt and that we're okay now. The minute that happens, then that makes it easy for government to say, "Well, what's another \$1 billion or \$2 billion worth of debt?" I don't care which party is going to be in power; I haven't heard any one of them say that they would balance the budget next spring if they were in office. Not one of them is out there in the hustings saying, "We'll balance the budget next March," so that means we're going to go on accumulating debt. Sell the fund and we still end up with probably \$3 billion after the fund is sold and then accumulate over the next four years another \$5 billion. So there we are at \$8 billion in debt in 1997 with no fund to back us up. The logic isn't there. It's just not there.

Let's move on and talk about the one that the hon. member likes to talk about so often, the Alberta investment division. Now, all members here probably will recall that years ago when the heritage fund was first established and there was a lot of pressure on this government because of the wealth it was accumulating, there was a threat that our resources might be swept away by the federal government, so the decision was made to invest in other provinces in order to release some of that pressure and tension. That's when the Canada investment division was initiated. Well, then Albertans said: "We don't want that money out of Alberta. We want it back, invested for Albertans." So it was put into the Agricultural Development Corporation, which is part of the Alberta investment division. It was put into Alberta Home Mortgage Corporation, because in those days you couldn't get a mortgage to build a house. So the government, with the muscle of the Alberta heritage savings trust fund, swept in under a debenture process and put money into the Alberta Home Mortgage Corporation to allow them to build housing and to make mortgages available for Albertans. Now, I wasn't sitting in the Legislature at that time, but I daresay that the opposition members were standing in this House saying, "We want this money back in Alberta, invested for Albertans." It was done. The

only thing that was left outstanding was the high-yielding debentures to Crown corporations outside the province.

You talk about circular funding. Well, let's talk about those components. Primarily the issue that the member makes has to do with the Agricultural Development Corporation, the Alberta Home Mortgage Corporation, and Syncrude. Those are the three largest components, so in the interests of time I'd just like to deal with them briefly.

ADC has debentures yielding 10.14 percent and 9.37 percent. I don't have the exact split on that, but on average it's probably about 10 percent, which means that on the billion dollars that they borrowed under the debenture they would pay interest of a hundred million dollars. Now, after taking into account the amount of money that the general revenue pays to pick up the shortfall from ADC, in general figures ADC still yields about a 5 percent true interest back to the fund. In addition to that, let's remember that if ADC did not borrow that money from the Alberta heritage savings trust fund, the government would probably be in a position where it would have set up a Crown corporation, raised that money on a foreign market, and still be responsible to pay the shortfall.

So what we have here is the money being borrowed from within Alberta, the interest staying within Alberta, and they are no more penalized with this so-called circular financing than they would be if they were out there guaranteeing a Crown corporation in order to finance farmers in the difficult times that they find themselves in. I don't understand the rationale. Talk about smoke and mirrors. What the Liberal party is doing in their advocacy of selling the fund is smoke and mirrors, because the day that the fund is collapsed, that's exactly what has to happen to ADC: there has to be a Crown corporation, that portfolio has to be sold, and the Alberta government would have to guarantee the shortfall on that, if there were one, in order to place the financial instrument.

Alberta Home Mortgage Corporation. They have two debentures, yielding 9.67 percent and 10.20 percent. In the last year they paid about \$193 million in interest to the heritage savings trust fund. Granted, there was a shortfall and it was necessary for the general revenue to come into play, but there's social housing involved there. I hear the hon. members from both the opposition parties advocating that there be social housing, that those who are less fortunate and the seniors have some subsidy on their housing. This, in fact, is a means of doing it.

Again, the Alberta Home Mortgage Corporation probably yielded about a true 5 percent in actual interest earned after paying the shortfall. In essence, the Alberta Home Mortgage would have to be spun out into a Crown corporation, and the government would have to guarantee the shortfall if that happened. What's the difference? Aren't we better off to have that financing done within Alberta as opposed to paying that interest to financial institutions outside the province? That was the position a number of years ago when all of this was put together. Why is it different now?

The Alberta heritage savings trust fund was set up as a savings account for future generations. There's \$12 billion left there. There's \$12 billion which needs to be left there, and we need to face up to the debt that we have. Albertans need to face up to the debt that we have. We spent the money. We have a responsibility to do what it takes to pay it back. We have a responsibility to see to it that future generations have an opportunity to have some advantage from the nonrenewable resources from this province. If we spend this \$12 billion and don't face up to our responsibility to pay it back – I mean, that's a responsibility that we have. We spent it. Why in the world do we have a right to spend the last \$12 billion that will ever be accumulated? We know that if that fund is collapsed, the fund will never be rebuilt. There are not that many resources left in the ground.

So, Mr. Chairman, my position is that the fund not be collapsed. It belongs to our future generations. We need the muscle of it. It has served us well. I encourage all members to vote against this motion.

Thank you.

10:20

MR. DEPUTY CHAIRMAN: The Member for Stony Plain, followed by the Member for Bow Valley.

MR. WOLOSHTYN: Thank you, Mr. Chairman. I would like to commend the thoroughness of the Member for Cardston and say that I would agree with his points wholeheartedly. I think some other aspects have to be brought out here too, and that is that the time has come, really, to stop deceiving the public. I think we have to be a little bit more credible in the kinds of numbers we throw around both on what's owing, what's potentially owing, and what we have in terms of assets in the heritage fund.

I have some concerns as to what the real value of the fund is. For example, when the Minister of Municipal Affairs was here – the liquidation of the assets of Alberta Mortgage and Housing Corporation is going to leave us with a \$300 million shortfall. At that time, if you recall, we questioned him with respect to perhaps leaving those assets alone for a while so they can appreciate, which they will likely do.

This government has not had the best track record in the world for liquidating assets, and I can only point to the shortsightedness of what was done, with the support of the Liberals, when AGT was put on the block. NovAtel surfaced out of the back closet, and we ended up with a net shortfall. Yes, there were some moneys put into the heritage savings trust fund from that liquidation, but the end result is that the Alberta government, and Albertans in the end, lost a big pile of money. Had we left that particular aspect alone, we likely would have had net earnings from AGT.

The other aspect that I think we have to look at very clearly is: what assets are really accessible? Now, I won't get into a debate of what should or shouldn't be in the fund, but I think it's very relevant that we look at what assets are accessible. It sounds good when you say, "We will liquidate the fund and end up with a \$12 billion cheque." That quite simply is not true. The assets may have a real value of \$9 billion or \$12 billion or whatever is in the fund at this particular time. There are some assets, probably between \$3 billion and \$5 billion, that are easily accessible. Others would have to be sold, and if you have a fire sale, then you lose.

I think the Member for Cardston was pointing out that we can't just arbitrarily say that what's in the fund is earning far less than the debt is costing us. That debate I suppose can go on, but the point that I would like to make, and this is where some of our recommendations have been coming from: if the fund is not in fact performing at a level it should be, then it is our responsibility to make recommendations to make that fund perform.

It is extremely shortsighted to feel that we will cure a problem for this province by writing off the heritage trust fund, not knowing how much of that is going to balance off the debt, if any. The problem currently, and this is facing governments throughout North America, is to come to grips with our operating costs and the annual deficit. I feel very strongly that we have to come to grips with the deficit, yes. We have to come to grips to pay back the debt, yes, but the way to do it is not to liquidate the fund and be left with nothing. I think if the heritage fund gets into a situation where it earns even more than it has been, and if we get our spending under control on the operating on an annual basis, then the revenue generated from the heritage fund could well be directed to addressing the debt. But that can only happen after we get our deficit under control.

I do commend the Member for Cardston for having done a thorough job of the research and his way of presenting the argument this morning.

Thank you.

MR. DEPUTY CHAIRMAN: The Member for Bow Valley, followed by Westlock-Sturgeon.

