

Standing Committee on the Alberta Heritage Savings Trust Fund Act

10:02 a.m.

[Chairman: Mr. Dunford]

THE CHAIRMAN: Okay. We'll call the meeting to order. Just a quick housekeeping item. Our next session will be on February 13, which is the opening of session. Be advised that we will not be approving, then, any expense accounts for that particular meeting or any travel because you have to come here for the session. What we hope would happen is that you would get your expense reports to us as quickly as you can, and then we can close off this year's budget. Any questions on that point?

MR. LANGEVIN: No questions.

THE CHAIRMAN: Okay. We're about to proceed, then, with the recommendations. Again, as a means of reminding our members about the procedure, what we'll do first is have the individual read all of their recommendations into the record. Diane will come up with some sort of numbering scheme for this. When we go back, we will ask the presenter of the recommendation to open the debate, and then we will go back and forth between benches as long as there is someone willing to debate. As soon as one side or the other stops providing speakers . . .

Welcome, Mark.

MR. HLADY: Thank you.

THE CHAIRMAN: . . . we will then ask either the presenter of the recommendation or someone that he or she wishes to delegate that responsibility to to close debate. We will not be voting at this time; we will do that on the 13th of February.

Michael, question?

DR. PERCY: No. I just wanted to be first off the mark.

THE CHAIRMAN: Okay. Which is yours? Is it this one?

DR. PERCY: I will be reading it on behalf of Nick.

THE CHAIRMAN: On behalf of who?

DR. PERCY: Nick Taylor.

THE CHAIRMAN: Nick Taylor. So you are adopting this as your recommendation, he not being a committee member?

DR. PERCY: Oh, isn't he on the committee? Then I wonder whose this is.

THE CHAIRMAN: So this is yours, I take it, Mike.

DR. PERCY: Yes, it is.

THE CHAIRMAN: So then you're proceeding with your recommendation first. Do we have all of them in front of us at this point? Are there any recommendations from any other members? [interjection] Jeez, Victor, and you're vice-chairman.

MR. DOERKSEN: You don't like my tie or what?

THE CHAIRMAN: I love your tie.

MR. DOERKSEN: Thank you.

THE CHAIRMAN: Where am I here?

MR. SAPERS: Mike was going to read his recommendation into the . . .

THE CHAIRMAN: No. Before we get to that, I need to know if there are any other members wishing to provide any other recommendations. Hearing none, we'll proceed. Now, do we go Mike, Howard, Peter?

MR. SEKULIC: Sure.

THE CHAIRMAN: Okay. Michael, you start.

DR. PERCY: Thank you. Prior to reading this into the record, I would just say that I think the committee's in sort of an ambiguous position because we had voted to disband. We've received the report from the Provincial Treasurer, which will be debated in the House. The issue of governance isn't addressed and will be addressed within the House, but it really does leave us between a rock and a hard place.

Notwithstanding those comments, I will then read this recommendation in. The recommendation is

that the heritage trust fund provide either from its present scholarship funds or from the general heritage trust fund 10 fellowships per year for students in medicine for the duration of the time they are in medical school earning their first degree on the condition that they work the first five years after graduating from medical school in a rural medical practice.

THE CHAIRMAN: Okay. Thank you. So that's become number 1, Diane.

Okay. Howard Sapers.

MR. SAPERS: Do you want me to read my recommendations at this point, Mr. Chairman?

THE CHAIRMAN: Yes. We need to ensure that they're in *Hansard* from your lips and not any editing that a chairman might do.

MR. SAPERS: All right. Thank you, Mr. Chairman. I'd like to propose the following recommendation:

That all activities of the Alberta heritage savings trust fund and its related funds and all recipients of heritage savings trust fund dollars be subject to the provisions of the provincial legislation regarding access to information and privacy.

My second recommendation is

that all ministers and agency heads requested to appear before the heritage savings trust fund committee be informed that they may be questioned regarding any aspect of their department which receives or expends dollars from the heritage savings trust fund.

My third recommendation, Mr. Chairman, is

that the Agriculture Financial Services Corporation establish a policy of not financing its lending activities through repossessions and forced sales.

Finally, my fourth recommendation is

that Alberta heritage savings trust fund dollars made available to regional health authorities through funding provided to the Alberta Cancer Board be clearly identified in the business plans of the regional health authorities.

THE CHAIRMAN: Okay. Thank you. Again, for the sake of members, Diane, we've renumbered these 2, 3, 4, and 5.

Peter Sekulic.