MR. MUSGROVE: Thank you, Mr. Chairman. The Member for Cardston pointed out quite accurately that the interest from the fund very likely balances our interest on our deficit and our provincial debt. I don't know where the Member for Edmonton-Meadowlark got his statistics when he said that the provincial debt is somewhere between \$17 billion and \$23 billion. Obviously, he hasn't read the Auditor General's report, which states accurately what the provincial debt is.

He also made some comments about diversification, that it hasn't been successful and the heritage trust fund wasn't doing what it was supposed to do. Now, obviously he hasn't been out of Alberta recently. My travels outside of Alberta always make me very happy when I come home. In a meeting in Montana recently they showed us that their economy is obviously in a lot worse shape than it is in Alberta. Of course, if you go to some of the neighbouring provinces, you also get the same impression. In Alberta right now the economy is probably as bright a spot as there is in North America, and particularly any neighbouring states or provinces. That didn't just happen by chance; that is because of the incentives that the province of Alberta has been putting out to create some diversification and to create a better economic picture in Alberta.

The real value of the fund as pointed out by the Member for Stony Plain – he is suggesting that it's somewhat less than the \$12.2 billion that the Auditor General stated in this room that the liquid assets of the heritage trust fund were valued at. I don't know where anybody can interpret that as not being the value of the liquid assets of the Alberta heritage trust fund. To me, to sell the heritage trust fund to pay off the debt would be like cashing in your life savings to pay your mortgage. You live with the mortgage and you pay it off and you keep your savings for future years. I absolutely can't believe that anyone would believe that we do away with one of the greatest things that there is in Alberta, the Alberta heritage trust fund, to pay off a debt that can and should be managed through some other way. Our debts have to be paid the same way as you get them. You have to make some decisions that are maybe not that popular, but you have to make decisions to manage your debt.

Thank you very much, Mr. Chairman.

MR. DEPUTY CHAIRMAN: Westlock-Sturgeon, followed by Cardston, followed by Calgary-Fish Creek.

MR. TAYLOR: Thank you, Mr. Chairman. I think the Member for Bow Valley hit it right on its head. He said it didn't make any more sense than cashing in your savings to pay off your mortgage. Well, I don't know. The member obviously has not been listening to his bankers or advisors or the literature put out or anything, because that's the advice every financial planner will give you today, to cash in your savings and pay off your mortgage. It's very difficult indeed, I suppose, to reach any sort of agreement in an argument such as this when we start out with two opposing points: one fellow saying drive on the left side of the road; the other saying drive on the right. I submit that the Member for Bow Valley and his cohorts are driving on the left side of the road and counter to anything that's ever been thought of before.

Just to go back, a couple of things. One of the arguments brought out by Cardston was how much the bonds on our investments were

yielding. I don't know how much he's had to do with the investment circle, but he should know that the spread between when you borrow money and when you lend money – and by the way, savings is when you lend money to a banking institution; borrowing is when you borrow it from an institution – is always 4 to 6 percent. For instance, I remember a few years ago I used to put up for deposit with the federal government what they called a 2 percent perpetual bond. It was a bond put out in the 1930s that yielded only 2 percent interest. The face value of a \$100 bond, because the interest was so poor, was only \$40. So you could buy these bonds for \$40 and put them up and get a \$100 equity base when you put them back. Likewise, if you have a bond that pays 25 percent interest today, the \$100 face value will probably be worth \$130 when you sell it.

To say that something's yielding 10 or 12 or 15, 20 percent is fairly deceptive. When you sell paper – and paper is what you call a debt – you get what the market is going for at the time. So if your paper says it's paying you 10 percent – your mortgage is 10 percent – but everybody out in the industry is getting 20 percent on your loans, you won't get \$100 for every \$100 face value of your mortgage. You'll only get about \$60 or \$70. Likewise the other way around.

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Therefore, the selling of the heritage trust fund doesn't boil down into a case of whether you've got good investments or bad investments. The good investments will sell for more than their par value; the bad investments on an open market will sell for less than the par value. But always, always, unless somebody's invented something that the Rockefellers and the Baruchs and the Rothschilds and everybody have missed in the last 500 years, when you borrow, you pay more than when you lend. That's just the same as the law of gravity. Trying to say that this doesn't exist is like trying to repeal the laws of Newton, the laws of gravity. There's no common sense to it at all. Obviously, there is a spread.

That spread, Mr. Chairman, is what we're going to pass to our future generations. The Member for Cardston says that we want to pass this on to our future generations. Yes, we can pass this along with the debt to the future generations. You can't pass one and not the other. Let's just imagine a 4 percent difference. If it's 20 years from now that we pass something on, that 4 percent difference means that our savings are going to be worth less than our debt. So what you want to try to pass on to your children is the minimum amount of total debt, the difference between the two. So why not liquidate now? The earlier you liquidate, the less chance that that 4 to 6 percent difference that exists between lending and borrowing gets a chance to build bigger and bigger. The longer we wait, what we're doing is guaranteeing that we will pass to our coming generations even bigger debt. Savings admittedly have increased 10 to 12 percent a year but with a debt that has increased 3 to 4 percent faster. This is the thing that we have to realize we're passing on.

The other argument made was: well, we kept the money in Alberta. Wonderful thing. We didn't borrow any; we left it in Alberta. Well, the last time I looked at the mortgage corporation, between a \$300 million and \$400 million loss. Lending it to an Albertan that doesn't pay it back is no worse than borrowing it from abroad and not paying it back. If it's not paid back, it's not paid back. It's bad management. It's gone down the drain.

If the private members would check a little, one of the interesting things in agriculture, for instance, is that the debt per capita of Saskatchewan farmers runs about the same or a little higher than ours, but the FCC – that's the federal ones – made up most of the amount. In Alberta it's the ADC. In other words, often in the past the heritage trust fund money has not gained us the advantage that we thought when we loaned it out. The same way in mortgages,

Canada Mortgage and Housing versus Alberta Housing. What happened was the feds just shortchanged us. They said: "Well, you've got lots of money. You're loaning it out. We won't put out as much." The total debt per capita of farmers and homeowners in Saskatchewan and Alberta runs out to about the same. The only difference is they're owing it to the federal; we're owing it back to ourselves. So the argument that somehow or another by having our own fund our own people gained much more in money to buy farms or homes is fallacious. All that happened was that we took up the mortgage lending that would normally have been done by the federal.

Now, the next argument I've run across, and I already touched on it yesterday, is that there might be some argument in logic if you had this fund managed by an entirely different group than was managing your debt or your current things. But they're not. They're the same people. The same as yourself. If you have your own savings, as I mentioned earlier – and the Member for Bow Valley, where he got it twisted I don't know, that savings shouldn't be used to pay down mortgages. That's because that's one and the same owner. There's one and the same managers, one and the same owners of this plan. Now, if this plan for some reason or another was divested entirely from government and had independent managers, some of the sharpest people – if the little gnomes of Zurich made up 50 percent of the board, and the merchant bankers of London made up the other 50 percent of the board – then there could be an argument that it is managed by such smart people that it will more than compensate for the chowderheads we have managing our ordinary funds. But it's not so. We've got the chowderheads on both sides. So obviously that equalizes. It's the same way it would equalize if we had the gnomes on both sides. The point is that if they had the same people managing on both sides, then the inexorable laws of finance, where you lend for less money than you borrow, takes place. Consequently, it makes sense to liquidate it under that idea too.

The last argument I'd like to put forward is psychological. I've been very hard-hitting up to now, Mr. Chairman: hard facts that you can get in any book from the London School of Economics to the Harvard school of economics, from the left to the right. Lenders get less than borrowers have to pay. I mean, that is as inexorable as the 10 commandments. Now I'm going to get into the field of psychology a bit. I suggest that the management of this province has been able to run us as far into debt as they have because the heritage trust fund has lurked on the side. It's been a goody-goody type of thing. The people really didn't worry. That \$15 billion even the NDP agrees is not there. When you get economists like them saying that it's not there, it darned well isn't there. The point is that this has acted as a Linus blanket, for those of you that follow Snoopy, for our general management to go ahead and borrow indiscriminately and make foolish investments. The psychological disadvantage that the heritage trust fund has given us is a sense of false security.

It has not sensitized our voters the way they should have been. Otherwise, in the last election the back bench would have been even further back bench, or the private members would have been even further private, if you want to use that word. But because the voters thought there was money there when there wasn't, the debt didn't sound that bad. That's the worst thing that's happened, the psychological effect that it's had on the people and the management of Alberta that really there was no tomorrow, that the ozone layer wasn't thin, that the clouds would break out tomorrow and the sun would once again shine, and that if we were good and we were nice to our animals and were kind to our families, oil wells would spring up again in our backyards at \$40 a barrel and all would be well. Well, it hasn't happened. Not until a Liberal government comes in, of course.

MR. CARDINAL: And the Liberals would take it and spend it.

Thank you.

MR. TAYLOR: Everybody knows God put the oil in the ground, but He's not going to choose to reveal it, Member for Athabasca-Lac La Biche, until we get a change in government.

The point is this: what I'm getting at is that one of the last disadvantages, and this a psychological one, is retaining this fund to the extent that we are allowing our management to make foolish decisions.

Thanks.

MR. DEPUTY CHAIRMAN: The Member for Cardston.

MR. ADY: Thank you, Mr. Chairman. I'm surprised that a person like the Member for Westlock-Sturgeon, who has supposedly been in business around the world, would have such a narrowly focused understanding of how the finances work. Did you know, hon. member, through the Chair, that there is a spread in interest rates depending on what country you're borrowing money in? This really does exist. Let me give you an example. A number of years ago I leveraged money from the Royal Bank at 9 percent, bought a debenture on the Bank of England for 13 and a half, and sat back and made the spread. Now, that tells you something, hon. member. That's how it can work. That's exactly what the Treasurer has done in this province by going overseas and into the New York market. Historically there's been at least a 2 percent difference spread in the interest rate between Canada and the United States, them being the lower. That's an area, and that's what's happened.

10:40

Now, let me go on from that. You talk about: we must get this spent before we just lose out through inflation against the fund. Bear in mind that this is not a static fund. It's being invested on a constant basis. It's moving with the markets of the country. It's not going to stay with the investments not moving.

The other thing is that he talks about the chowderheads who did the investing. Let me give you an example of the chowderhead investing. Let's go back to Syncrude. In the days when Syncrude was in its infancy, it would not have happened had the government not gotten involved and put capital money into it. It would never have been. Now, \$518 million was invested. To this date there have been more dividends returned to us than \$518 million. There's been a billion dollars in Crown royalties flow to the province from Syncrude. In addition to that, we could sell it tomorrow for what we paid for it, and it's maintained 4,000 jobs.

Now, tell me about the poor investment. If that had been handled by this great abstract guru that he wants to set up to run the heritage savings trust fund, they wouldn't have gone near that. The government of the day saw the wisdom of developing the province. Where would that development money have gone? It would have gone to wherever the hon. member or someone of his ilk might see fit to spend that money and invest it. Instead of that, it was invested in Alberta, and look at the wealth that has flowed from that one single investment of \$518 million.

Hon. member, I hope you'll go back to the drawing board. When we talk about not being able to understand what's in the fund, please look at the audited report. No one on any side of the House is trying to tell you that there's \$15 billion in the fund that could be cashed out, but they're trying to tell you that there's \$12 billion of cash assets. Those can be spun out into Crown corporations and the funding flowed back to the heritage savings trust fund, if that's the decision. Hon. member, please stand back and take a look at what you're advocating, because it's wrong for Alberta, it's wrong for future generations, and no way should we sell this fund.

MR. DEPUTY CHAIRMAN: I would just like to caution members that it would be advisable to address remarks through the Chair. Otherwise, we'll get into bilateral discussions in several parts of the House.

The Member for Calgary-Fish Creek, followed by Westlock-Sturgeon.

MR. PAYNE: At the outset, Mr. Chairman, I would like to endorse the remarks of the Member for Cardston and say that I concur wholeheartedly with the content and the conclusions derived therefrom.

I was interested in the Member for Westlock-Sturgeon's reference to "a sense of false security" that he alleges is engendered by the heritage fund. Could I remind him of the national energy program, which a federal Liberal administration used to expropriate something like \$60 billion out of this province? Thank God we had the Alberta heritage savings trust fund. How much more, Mr. Chairman, would the federal Liberals have expropriated from Alberta without the resource revenues sheltered in the heritage fund? That sense of security wasn't false; it was real.

Now I have two questions to ask our colleague for Edmonton-Meadowlark. One, why on earth sell off investments earning 10 to 12 percent to retire debt costing 2 to 3 percent less than that? Secondly, how does the Member for Edmonton-Meadowlark justify selling off stocks which are currently depressed and whose values will undoubtedly grow in next year's bull market?

Now, as I mentioned yesterday, Mr. Chairman, the sale of the heritage fund is a cop-out and undoubtedly would lead to far less discipline in expenditure reduction commitments and a balanced budget.

Thank you, Mr. Chairman.

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

MR. TAYLOR: Yes. Thank you, Mr. Chairman. I'm just going to try to be a little factual.

MR. PAYNE: That'd be refreshing.

MR. TAYLOR: The point is if somebody will hold their ears apart so that I can drop the ideas in, I'll be very happy. Fortunately, I don't have the tools to do it, and if I did, I'd only find ivory there anyhow.

Mr. Chairman, I think the Member for Cardston is quite correct. He pointed out a hole in my argument, and a hole that I hadn't covered in that the rates of interest vary from country to country. I don't know if I forgot about it or whether I thought that I was already giving a bale of hay to a cow that couldn't eat more than a spoonful. The point is that I did not mention that currency rates can govern, the third factor that comes in in lending and borrowing. For instance, I remember borrowing money in Italy at 15 percent interest, but I was paying back in lira. At the same time, I borrowed in Switzerland at 2 percent interest, but I was paying back in Swiss francs.

If the American rate today is 2 percent less than Canada, it's because the international lenders feel that the American dollar will depreciate less than the Canadian dollar. For argument's sake, if the little gnomes in Zurich felt the Canadian dollar was going to go to 35 cents, then you'd see interest rates in Canada around 25 percent. In other words, the third factor that comes in between the normal spread of 4 and 6, that's only speaking of a stable currency. If your currency goes up or down, in the minds of the investor they will take less or more interest. That point is well taken. I thought that was so

obvious that I didn't try to make the point. This is just a fact of life. That was what happened with me. When I got near broke, my interest rate went way up. There's no question about it. When I was flying high, it was down low. You should know that. I mean, that's the point. The probability of paying back in the same coin of course governs the interest rate too. Therefore, that's something I'm sorry I didn't mention, and if this is going to be read by children in the schools, it's a point that I should have made.

The second one, about security against the national energy policy, was so puzzling that I'll just have to let it go. The fund that we have is the money we had left after the NEP. Saskatchewan didn't have a heritage trust fund; they had an NEP. I don't know if they're any better or worse off than we are. Colorado and Texas didn't have the NEP and they didn't have the heritage trust fund, and they seem worse off than we are. So you can argue the NEP ad infinitum, but most of the United States that produced oil, somewhere around eight times what we do, was in a lot worse position than we were, and they'd never heard of the NEP or the Liberals or, for that matter, Alberta. I mean, they thought that was something.