MR. SEKULIC: Thank you, Mr. Chairman. I guess I follow on the tails of my colleague from Edmonton-Whitemud in agreement that

this committee is between a rock and a hard place. Some of the work is ambiguous since we did vote to disband it.

I put forward my recommendations based on what the Provincial Treasurer presented and what will be debated, so my recommendations are more future oriented than they are looking at the past.

My first recommendation is

that the government should ensure that any independent board retained to manage the fund or parts thereof be selected through a select committee of the Legislature.

Secondly, I recommend that the government should . . . [A cellular telephone rang] . . . not permit cellars in the Chamber. That coat is ringing.

THE CHAIRMAN: Sorry, Peter.

MR. SEKULIC: No problem. That's the first time I've heard a cellular ring in the Chamber and hopefully the last.

My second recommendation, again, is

that the government should, through the legislative process, set clear restrictions and conditions for the investment of fund assets. This would require the development of guidelines specifying what is considered to be an authorized investment.

Thirdly,

the government should ensure that a reasonable and prudent diversification among investments is maintained.

Fourth,

the government should ensure that the fund's investment or brokerage firms be dealt with through the independent management board, which in turn maintains accountability to the Legislature.

THE CHAIRMAN: All right. Thank you, Peter. So again for the purpose of members, we will renumber those 6, 7, 8, and 9.

Now, just to review once again the procedure. On recommendation 1 we will ask Mike Percy to move the recommendation and open the debate, and then as long as there are speakers on either side wishing to debate, the debate shall continue. As soon as there is no debater from one side or the other, we will then ask the recommender or his designate to close debate.

Michael, if you'd like to start, please.

1. Dr. Percy moved:

Be it resolved that the heritage trust fund provide either from its present scholarship funds or from the general heritage trust fund 10 fellowships per year for students in medicine for the duration of the time they are in medical school earning their first degree on the condition that they work the first five years after graduating from medical school in a rural medical practice.

DR. PERCY: Yes. The intent of this recommendation is to address what is clearly a serious problem in rural areas: the ability to attract physicians. The purpose of the recommendation, then, is consistent with what the heritage savings medical trust fund attempts to do as well in terms of improving the quality of care, quality of research in the province. So it's a narrow focus. The real intent is, you know, in the absence of indenture, which we've done away with, that there's a quid pro quo for funding in medical school, and the quid pro quo is five years in a rural area. I do suspect that many physicians, once having spent that period of time, would indeed stay there, knowing that indeed the stable communities are the backbone of the Alberta economy.

10:12

THE CHAIRMAN: Just for clarification, two points. I think we have a responsibility here because of *Hansard* to ensure that all of

the tens of Albertans who read *Hansard* understand your meaning of quid pro quo. Would you read that into the record, please?

DR. PERCY: Well, in return for financial help with the expense of medical school, it would then be an obligation on the part of the medical student to spend a period of time in a rural area providing medical services. The intent of the motion is that there would be this reciprocal responsibility: financial help and, in return, an obligation to practise in a rural area for a specified period of time.

THE CHAIRMAN: Okay. Thank you for that clarification.

A second point of clarification is on my earlier remarks. I automatically assumed that one bench would be opposed to whatever another bench brought forward as a recommendation. That's entirely false. We may have lots of support from either side of the bench. So I need to clarify the procedure in the sense that the recommender brings forward the recommendation, the next speaker will then be someone in opposition to that recommendation, and we will proceed, then, from opposed back to pro until such time as there are no speakers either for – now is it “and against,” or is it “or against”?

MR. SAPERS: Or against.

THE CHAIRMAN: Oh, okay. So on that basis, is there any speaker wishing to oppose and debate this recommendation?

MRS. FRITZ: Well, Mr. Chairman, I'm just asking for clarification of process then. If this recommendation is passed by this committee, does that mean it's been referred to the medical research division of the heritage foundation?

THE CHAIRMAN: As far as the process, Yvonne, this morning we are simply debating the recommendations; we are not passing them. We come back on February 13 to vote. At that time we will either carry them or defeat them, and we will get into the referral process after that.

MRS. FRITZ: So given that, if there isn't any debate in opposition to this recommendation, then that leads to, when we do vote, a recommendation that's passed by the committee.

THE CHAIRMAN: No. You can simply be a passive opposition. You don't have to debate it. You can vote against it. That's your pleasure.

MRS. FRITZ: When it comes back to the committee, is there further information that's given to the committee, Mr. Chairman, from the medical research division as to whether or not they've looked at this possibility in the past? Like, perhaps a member here has already referred this to that foundation.

THE CHAIRMAN: I think you raise an excellent point, Yvonne. It is your responsibility as a member, now having that recommendation in front of you, to research the issue.