So those are the two factual arguments I wanted to make. I might conclude again that we have a choice of handing on to our future generations the combined heritage trust fund – which is making money, I agree – and the debt. We can combine the two and pass it on, but the spread, the normal inexorable spread between borrowers and lenders, will increase the debt faster than it will increase the fund. So to stop that acceleration and stop passing on to our children an almost insurmountable debt, I say that we have to liquidate those portions of the fund that we can liquidate – the deemed assets not likely – and pay it off.

MR. DEPUTY CHAIRMAN: The Member for Edmonton-Meadowlark to conclude.

MR. MITCHELL: Thank you, Mr. Chairman. I would like to begin by extending my thanks to all who have participated in this debate. I think we've certainly had one of the more rigorous debates about this resolution than we've had about many of the resolutions that have been presented to this committee over the last two days and in the past as well.

I'm not persuaded by the arguments of the Conservative backbenchers or of their cohorts in the New Democratic Party. I feel that many of their arguments are arguments born of desperation, of appeal to a past that was much happier than the circumstances within which they find themselves, of the resurrection of a time in their minds when things appeared to be inherently good, when there was never going to be an end to the prosperity that they took for granted and which they took credit for having created.

10:50

But today, Mr. Chairman, we have to meet reality. We have to consider reality, and it's very interesting to note that the Conservative caucus is not monolithic in its determination to sustain the heritage trust fund. In fact, two of the more significant people in that caucus today, people who are running for the leadership of the Conservative Party, have openly stated that this heritage trust fund should be liquidated. They have openly embraced the Liberal policy about which we have been on the record for almost two years now. So it would be interesting, of course, to see what would occur in this Legislature if there were a free vote on the heritage savings trust fund's disposition. Clearly, the record would show that the apparent consistent front presented by the members present here from the government caucus would not reflect the variety of views that are truly evident within the government caucus.

I would like to say also that Dr. Allan Warrack, who was a founding member, if you will, of the heritage savings trust fund and instrumental in its development in the '70s, has on the basis of a very detailed scholarly investigation and analysis recently concluded, as the Liberals have concluded, that the fund should be liquidated to pay down debt. Although so many Conservatives would like to be able to do that now, I know, it isn't as though Allan Warrack is taking a political or partisan view of the heritage savings trust fund. Here is a person who was committed to the concept at its inception, was instrumental in developing that concept, and in the final analysis, after reviewing its years of existence, now has said that the heritage savings trust fund should be liquidated because it is not accomplishing what it was established to accomplish and is in fact costing Albertans money.

Much is made by the government member from Cardston of the fact that, well, we're not paying more on the debt than we're earning on the heritage trust fund. He has access to information that opposition members aren't allowed to have, I would presume, although one can question that when one of the most significant cabinet ministers in this government, who is also one of the nine leadership candidates, argues that she doesn't know what the debt in fact is because she hasn't been told. That's a frightening admission. But I will address the issue of: are we or are we not paying more on debt than we are earning on assets?

Well, reviewing this annual report, audited as it is by the Auditor General, it doesn't give us all the figures we need, Mr. Chairman, but let's take figures that it does give us that are very clear: cash and marketable securities. There are \$4.8 billion of those at today's market value. We could sell that for \$4.8 billion. I point that out. That's a figure that's found on page 49. On page 47, note 4, segmented information on net investment income is as follows: for cash and marketable securities the earnings were \$408 million. Four hundred and eight million dollars on \$4.9 billion of assets invested is about 8.5 percent – slightly less than that, 8.4 percent. So we have \$4.8 billion in cash and marketable securities – these can be marketed; these can be sold – on which we are earning 8.5 percent.

I go to the government's own public accounts and, just by reading, I can find a list of debt instruments on which we are paying as follows. On \$1.9 billion we are paying between 8.6 and 9.4 percent. That's higher than the 8.5 percent we're earning on these other assets. There's \$1.2 billion of debt on which we are paying 10.75 percent. That's 2.25 percent higher than equivalent assets under cash and marketable securities, on which we are earning 8.5 percent. There's \$250 million on which we are paying 10.675 percent, \$300 million on which we are paying 10 percent, \$500 million on which we are paying 10 percent, and \$700 million on which we are paying 9 percent. I add that up and I get about \$4.8 billion on which we are paying greater than 8.5 percent interest, despite the fact that we are earning on an equivalent \$4.8 billion only 8.5 percent interest. That translates to direct loss. The member only has to take each of the assets in the heritage trust fund, find out what we're earning on them, compare them to debt instruments upon which we are paying interest, and he will see that we are earning less than we are paying in interest.

Now, the Member for Calgary-Fish Creek makes an interesting argument. He says: why would we sell these stocks on which in the next year's bull market we're going to earn all this money? Well, that's the solution to this problem, I guess, that I've raised for him. That is pure speculation that there's going to be a bull market next year. I mean, if the member knows that, it's a remarkable insight. It's absolutely a remarkable insight. What he is saying is that we are going to solve the debt of this province based on pure speculation. If he wants to speculate, of course, he might understand that, one, just as likely as the stock market going up next year in this meta-

physical bull market, it can go down. Two, it is just as likely that we will face deflation as that we will face stock market increase. Deflation, everybody and anybody will tell you, is a time to be without debt. In deflation the value of your debt goes up because your dollar is worth less and it's harder to pay it off, but the relative value of money that you have in place therefore becomes more and more significant because you can buy things much less expensively.

I'm also struck that the Member for Calgary-Fish Creek, for whom I have a great deal of respect normally, would argue vehemently that we shouldn't sell the heritage savings trust fund. Having been one of the stalwart members of this committee in his advocacy of a review of the heritage savings trust fund, why would he preclude the conclusion of the review that he has so vehemently defended and moved each year? Why would he preclude that open public hearing process from concluding that in fact we should perhaps sell the heritage savings trust fund?

The Member for Cardston has said: well, we couldn't sell the ADC and those assets – for some reason. I'm sure *Hansard* will clarify it. Well, his government is already doing exactly the same thing for Alberta Mortgage and Housing Corporation. So he's using that argument with respect to ADC as an argument against liquidating the heritage savings trust fund while clearly his own government has launched itself on the selling of the Alberta Mortgage and Housing Corporation, which is exactly the same exercise that would be undertaken with respect to ADC.

AMHC: he talks about paying \$193 million in interest, but of course he denies the fact that at the bottom of the Alberta Mortgage and Housing Corporation balance sheet is this \$400 million unfunded liability just dangling there. I should point out that over the years Alberta Mortgage and Housing has had \$3 billion in debentures from the heritage savings trust fund. Over the same number of years, the Alberta Mortgage and Housing Corporation has been subsidized by the government of Alberta to the tune of \$3 billion. It has not paid anything in real money to the heritage savings trust fund, because it has simply been subsidized by the general revenue fund absolutely to the same extent as the heritage savings trust fund's investment.

11:00

But where the most devastating rebuttal of the member's own argument can be seen is when he says that the true interest earnings on the Alberta Mortgage and Housing Corporation are 5 percent. Well, is he saying that the interest on the government's debt somewhere is lower than 5 percent? I'd love to see that. I'd love to see that the Alberta government is borrowing money at less than 5 percent, because it isn't. So here is the member arguing that we're in fact not paying more money on debt than we're earning in interest, admitting that the real earnings on the Alberta Mortgage and Housing Corporation are 5 percent, and therefore somehow driving us to this conclusion, this myth, that we must be paying less than 5 percent on debt. None of us believes it. Nobody believes it, Mr. Chairman, because it simply isn't true.

I want to emphasize my colleague's points about psychological or less empirical disadvantages to the heritage savings trust fund. The heritage savings trust fund is a millstone around our necks, one, when it comes to trying to convince management of what we really have. The management in this government is clearly indicated by the arguments being made by these members. The management in this government thinks it has money that it doesn't have, and therefore it spends it, I'm sure, a multitude of times. It gives it relief. It makes it feel that things aren't as bad as in fact they are. You can't manage unless you know the real facts, and they are being distracted by this idea that the heritage trust fund has real money. Secondly, it convinces the rest of the country that we have money when we

don't, and we don't negotiate as effectively for federal/provincial programs as we otherwise might.

Quebec has a fund but doesn't tell everybody that it's a savings account. It's bigger compared to their population than ours is compared to ours. It's been invested in ways that we should have invested ours. It is in fact their pension fund, and unlike our pension fund, its assets are equivalent to its liabilities.

Mr. Chairman, I think that if this government ever had focus on the heritage trust fund, it has lost it. Its focus now has disintegrated into an almost despairing, desperate defence of this fund, a commitment to the past, a resistance to change when change is desirable, is absolutely necessary because we cannot continue to do fiscally what we have done in this province, because it simply isn't working. There is an absence in their arguments of any alternative mechanisms for solving the fiscal disaster which this Treasurer and this government have perpetrated upon the people of Alberta.

Mr. Chairman, it is nice to dream. It is nice to argue these tricky debating points and say that we really need to defend this wonderful icon of the past. But it is an icon, it is anachronistic, and it is time to come to grips, in facing the future, with the fiscal realities of this government's circumstance.

MR. DEPUTY CHAIRMAN: Thank you.

Recommendation 26, the Member for Edmonton-Meadowlark.

26. Mr. Mitchell recommended that the Minister of Technology, Research and Telecommunications be required to report to the Standing Committee on the Alberta Heritage Savings Trust Fund Act the amount of money invested by Alberta Government Telephones in NovAtel between 1983 and 1990 inclusive.

MR. MITCHELL: Mr. Chairman, thank you. I present this recommendation because I was very, very concerned about the meeting we had with the Minister of Technology, Research and Telecommunications. It is critical for us to be able to have information about investments made by the heritage savings trust fund. It's critical that as people involved in the legislative process, we have the facts. Clearly, part of that process is understanding what has gone wrong in the past so we can establish guidelines and understandings to avoid that in the future.

The figure that has been determined by the Auditor General with respect to losses by this government in NovAtel is \$610 million. But what the Auditor General doesn't discuss and what the minister wouldn't tell us is how much was invested by Alberta Government Telephones in NovAtel between 1983 and 1990, the period of time during which the government, through the Alberta Government Telephones organization, owned NovAtel. One thing that the minister said was very, very disturbing to me. He said: I can't tell you that, because we sold NovAtel. Well, Mr. Minister, we sold NovAtel, but then we bought it back. Is he saying that we didn't get back whatever books went with the sale? It is almost incomprehensible, of course, that we wouldn't have kept data on what we had invested during that period of time. It's also almost incomprehensible – if we asked NovAtel or AGT or Telus, I'm certain they would give us that information.

Mr. Chairman, I believe that we have a right to know how much Alberta Government Telephones invested in NovAtel between 1983 and 1990. The people of Alberta require that information, require that their legislators have that information so we can fully appreciate what went wrong and ensure as much as is humanly possible that the same mistake is not made again. Arguments that this information is in the AGT annual report are fallacious. In fact, it is not in the annual report, because NovAtel was consolidated. All you can do

is glean bits and pieces from notes, but there is no comprehensive analysis of what was invested in NovAtel.

I simply believe that any government with a commitment to freedom of information, as this government says it has, that any government with a commitment to allowing its legislators information upon which to review and analyze and make decisions wouldn't even hesitate to support this recommendation. So I would ask the members of this committee to support this recommendation.

[Mr. Ady in the Chair]

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

MR. EWASIUK: Thank you, Mr. Chairman. I want to support the motion put forward by the Member for Edmonton-Meadowlark. I think the intent here, and he's outlined the argument quite well, is that it's important that this committee, certainly, and Albertans are advised and informed as to what transpired in, first of all, the privatization of Alberta Government Telephones and then its involvement with NovAtel. As the member stated, I think the matter of freedom of information, which allegedly this government believes in but has not yet brought forward, is important.

The fiasco of NovAtel has created all sorts of problems for Albertans, and I think it's important that this minister be brought before this committee and would have to tell us the amounts of money invested by Alberta Government Telephones in NovAtel. With all due respect to the Auditor General, I think it's important that this committee be advised and information given to us so we know exactly what kinds of investments occurred, how they occurred, and why they occurred.

MR. CHAIRMAN: The Member for Lacombe.

MR. MOORE: Thanks, Mr. Chairman. I think we all want the fullest information on any government spending, and I believe that we get that through the various processes of this Legislature. We have far too many duplications in government now that cost us money and set up a bureaucratic tangle that people have to go through to get information. The Minister of Technology, Research and Telecommunications comes before Public Accounts, and the Auditor General is there to answer all questions as to every cent that's spent by this government. We already have that process in place. Now we say that they should come and provide all this here. We can go to Public Accounts and get this information.

The members from that party and the hon. member that made this motion sat on Public Accounts. He realizes how thorough their examination is of every dollar spent by government. Even the Member for Edmonton-Calder realizes that Public Accounts is a very, very thorough platform to find out the financial spending of the government. Why are we again doing this?

I saw in the previous motion that somebody said we should have a trustee general up and above it again. Once we had the Minister of Technology, Research and Telecommunications come and report all this to this committee, then we'd have a trustee general to look at it on top of that, and we could go on and on and on. But that's what we call bureaucracy, and we're trying to eliminate bureaucracy and have a direct line of communication to the public here in Alberta. We have it through Public Accounts. It's all there. The Auditor General is there to provide answers to all questions that people have. I just don't think we can go on and on laying on layers and layers of bureaucracy. But that's the way the socialists and the Liberals like it. They like to create employment by hiring them on to government. I guess we will leave it at that.

11:10

MR. CHAIRMAN: Thank you.

The Member for Edmonton-Meadowlark to close debate.

MR. MITCHELL: Thank you, Mr. Chairman. I appreciate the support of the Member for Edmonton-Beverly. Thank you.

I am, of course, appalled at the argument made by the Member for Lacombe, for two reasons. One, this information simply isn't in the public accounts, and if he were to make that kind of argument, I would hope that he would have been sure that he was correct about that. It simply isn't there; I've looked. Secondly, there's such hypocrisy in the manner in which he presents his argument when he says that somehow Liberals want to layer on more and more government bureaucracy. I mean, the fact is that it was his government that created NovAtel, and if that wasn't a government enterprise which could be tantamount to layering on government bureaucracy and layering on government activity or government intervention, I don't know what was. I can't see a legitimate reason for why this member would deny this committee this kind of information. What is he afraid of?

The fact is, Mr. Chairman, that we cannot do our job without having proper information. The fact is that in his desire to see government run properly and efficiently, he should be one of the first people that would want us to see how investments of Albertans' money were made behind closed doors between 1983 and 1990 without any accountability whatsoever. He should be appalled that his minister responsible for this tries to convince us that he doesn't have the information, because NovAtel was sold, despite the fact that we bought NovAtel back.

So, Mr. Chairman, I'm only heightened by his arguments in my desire to find out what in fact this information is. If his arguments against giving it to us are as weak as they appear to be, it must be that there is something that we should find out.

MR. CHAIRMAN: Thank you.

I recognize the Member for Westlock-Sturgeon to introduce debate on recommendation 27.

27. Mr. Taylor recommended that the Alberta Heritage Foundation for Medical Research be instructed to host a yearly one-day forum at which a cross section of renowned and knowledgeable people in bioethics would be requested to speak.