MRS. FRITZ: So we bring it back to the committee.

THE CHAIRMAN: Well, there will be no discussion on Tuesday, the 13th. Again, I understand this is your first time, so you don't have the experience of previous times. On the 13th the chairman will announce that we're on recommendation 1, and he will simply ask for a show of hands of those in favour and those against. There

is no discussion. What you will have to do between now and then is either do the investigation on your own or collectively with other members that you deem necessary for you to make a determination of how you want to vote on this recommendation. I want to say again that the fact that there would be no opposition debate to any of these recommendations at this particular time does not mean they are passed; it just simply means that you as a member are not wishing to enter into debate at this particular point in time. You are not bound by silence. Silence in this forum is not acquiescence. Okay?

MRS. FRITZ: Okay. Thank you, Mr. Chairman.

THE CHAIRMAN: All right.

Any member wishing to debate in opposition to this recommendation? Seeing none, would you wish to close debate, Michael?

DR. PERCY: I would urge all members to support this recommendation. It's very clear. For example, just in the press recently the mayor of Valleyview has spoken of the problems they've had in attracting and holding on to rural physicians. So I think there's a demonstrated need, and this is a low-cost, proactive approach to dealing with the problem.

THE CHAIRMAN: Thank you.

Okay. Howard, recommendation 2.

2. Mr. Sapers moved:

Be it resolved that all activities of the Alberta heritage savings trust fund and its related funds and all recipients of heritage savings trust fund dollars be subject to the provisions of the provincial legislation regarding access to information and privacy.

MR. SAPERS: Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, just very briefly. The motivation for this recommendation is to make it crystal clear to all recipients of the funds and to all Albertans that there will be transparency regarding the use of heritage savings trust fund dollars to the same extent that there is through the general revenue fund. It is not entirely clear either in the legislation or in practice that that is now the case, and this would just simply remove any doubt as to the expectations and the degree of both protection of privacy and access to information.

THE CHAIRMAN: Okay. Thank you.

Any member wishing to speak in opposition? I realize our procedure here is unusual. Normally we have the recommendations prior to this particular session, but with the convoluted scheduling system that we had to go through, we tried to provide this flexibility for you, and I'm not sure it's working to the advantage of everybody. Be as it may, this is the system that we're using.

Paul Langevin.

MR. LANGEVIN: It's more of a clarification, Mr. Chairman. I understand that all government activities through committees or organizations or whoever that are directly responsible to government or act on behalf of government are subject to the Freedom of Information and Protection of Privacy Act. I'm wondering: is there a need to reinforce that statement?

MR. SAPERS: Mr. Chairman, I tried to address that just in my brief opening comments. The fact is that there is in the current legislation

the provision that all the so-called MUSH sector, for example, will come under the provisions of the legislation within three years. There's also the suggestion that there is going to be a review of the applicability of the legislation. For example, it may be extended to cover self-governing professions like the College of Physicians and Surgeons. But it is not clear when you talk to some recipients of heritage savings trust fund dollars, particularly through medical research, some of the activities that are now conducted in partnerships, specifically with commercial partners, that the use of those dollars, when they get rolled into those other enterprises, would be subject to the provisions of the legislation.

So as much as anything else this recommendation removes the doubt. This recommendation makes it explicitly clear that the legislation will apply. When you talk to some recipients, chances are they haven't even turned their minds to the question of the freedom of information and privacy legislation and they're unaware of if and how that legislation will apply to them. This would remove that uncertainty and make it clear to everybody that the legislation does in fact apply.

THE CHAIRMAN: Paul, based on that clarification, do you need further clarification or do you wish to enter debate?

10:22

MR. LANGEVIN: No. I wish to enter debate. I would like to speak against this motion. The reason is: the province of Alberta with our budget of roughly \$14 billion per year, as you dispense all of these dollars, every committee and every person to whom some dollars are dispensed and the whole handling of the budget – if through all the committees and all the actions of the government we start to reaffirm the fact that they should be subject to this new Bill of information and privacy, I think we're just going to create an enormous amount of work for all committees. We're going to be passing motions at all levels just to try to reaffirm the position. As the Act comes forward and we see the working of the Act, the exercise is put in place in a year or two, if there are some loopholes or some areas that are not covered, maybe that would be the time to look at it, but at this time I think it's premature to get into this type of recommendation.

THE CHAIRMAN: Thank you.

Is there any other member wishing to speak in favour of this recommendation?

MS CARLSON: I will, Clint. I'm surprised at the member's statements with regard to that. I would think that with the policy of openness and transparency that this government has said it supports, they would wholly support this recommendation.

THE CHAIRMAN: Any member wishing to speak in opposition?

Do you wish to close debate, Howard?

MR. SAPERS: Thank you, Mr. Chairman. I'll close debate as quickly as I can, while not diminishing the importance of the recommendation. The motion is fairly narrow in its application. It does not suggest that we're recommending that every action of government be reaffirmed by a motion in the Chamber dealing with freedom of information and privacy. I don't know what the Member for Lac La Biche-St. Paul was really speculating about in that regard.

What this motion says is that the business of this committee, which is how heritage savings trust fund dollars are used in this province, should be as open and public as possible. One way of

guaranteeing that openness is to make sure that all provisions of legislation regarding access to information and privacy apply. There is confusion presently in the minds of not only members of the public but more importantly people and organizations and groups that receive heritage savings trust fund dollars. I know that confusion exists because I've talked to some of these recipients. I think it's only fair that they know what the expectations are in terms of accountability and transparency, and I think it's absolutely important that as members of this Assembly we underscore the importance of access to information, freedom of information. I don't think that talking about freedom of information is ever a waste of time. I certainly don't think that it's a waste of time in this Chamber.

I would hope that the member who spoke against the motion will have a chance to reflect on these points, and I would encourage all members of the committee to support the motion when it comes to a vote.

THE CHAIRMAN: Okay. Thank you.
Howard, recommendation 3.

3. Mr. Sapers moved:

Be it resolved that all ministers and agency heads requested to appear before the heritage savings trust fund committee be informed that they may be questioned regarding any aspect of their department which receives or expends dollars from the heritage savings trust fund.

MR. SAPERS: Yes, thank you.

Very simply, Mr. Chairman. On a couple of occasions during this round of hearings we had a situation where ministers were clearly unprepared to deal with questions put to them from members of the committee. One of the reasons that they were unprepared has nothing to do with their particular competence in their department but because of instructions that we as a committee provided them. Typically there's a list that's provided to ministers and department heads saying: "You'll be questioned about this. You won't be questioned about something else." The Premier and the Minister of Economic Development and Tourism I think are good examples of some of the confusion. There was also I think some confusion about the questions that may be put to the minister of agriculture and the Minister of Energy.

I just think that if this committee is going to meet again and have an opportunity again to deal with ministers regarding the activities of their departments as they intersect with the expenditures made through the heritage savings trust fund, they simply just be put on notice that members of the committee would like the ability to ask a range of questions. Often the programs that are funded don't fit neatly under one department, and one of the real beauties of the heritage savings trust fund and the way the dollars have been used to the benefit of all Albertans is that it often isn't just the responsibility of a single department. But it's important to know how those activities nonetheless relate to that department.

This is a procedural recommendation, Mr. Chairman, and I don't expect it to be terribly controversial.

THE CHAIRMAN: The chair needs to provide some clarification at this point. I appreciate that you might not think it would be terribly controversial, but this chairman has received some criticism about the handling of the heritage savings trust fund hearings. The thrust of the criticism is that I'm too flexible. That flexibility, of course, then leads to recommendations such that we have in front of us, and

it will be the responsibility of the chair prior to February 13 to investigate the mandate of this committee and send a circular to all members regarding this point. The clarification I want to make is that we are not Public Accounts. We have in fact recommended our demise and that this responsibility go to Public Accounts, and this recommendation 3 would seem to support such a transference.

I want to say, though, that I've been pleased with the support of the members of this committee on the manner in which I do chair this. I want to state categorically that I see that as my responsibility to the members, and I'm of course willing take external criticism however it may come. But it clearly brings a point forward that needs clarification, and we will accept the responsibility to get that clarification prior to any member being required to vote on this recommendation.

With that clarification, is there any member wishing to speak in opposition to the recommendation in front of us?

MRS. FRITZ: Mr. Chairman, I just need to ask another question on process. What is the process now for this recommendation 3 that you follow in informing ministers and agency heads that they will be questioned by this committee regarding their department and the funds from the heritage savings trust fund? They're fully aware of this; aren't they?

THE CHAIRMAN: I'm sorry?

MRS. FRITZ: They're fully aware of what's being recommended here; are they not?

THE CHAIRMAN: No. This is the first time anybody's seen it. We are seeing these for the first time this morning.

MRS. FRITZ: No, no. Mr. Chairman, when a department head or a minister comes forward to this committee, their expectation is that they are being questioned on dollars from the heritage savings trust fund as they relate to the activity within their department.