MR. TAYLOR: Thank you, Mr. Chairman. I think it's rather self-evident. It's something I know is near and dear to the Member for Calgary-Fish Creek. The Member for Calgary-Fish Creek has actually taken the lead often in questioning the members of the Alberta Heritage Foundation for Medical Research, and I have capably, I think, sometimes assisted him. But we have to do a lot more than just technical and scientific research. As that has advanced, there have to be advances or at least a freshening up of thinking in our whole moral and ethical system. I think what we're talking about here is a very small start, almost insignificant moneywise, you might say, but I think it is something that has to be done and should be done.

Thank you.

MR. CHAIRMAN: Thank you.

The Member for Edmonton-Calder, followed by Calgary-Fish Creek.

MS MJOLSNESS: Thank you, Mr. Chairman. Just a brief comment with this particular motion. I certainly support having a one-day forum on bioethics, but I just don't think that it should be this

particular committee's role to instruct the medical research foundation what kinds of forums they should hold. I just think that we're getting a little too carried away here in this particular motion, so I would have to say that I would not support this motion.

Thank you.

MR. PAYNE: Mr. Chairman, I'd like to speak briefly in support of the motion advanced today by the Member for Westlock-Sturgeon and would draw the attention of the members today to the front page of this morning's *Edmonton Journal*, which carries a tragic headline of a woman in the advanced stages of Lou Gehrig's disease, who, out of desperation and with no other place to turn, has made an appeal to our federal politicians. I just can't think of a more inappropriate arena to assist someone in those circumstances in making such a decision. As I've advocated in the past and as I will continue to advocate, I think there is a need for government policy in this area and that such policy will best be shaped and formulated with the widest possible public discussion.

The recommendation before us is to the effect that a one-day forum be convened by the Heritage Foundation for Medical Research. I believe that kind of forum is totally consistent with my broader interest in widespread public discussion on the issue. As a consequence, I would like to add by supportive voice to this motion this morning.

MR. MUSGROVE: Mr. Chairman, I believe that bioethics is a very important topic that all Albertans, particularly government, have to address. However, I am concerned about the connection with the Alberta Heritage Foundation for Medical Research. Bioethics is more a thing for the legal people to address. I don't see how it fits into medical research. So although I agree that such a forum is probably necessary and desirable, I feel that it should be handled through some group other than the Alberta Heritage Foundation for Medical Research.

MR. CHAIRMAN: Thank you.

The Member for Westlock-Sturgeon to close debate.

MR. TAYLOR: Thank you, Mr. Chairman. As always, the Member for Calgary-Fish Creek was very succinct and covered a broad band.

To answer the question for both Bow Valley and Edmonton-Calder: where else would the heritage trust fund move this? This is the heritage trust fund. We could maybe move a bioethics thing in the House under Health debates. But, number one, these are the heritage trust fund hearings. Number two, anytime we've had problems in the past in our law-making as well, the legal fraternity has operated separately from the science fraternity. This is why I wanted to put it in where the science people would be right there. When you have problems with ethics, as you go back over the last 150 years, it's when – Einstein used to argue always that science and ethics had to be together. They're wedded; they're not two different things. So this is why we put the motion in here, to get the two to work together.

Thank you.

MR. CHAIRMAN: Thank you.

The Member for Westlock-Sturgeon to introduce debate on recommendation 28.

28. Mr. Taylor recommended that funding be provided from the Alberta heritage savings trust fund to the northern development branch for a bursary program for northern Albertans with a target of a minimum of 30 percent native content in that program.

MR. TAYLOR: Yes. This one is near and dear to me and I think maybe to some other members, because it has been presented before to the heritage trust fund by the Member for Athabasca-Lac La Biche.

My first two children were born when I lived in Peace River. I'm quite familiar with a great deal of the north. I worked most of my life in the north in the oil and construction business. A large percentage of our aboriginal population is up there. I think of those economists who argue that the ship of state is like a convoy, and it can only move as fast as the slowest ship in it. In other words, when you have a large segment of your population – it doesn't matter who they are, whether it be farmers or ethnic; in this case, it's the aboriginal population – that have not been able to get the education and the training to stay with the rest of society, that slows down all of society. Therefore, I want to see a great deal of emphasis put on development funds for the north, bursary programs for northern Albertans. But if it's only for academic achievement out of high school, which we use in the south, it would squeeze out a great deal of our native population. So I say that it has to have at least 30 percent native content. Possibly in 50 years or 20 years or 10 years we could throw out that native content, but I think that in the initial stages we have to have native content.

11:20

MR. CHAIRMAN: The Member for Lloydminster.

MR. CHERRY: Thank you, Mr. Chairman. I just wanted to comment on this briefly. The Member for Westlock-Sturgeon has in here "a minimum of 30 percent native content." I don't believe, at least when I look at it, that you should specifically target one area of people. I thought and I believe that we are Albertans first and foremost. Certainly I totally believe in the native content that we have in the province, but to single them out – if this recommendation were passed, perhaps next year it would be a German content of 30 percent. I mean, I'm an Albertan. I've always tried to think as an Albertan, and I know that the native people think the same way. They don't want special privileges; they want to be treated the same as you and me. This is where I disagree with the Member for Westlock-Sturgeon.

MR. CHAIRMAN: Thank you.

The Chair is not clear. Did the Member for Lacombe have his hand up?

MR. MOORE: The Member for Lloydminster made my point.

MR. CHAIRMAN: Thank you.

The Member for Edmonton-Calder, followed by Athabasca-Lac La Biche.

MS MJOLSNESS: Thank you, Mr. Chairman. I would like to support this motion. I think that anything we can do to assist native people with their schooling and staying in school . . . We know what the high dropout rates are; they're very alarming within that particular population. I don't have a problem with targeting. I think it's really important, as a matter of fact. So I would support this motion.

I'd just like to make an observation, however. I find it difficult to understand how the Member for Westlock-Sturgeon can sponsor such a motion when he's advocating eliminating the whole heritage trust fund. I'd just like to point that out, because I have a hard time following this.

MR. CHAIRMAN: Thank you.

Athabasca-Lac La Biche.

MR. CARDINAL: Thank you very much, Mr. Chairman. I, too, support the general intent of the motion, but I think it needs to be defined a bit further as to where our target should be if we're going to spend additional dollars for postsecondary education for native students living in northern Alberta. The area that a program like this should target and the area where our students are having problems is attending the first and second years of postsecondary education. The existing bursary program under the northern development branch right now provides some bursaries for third and fourth years. The area where the students are having problems is in obtaining financing for the first and second years. Therefore, if a program were to be put forward, I would hope that the program would target bursaries for the first and second years of postsecondary education and allow the students, then, to look at student loans, possibly, and other grants for their third and fourth years. I think with that we would have a lot more native students attending universities and colleges.

In addition to that, the Northland School Division, which covers probably a third of northern Alberta, I believe should participate somehow in co-ordinating the delivery of this program between northern development and the Northland School Division. I would hope that if a program of this nature were to move forward, it'd be co-ordinated between these two organizations.

Thank you.

MR. JONSON: Just very briefly, Mr. Chairman. I think that there is a need for assistance in this particular area. Certainly the Alberta government through the program that the Member for Athabasca-Lac La Biche just mentioned under the Northern Alberta Development Council and also through the regular student finance program, where assistance is available on the same basis as that for other students, is making a commitment in this overall area.

One thing that I think we should look at here – and it's a bit surprising that the Member for Westlock-Sturgeon brought this forward when earlier he was talking about the off-loading the federal government is doing. I think we should be gathering information as to just how much the federal government is providing in the way of assistance to native students in the north. Perhaps our first line of attack should be to put more pressure on the federal government to make sure they're fulfilling their role with respect to that matter.

I agree with the Member for Athabasca-Lac La Biche's comments with respect to the Northland School Division. I think, Mr. Chairman, that we should look at this particular need out there but not direct funds from the heritage savings trust fund at this time.

MR. CHAIRMAN: Thank you.