THE CHAIRMAN: That is right, and what the recommendation is, by way of clarification, is the fact that when they are in front of this committee, the questions could go to any activity of their department whether it related to the heritage savings trust fund or not.

MRS. FRITZ: No. Actually, Mr. Chairman, that isn't what I read here.

THE CHAIRMAN: Let's have that clarification, then, from the recommender.

MR. SAPERS: Well, pardon me, Mr. Chairman, but that would be an incorrect interpretation of the motion. The motion proposal is "any aspect of their department which receives or expends dollars from the heritage savings trust fund." As courteous and generous a chair as you have been, I don't think that even I would push the envelope far enough to suggest that we be able to question a minister regarding anything at all in that minister's purview. I respect that this is a committee dealing with the heritage savings trust fund. So this motion is more narrow than I think you're understanding.

THE CHAIRMAN: All right. With that clarification from the recommender, is there . . .

MRS. FRITZ: Just a little further to that, Mr. Chairman, I'm not going to support this recommendation when it comes forward for voting in the future. The reason I'm not going to support it is that I feel it's redundant. I almost feel that it's to the point of recommendations 2 and 3, now before this committee for debate, being mischievous. I say that because I very clearly have made a point of participating and being present when departments were making their presentations. Yes, I have seen the member who's putting forward this recommendation lead on from whatever number of questions he was asked to put forward. I've seen him lead, you know, further from that. I've seen the result back from – I think the Premier was mentioned; ministers were mentioned. I've heard them say very clearly: if we don't have information here today, we will get that information; we'll give it to the chairperson, and it will be circulated to your committee. I'm surprised that this recommendation is here. To even say that ministers and agency heads would not know that this committee is actually questioning their department on the dollars they're receiving from the heritage savings trust fund is in my opinion mischievous. So I won't be supporting it.

10:32

THE CHAIRMAN: Thank you. Is any other member wishing to speak in favour of this recommendation?

MR. AMERY: I have a question.

THE CHAIRMAN: Is it clarification you want?

MR. AMERY: Yeah.

THE CHAIRMAN: Go ahead.

MR. AMERY: To the presenter: was there an incident or a question that was directed at a minister or a head of a department that wasn't answered that led you to submit this recommendation?

THE CHAIRMAN: In clarification, do you wish to reply?

MR. SAPERS: Okay. Mr. Chairman, you're going to have to use a tight leash here because I'm not sure when my answer will be entering debate. So please keep an eye on that.

There were several questions during the hearings addressed to several ministers, and it wasn't my intent in the motion to single out a minister. I don't think it was any of the ministers, who I found to be generally very co-operative, or the other agency heads, such as the Auditor General, or the people from the Heritage Foundation for Medical Research. I didn't want to single anybody out. But there were several occasions when it was very clear, both from the answers and from the looks of surprise from time to time, that the people who came to testify before us were not in fact prepared to deal with the questions asked. I even recall at one point during the committee a discussion originating from the chair which explained the process that if we referred to an insert at the front page of our binders, we would note which ministers and agency heads had been invited and what it was they were invited to answer questions on.

There were occasions when questions were put to the Minister of Economic Development and Tourism which he suggested would be better answered by another minister. There were questions put to the Premier which he suggested in his answers he wasn't prepared to deal with, that they should be put to other ministers. The same can be said for agriculture, Energy, and, for that matter, the Auditor General. There are several instances in *Hansard*.

The point is that when we have to ask questions to ensure the degree of accountability, which underlines the whole reason for this committee to exist, we cannot be expected as committee members to compartmentalize our thinking about the heritage savings trust fund to mimic the way that the cabinet has been constructed. The heritage savings trust fund is not supposed to just reflect what happens in cabinet. The entire cabinet, on the other hand, comprise the investment committee.

THE CHAIRMAN: I think you've made your clarification. Debby. Now, are you on this clarification?

MS CARLSON: I have a specific example here in the debates from *Hansard*.

THE CHAIRMAN: Well, then, let's use it in debate, because we're now to a speaker who wishes to speak in favour of the recommendation. You're recognized, Debby.

MS CARLSON: When we had Murray Smith here before us on Economic Development and Tourism, Howard asked him a question which was not on the list of information that Murray was asked to be prepared for, and there was some significant debate there between yourself as the chairman, Murray, and Howard with regard to that. I think this is specifically what Howard is referring to. If I can quote from here – and this would be yourself, Mr. Chairman – you stated:

So we have a situation here where you're quite right. The Premier did in his comments make reference to this minister, but I would simply point out to you that as chairman I had not asked the minister to be prepared in that particular area.