The Member for Westlock-Sturgeon, to close debate.

MR. TAYLOR: Thank you. To try and cover the bases, the members for Lloydminster and Lacombe argued against the 30 percent number. In general, I would agree with them. I'm not very keen on affirmative action in numbers. In this particular area and quite often in the past we've had to do it to kick-start things in certain areas. There is a large segment of our population that under the present sets of normal rules of academia and scholarships will not be able to get their fair share. So I think 30 percent is a reasonable one. I would only hope that through the years we would be able to take that instance of affirmative action out, but on the short term I think we need it.

Secondly, saying that the federal government should pay it. I've been a native affairs critic for some years now, and more sins have been committed against our aboriginal people in Canada under that

simple rule, that after all it's a federal responsibility, than I think any other statement or law going. Why hold our young native people that are going on to school hostage to a federal/provincial argument? That's what we're doing if we say, "Well, let's put the heat on the federal government." In the meantime, let's get those children educated. Let's get those people educated, because after all they contribute to Alberta's economy maybe even more than they do to the federal. To argue whose responsibility they are now is leaving them hostage to a 125-year-old argument: what are they, a federal or provincial responsibility?

MR. CHAIRMAN: Thank you.

29. Mr. Taylor recommended that the occupational health and safety heritage grant program and the Alberta Family Life and Substance Abuse Foundation be merged into AADAC.

MR. TAYLOR: The next one requires very little debate. I think it's already been covered amply. It's very clear I want to see the merger of both the occupational health and safety program and the substance abuse foundation into AADAC and have only one organization. I think it's going to come anyhow, whether we vote for it. Most of the leading candidates for office of the Tory Party, as long as they stay in more than the 30 days allotted them, will probably do this for us anyhow. Nevertheless, that's all.

MR. CHAIRMAN: Thank you.

The Member for Lloydminster.

MR. CHERRY: Thanks, Mr. Chairman. I just wanted it on the record that I spoke on this issue twice yesterday, and I still disagree with the recommendation totally. I can only say again that the foundation is not doing the same job that AADAC does.

MR. TAYLOR: In that case, I have nothing to add.

MR. CHAIRMAN: Thank you.

30. Mr. Taylor recommended that the Agricultural Development Corporation be liquidated and the government instead supplement private capital loans by way of sliding-scale guarantees and interest subsidization, disposing of all commercial assets at competitive pricing, as was done by Alberta Mortgage and Housing Corporation.

MR. TAYLOR: Moving on to 30. The Agricultural Development Corporation, interestingly, since the time I put this motion out, has been merged in with the crop insurance board. I'd rather have seen it merged in with the Treasury Branches, which would then have put all our loaning people in one hut rather than having our loan in with our insurance. I think they made a mistake by merging it in with crop insurance, because it just doesn't make sense to have your lender and your insurer coming out of the same place. You know what happens: the lender makes sure he gets the insurance before the person that did the insuring.

Time has skated me offside a bit on this one, Mr. Chairman. Nevertheless, I would still like to see it passed, because it does push even further the government's policy of merging it. I would have wanted it merged with the other lending things or at least get rid of it. It looks like we did get rid of it, but we did it the wrong way. The Member for Lacombe might have something to say on that.

11:30

MR. CHAIRMAN: Any members wishing to speak on this?

The Member for Edmonton-Calder.

MS MJOLSNESS: Thank you, Mr. Chairman. The concern I have with this particular recommendation is that it seems to me that all that this calls for is for the government to subsidize private banks. They would prop up and basically supplement and give money to the private banks. I know that the Agricultural Development Corporation has some expertise in agriculture. They have the knowledge and the background to deal with our farmers, whereas a lot of the private banks do not have this expertise, and we know from past experience how insensitive banks can be to farmers. I'm not saying that ADC necessarily always operates in a sensitive way in some cases. We all recognize that at ADC there have been some problems, and we may feel that they need to improve their approach, but I don't think we need to throw the whole corporation out because we have some problems with it. I would hate to see us eliminate ADC and go with private banks simply because we have some concerns. The hon. member hasn't stated exactly what problems he has with the way things are set up currently, so he could maybe be more explicit on that.

Thank you.

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

MR. TAYLOR: Yes. One of the problems that we have with the present government – and it might have occurred in any political party that was in power because of the years of wealth. We have these cabinet ministers with their own little banks. We've got the Minister of Agriculture running his bank, ADC; we've got the minister of economic development running AOC; and we've got the Treasurer running the Treasury Branches. About the only ones that aren't running a bank, and they might for all I know, are the departments of Health and Education.

MR. MITCHELL: We have Kowalski running the lottery bank.

MR. TAYLOR: Kowalski, yes. I'm sorry. The minister of public works has his bank. It's called the lottery fund.

So what we have is a carryover from the days of wealth when everybody had a little bag, running around lending more money. This is just a step to try to get it under control and put it all in one place. After all, I think a whole pile of Liberal cabinet ministers would be just as crazy as NDs or Conservatives if they were given their own bank. So this is the idea: to try to eliminate all these banks out there.

The Member for Edmonton-Calder brings up an interesting point: subsidizing a private organization, which of course, next to playing the piano in a house of ill-fame, is about the worst thing you can do as far as that party is concerned. The fact of the matter is that the farm loans, the big \$9 billion or how ever many billion dollars – I forget – the 9 percent money ones, go through a system of a sliding scale evaluation. Why I'd like to see us, instead of having our own banks, put in if necessary – this is if necessary, to the Member for Edmonton-Calder – those areas where we have to get more money out than normal private enterprise would do is that our farmers would have a number of people they can talk to. Right now, if a farmer goes out to get a loan and ADC says no, he's in a heck of a position. We've destroyed the private competition for lending amongst the agricultural community as we have for start-up businesses and a few other areas. We only have a half dozen banks, admittedly, in Canada, but much better to have half a dozen banks competing for that business than to have just one government organization.

MR. CHAIRMAN: Thank you.

31. Mr. Taylor recommended that the Alberta Heritage Foundation for Medical Research set aside funds to pay tuition and a portion of living allowances to those students in the medical faculty who would be willing to serve in remote rural and native settings for five years after graduation.

MR. TAYLOR: Now, this one, Mr. Chairman, ties a bit to the northern scholarships again, something that's quite, I think, close to me. As you know with the expensive costs of administering medicine today, we're getting these megahospitals in Edmonton and Calgary, where everybody is picked up by helicopter and shot into the big hospitals because of the millions of dollars of equipment necessary. I think that is probably progress, but at the same time, because we finance these two huge institutions in Calgary and Edmonton, we've overlooked the fact that there should be medical aid and students out through the more remote areas of this province. We have a lot of young men and women that are trying to go through for medical degrees. The army has used it to a great extent through the years in everything from medicine through to engineering. It's a time-honoured practice: that five-year indenture, you might want to say, in return for borrowing money to finish your education. It's a system that works, but I think the only question is whether or not we need more medical people out through the rural and the remote areas of the province, and I think we do. I think this is a good way of killing two birds with one stone: we help young people get their education, and at the same time we supply medical services to the remote areas of our province that are not getting them now.

MR. CHAIRMAN: Thank you.

The Member for Lacombe.

MR. MOORE: Thanks, Mr. Chairman. This is similar to recommendation 28. It's a good motion. However, it's in the wrong place. It shouldn't be under the heritage trust fund. It should come from another source: general revenue, under the budget of the Department of Health.

When I look at the Alberta Heritage Foundation for Medical Research – and the hon. Member for Westlock-Sturgeon was on tour with us there. They explained how much money they require to carry on the excellent work they're doing, and they would like more to expand and continue many, many programs. To say that they should set some aside for this, which is entirely outside their mandate of research, is just not reality. This should be directed to some other area.

The other thing that bothers me about the motion is that the hon. member brings this forward to get doctors to locate in rural Alberta, and we know that over the years he's been out there to shut down rural hospitals as a tremendous expense. Where are these doctors going to practise when he gets them out there if he has shut down the rural hospitals? That's just a question that goes through my mind. I can't understand it. I remember the statement rinky-dink rural hospitals, and I just don't understand this.

The motion is excellent. It's a thing we should do, but it should be under the Department of Health or somewhere else, not under the mandate of the Alberta heritage trust fund.

MR. PAYNE: Mr. Chairman, I support fully the intent of the motion brought forward by the Member for Westlock-Sturgeon, that being, of course, ensuring that there are adequate medical professional people in our remote rural and native communities. But I would also endorse the reservations and concerns that have been raised by the Member for Lacombe and quite properly so. That is to say, the Alberta Heritage Foundation for Medical Research is simply not the

appropriate body for this kind of tuition policy and living allowance program. I guess it's not unlike a situation, Mr. Chairman, in which the student loan board used their resources to fund medical research. That would similarly be inappropriate even though medical research in itself is a very desirable end.

So, with regret, Mr. Chairman, I cannot support the motion despite its otherwise altruistic intent.

MR. WOLOSHTYN: I, too, agree that the intent of the motion is worthy to a point. I think this is a very, very superficial look at a medical problem. Just to say that getting a living allowance and a bit of tuition would tie a doctor for five years in a community that he might not want to be in I find a little bit difficult to accept. I think the problem of getting medical help into the remote areas and to the rural areas is certainly worthy of looking at. However, I would like to see that the medical people that go to these areas have had good experience and are remunerated in a fashion that would attract them there. Perhaps we should be looking at a much broader scope of why there aren't sufficient medical people in rural Alberta and in remote areas and in the native settings.

I think if you look at the native settings specifically, it's nice to just throw that native setting around for the heck of it, but we have to have a look to see who is responsible, how we get the jurisdictions going and whether it's a federal health matter or provincial matter, and we had that debate in the Legislature this spring. Those are areas that have to be clarified before we start directing with any moneys at all medical people to these so-called native settings, whatever that might mean. That does not preclude for one moment, if there is a need there, Alberta Health going after and pushing the appropriate authorities to provide it. Whether it be Alberta Health or the federal people, it doesn't matter. If people in this province are in need of medical attention, we should get it to them. Using Alberta heritage research fund money for it is not the way to do it. I think this whole idea of a small bribe is just a band-aid solution to a larger problem.

11:40

MR. CHAIRMAN: Athabasca-Lac La Biche.

MR. CARDINAL: Thank you very much, Mr. Chairman. I, too, support the intent of the motion, and I, too, believe that there have to be other methods of delivering a program of that nature. I don't think it should be done through the Alberta Heritage Foundation for Medical Research. I think we have to do it through the normal processes that are out there.

The weaknesses of a process like this would be that you could attract doctors who, number one, don't want to work up north, therefore may not do a good job, and number two, you may be stuck with doctors up north that are not good doctors, that we don't want and nobody else wants either. Those are some of the weaknesses of a program of that nature.

The whole health care system, as we all know, is very expensive. We have over \$10 billion in health care facilities in Alberta alone. A lot of those of course are not in some of the remote native communities in northern Alberta. Our health standard, no doubt, is somewhat lower than the rest of Alberta. It ties in with other issues, and our government, I think, is working very hard to change those issues. One is the education process, which again requires some modifications; targeting economic development in the most economically depressed parts of our province. Of course when we increase the standard of living of people through income, the health care in turn automatically improves with it. We are attacking it in a number of ways.

I would agree with the general intent that we need to attract more doctors to the north. How we do it, I don't have the answer either, but I don't think it's through the Alberta Heritage Foundation for Medical Research. I think it should be done through the regular government department.

MR. CHAIRMAN: Thank you.

Member for Ponoka-Rimbey, are you on this?

If there are no others, I recognize the Member for Westlock-Sturgeon to close debate.

MR. TAYLOR: Yes. Thank you, Mr. Chairman. I couldn't help thinking that some members – and maybe I've been guilty of it in the past too – might be infringing on a sort of point of order, saying, "Therefore I can't support the motion," before they've heard the closing speech of whoever moved the motion. I sometimes think that it indicates a mind that's very closed. I've probably been as guilty as any, but I think it would be courteous to wait for the summation argument just in case the clouds open up and a flash of lightning comes through and knocks you off your donkey on the way to Tarsus and you have a conversion. You know, we should all be open to that.

Let's get on to these arguments here. The Member for Lacombe mentioned why Liberals who had complained about rural hospitals being built all over would want to put more money into medical students who could work in native and rural settings. I think there are two answers to that. First of all, hospitals are already there. We can't move them. We can easily bring medical students. Some of these hospitals are not being used. We might be able to save something from what was a rather thoughtless policy in the past. Hospitals were sort of built in each of the areas as expressions of love from the Premier without any backup. So this might help that.

Secondly, I'm talking about medical people who would work in their first aid centres, stabilization centres, or whatever it is till they get to the big hospital. In other words, there's an interim stage here that we haven't looked at when we did these megahospitals. There's nobody out in these areas, whether it's a public health nurse or a doctor, that's stabilizing the patient before they helicopter them all in.

Thirdly, I don't believe there's an Indian reservation in the province that was a fortunate recipient of one of these Alberta government hospitals. I'm talking about native settings. I don't believe there are any hospitals out there at all.

Going to the other argument I think some of the members of the NDP brought up – why the heritage trust fund? – my argument is that right now everybody seems to recognize the fact that there is a shortage of medical help out in the remote rural and native settings. Obviously, the student loan board doesn't make loans on the basis of geography. The Department of Health doesn't have a loan program. Consequently, there is a need. Who is going to do it? I say that the heritage trust fund could easily do it. [interjections] I'm sort of competing with the caucus here behind, I guess.

MR. CHAIRMAN: Order.

MR. TAYLOR: The question is that somebody has to supply the funds, and I think this is as good as any. Also, a segment of research could be done. Now, the heritage trust fund is doing, as we saw when we toured the facilities, research into Alzheimer's, research into physical aids, heart research. There's nothing wrong with some sort of research that could be tied to this, because there are diseases and disabilities endemic to our rural population, whether it's from farm chemicals or water or anything else, that are peculiar to our

rural area. We could combine, like the Member for Lacombe was worried about, research in those two areas.

Lastly, I was surprised to hear the Member for Stony Plain come out and say well, natives are a federal responsibility. In fact, again we're leaving the native children and young people hostage to a federal/provincial fight, and worst of all if there are not proper health facilities, if there are not proper education facilities in our native settings, when they migrate to our cities, it becomes a cost to the province in either welfare, crime, or lost incomes from trained people. So for the Alberta government or anybody in Alberta – and I'm particularly surprised that somebody from a minority party that usually has their heart on their sleeve at all times for minority groups would come out and say, "Well, that's a federal responsibility." That's a shocking statement to make. I think we have the responsibility. He's not the only one. We have a responsibility to try to see that our native settings have the equivalent health care of any other Albertans, because they are Albertans as well as being natives. Why chisel them out of their right and their duty?

Thank you.

11:50

MR. CHAIRMAN: Thank you.

To the committee. That concludes the debate on the recommendations for 1992. Thank you for your support and co-operation with the Chair while we worked our way through these. I think the committee has acted with dispatch and efficiency to conclude well within the time frame that we set out.

I would remind the committee that we will meet next on Tuesday, December 1 at 2 p.m. to vote on the recommendations.

If there is no other business to come before the committee, I'll recognize the Member for Lloydminster with the motion for adjournment.

MR. CHERRY: I move for the adjournment, sir.

[The committee adjourned at 11:51 a.m.]