You went on to say that you were “not trying to exclude the question,” but you stated that

I'm just wanting people to understand why a minister may not want to respond . . . I'm simply clarifying that Murray probably isn't here armed with the information to answer your question.

THE CHAIRMAN: Clarification from the chair. One procedure that we used last year was to send a note to all of the people who were going to appear in front of us. I indicated – because it was my signature on your behalf – to the person to appear before us that, yes, we were here to investigate the document in terms of the annual report but that they should be aware that if in their opening statements they wanted to broaden the field, that became, then, fair game territory for any member of the committee. You know, I continued that practice, in terms of our hearings, in allowing that latitude. If I heard something in the opening statement by the presenter that went beyond the '94-95 report, then I allowed that, again, as an area in which you as a member, Yvonne, particularly would be free to question.

Now, I didn't recirculate that memo to all of the ministers. In the clarification that we've been going through, I want to speak again in defence of Murray Smith. I had it in my head that all the ministers were still the same, that all of the people who would be coming in front of us were still the same, and of course I neglected the fact that, you know, Murray was newer in his portfolio. So the discussion seems to centre around that aspect of it, and I accept the responsibility for that.

Now, Debby, do you have clarification on the clarifications?

MS CARLSON: I speak in favour of the recommendation.

THE CHAIRMAN: Which you just did.

MS CARLSON: Yeah. I don't think there was any concern in terms

of Murray's statements here that day. I'd like to speak in favour of the recommendation from the perspective that the ministers that sit before us are fully prepared when they come in. Had this recommendation been in place, then he would have had a chance to be prepared. I'm sure that he was very good at answering our questions, and he would have been able to fully answer the question. So from that perspective, just in terms of having access to information, I'm going to be supporting this recommendation.

THE CHAIRMAN: Thank you. Any member wishing to speak in opposition to the recommendation? Seeing none, would you like to close debate, Howard?

MR. SAPERS: Sure. Thank you, Mr. Chairman. The member speaking in opposition to the motion mentioned that she was afraid that this was mischievous or some kind of an extension of the responsibilities of the committee, and I'm disappointed to hear that. An example is the Prince Rupert grain terminal, where taxpayers are potentially on the hook for millions and millions of dollars, where loans may not be repaid. When you question the Premier and the Premier suggests that you question another minister because it would be more appropriate and you question that minister, who presumably had the time to prepare between the Premier's appearance before this committee and his own, and then that minister says, "Well, I wasn't told I was going to have to talk about that," it leads me to the conclusion that there's a problem. That's just one example.

I don't think it's mischievous at all to want to inform people who are going to be asked questions that they could be asked a whole range of questions. In fact, I think that's only fair. We certainly wouldn't want to surprise people in this committee. So it seems to me that this is reaffirming what was the original purpose of this committee, which was to make sure that there is a degree of public accountability for the decisions made.

The one thing that's always confused me, Mr. Chairman, and the one thing that I think confuses others and that may be clarified if this motion were passed is the fact that individual ministers may decline to answer questions about heritage savings trust fund dollars expended that have impact on their departments. Yet each one of those ministers is in fact a member of the Heritage Savings Trust Fund Investment Committee, so presumably was sitting around a table at one point making decisions about how every dollar of the heritage savings trust fund was spent. So any minister of this government should be in a position to at least be aware of any activities of the fund. Therefore, it should be fair game to ask a minister specifically about the impact of transactions to do with the heritage savings trust fund on his or her department. That seems to me just to be common sense, and to argue otherwise really raises questions about the role of the investment committee. I'm sure that's not what the Member for Calgary-Cross was doing.

So to close debate, I hope that people will vote for accountability and support this motion.

10:42

THE CHAIRMAN: Okay. Thank you. Again just to reaffirm the chairman's commitment, we will get the mandate of this committee circulated in a simplified form before the vote on February 13.

Okay. Howard, number 4.

MR. SAPERS: Thank you. [interjection] The coach was just calling in some last minute plays, Mr. Chairman.

4. Mr. Sapers moved:

Be it resolved that the Alberta Financial Services Corporation establish a policy of not financing its lending activities through repossessions and forced sales.

MR. SAPERS: During discussion there was a suggestion that repossessions and forced sales have increased. I believe in direct response to a question it was made clear that there is no policy which says: or any percent of activity that's financed through repossessions and forced sales. But I think Albertans would want to know that in fact it is expressly not the policy of this government to see the activities of a lending operation which is supposed to come to the assistance of people involved in agriculture in this province financed through somebody else's misfortune, through repossessions and forced sales. This isn't in any way to limit the prudent management and other activities of the corporation. This is just to suggest that it should be made expressly clear that they cannot depend upon a certain amount of income from sales and repossessions in order to meet the financing requirements of the rest of the agricultural community.

THE CHAIRMAN: We need, again, some clarification. I made an assumption on number 3 that you were being overly flexible beyond the mandate, and you quite appropriately corrected me. I need the same sort of correction for number 4. How does your recommendation fit within your knowledge of the mandate of this committee?

MR. SAPERS: It is the extent to which AFSC has been funded in the past or will continue to be funded by Alberta heritage savings trust fund dollars, either through investment activities or the original establishment of the corporation.

THE CHAIRMAN: Again, for clarification, what you're talking about here is financing their operations through repossessions and forced sales, not through receiving dollars from the heritage savings trust fund. I need clarification on that.

MR. SAPERS: Well, I guess I could fall back to maybe a legal doctrine about fruits of the poisonous tree, and I'm sure Mr. Havelock will correct me if I get this incorrect. If the activities were first established by the heritage savings trust fund, even though the ongoing operations may in fact come from other dollars outside of the fund, the root of it is still the heritage savings trust fund. Hence, the tree is poisoned, and the fruits would be as well, Mr. Chairman.

THE CHAIRMAN: Thanks for that clarification. Any member wishing to speak in opposition?

MR. DOERKSEN: Mr. Chairman, I'm not sure if this is in opposition or a clarification, but I don't understand this recommendation. I'm not sure where the member is going with his comments. If he could help me understand what his point is here, that would be helpful.

THE CHAIRMAN: Howard, did you hear the clarification question?

MR. SAPERS: Well, as I understand, the member was saying that he just wants me to make it clear what it is I want to accomplish with this recommendation. Is that a reasonable paraphrase, Vic?

MR. DOERKSEN: I don't understand what you're trying to accomplish with the recommendation, Howard.

MR. SAPERS: If I understand the financial information which this committee has been provided and the answers that we were provided by the minister at the time, there has been an increase in the lending activity of the corporation. There has also been, as I understand it, an increase in forced sales and repossessions. In response to a question that I recall, it was clear that there is no policy which describes the relationship between the financial activities of the corporation and its attempts to either recover investments and loans through repossessions and forced sales or its ability to continue to finance other applicants. So what I'm trying to accomplish in this motion is the importance of creating a policy which again would make it clear that AFSC cannot establish as a target a certain amount of its activities to be financed through proceeds derived from repossessions or forced sales, that those recovery activities should operate entirely separate from the prudent decisions it would otherwise make in terms of lending activities.

THE CHAIRMAN: For clarification. There are no moneys that came out of the heritage savings trust fund for AFSC in 1994-95, but the minister in his opening remarks did make reference to AFSC. In fact, as I recall, the chairman of the board of AFSC was one of the guests. I'd have to have that confirmed, but that's my recollection. So Howard again is talking about the "fruits of the poisonous tree."

Do you wish to enter into debate on this recommendation?

MR. DOERKSEN: Mr. Chairman, sure, I'll enter into debate. Even with the member's clarification, I'm still not sure what he's driving at. The "fruits of the poisonous tree" loses me too.

Any financial institution, whether it be a government agency or a private-sector agency, goes through times in their lending portfolio when they have to repossess and try and preserve the capital that they have lent out from being eroded so that the organization does not lose money. That just becomes a matter of cash flow: you lend the money out; you collect the money back. Hopefully you collect it back through regular payments. If that doesn't happen, then you might have to go to repossession or forced sale or some other kind of arrangement. It just goes within the normal cash flow operations of that institution.

So I won't support the motion; it makes no sense.

THE CHAIRMAN: All right. Thank you.

Any other member wishing to speak in favour of this motion? Hearing none, Howard, would you like to close debate?

MR. SAPERS: Sure. I think we've had a good, healthy discussion, Mr. Chairman. I think the motion does speak for itself in terms of its intent. I'd be happy to sit down with Victor and make it clear to him if he continues to misunderstand the motivation for the motion. I look forward to a positive vote when we get to that stage of the proceedings.

10:52

THE CHAIRMAN: I think we denote signs of Sine Chadi here, who used to at great expense circulate *Hansard*. That was a nice touch in your closing debate.

AN HON. MEMBER: Sort of like a poisonous tree, Howard.

THE CHAIRMAN: We don't want to refer to "fruits of the poisonous tree" in this. We already discussed that.

5. Mr. Sapers moved:

Be it resolved that Alberta heritage savings trust fund dollars made available to regional health authorities through funding provided to the Alberta Cancer Board be clearly identified in the business plans of the regional health authorities.

MR. SAPERS: Again, this is just to ensure transparency. There is much concern that we need to be able to track the dollars to make sure that they are being used in the way that it was intended. So in this case what we have is the potential for a series of transactions which could result in either an inability to be accountable for those dollars or, even worse, the potential that those dollars could for one reason or another be funneled off to meet another arguably equally important purpose but not the purpose which they were designed to meet.

So what this recommendation simply would do is ensure that continuity could be tracked and that we would all know and all Albertans would know that money set aside through the savings trust fund for cancer research or programming ultimately expended at the regional level is in fact used for that purpose.

THE CHAIRMAN: Okay. Thank you.

Any member wishing to speak in opposition? Seeing none, do you wish to close debate? You can refer it if you want.

MR. SAPERS: I would like to refer this directly to the committee for a vote at the earliest opportunity, Mr. Chairman.

THE CHAIRMAN: That earliest opportunity will be February 13. Thank you.

Okay. Peter Sekulic. Number 6.

6. Mr. Sekulic moved:

Be it resolved that the government should ensure that any independent board retained to manage the fund or parts thereof be selected through a select committee of the Legislature.

MR. SEKULIC: Thank you, Mr. Chairman. As I said earlier, my recommendations are quite future-oriented, and they're perhaps an extension of some of the work of the Alberta heritage savings trust fund panel that traveled around Alberta and heard from tens of Albertans.

THE CHAIRMAN: Just a sec. We need to have that clarified. Did you mean that came to the public hearings, or do you mean in total? It was tens of thousands that came.

MR. SEKULIC: You're right. That does require clarification. It was the tens that attended the panel to present directly to the panel, not the thousands that submitted a response to the questionnaire. So going on that, I looked at the summary or interpretation prepared by the Treasurer based on the recommendations you made to the Treasurer, I believe, and based on his report or interpretation I'm pursuing more transparency of process and accountability of decision-making regarding the heritage savings trust fund into the future.

This first recommendation is just to ensure that the Legislature and all the members of the Legislature are accountable for the board that will be retained. I foresee an independent board retaining the management of the fund, and I just want to ensure that this Legislature as a full Assembly is accountable for the decision that will be made regarding this \$11 billion question and the management of those moneys.

THE CHAIRMAN: Any member wishing to speak in opposition? Seeing none, Peter, do you want to close debate?

MR. SEKULIC: I just want to say in closing that I see this recommendation to be a fair and reasonable request, and it's consistent with some of the processes which we have in place for selecting persons for positions like the Ethics Commissioner, the Auditor General. I believe they're selected currently through the Members' Services Committee. This is just an extension, yet another responsibility.

THE CHAIRMAN: Legislative Offices, I think.

MR. SEKULIC: Legislative Offices?

THE CHAIRMAN: Yes.

MR. SEKULIC: Okay. Thank you.

THE CHAIRMAN: Okay. Number 7.

7. Mr. Sekulic moved:

Be it resolved that the government should, through the legislative process, set clear restrictions and conditions for the investment of fund assets. This would require the development of guidelines specifying what is considered to be an authorized investment.

MR. SEKULIC: Number 7 is just, I guess, a set of checks and balances that I would like put in place so that the citizens of Alberta will know that there are clear restrictions and conditions for the investment of the funds, that we in effect have a list that can be debated in the Legislature as to what authorized investments are.

I think about how the objectives have changed. I think it was 1976 when the fund was first debated in the Assembly. At that time some of the objectives of the fund were:

1. to save for the future;
2. to strengthen and diversify Alberta's economy; and
3. to improve the quality of life [for Albertans].

Now, we know that based on the work of the panel and some of the responses from Albertans, that's changed. In fact, it's been interpreted and put forward by the Treasurer in his document *Alberta Heritage Savings Trust Fund: Into the 21st Century*, that was presented on January 24, where the objectives, the new objectives, are stated to be:

- 1) Maximize long-term return on assets
- 2) Support short to medium-term income needs of the fiscal plan
- 3) Protect Fund assets against effects of inflation.

There's also a comment here:

To manage the conflict between the first and second objectives a visible and explicit transition to a long-term investment strategy is proposed.

So looking at the transition that we're undertaking from the previous objectives to the new objectives, I just want some assurance for myself and for Albertans that we are going to set some parameters as to how this \$11 billion can be invested.

THE CHAIRMAN: Any member wishing to speak in opposition? Do you wish to close debate, sir?

MR. SEKULIC: Sure. Now, in the Treasurer's document, the one I cited just a little bit earlier, one of the first comments on page 1 is that it's "not comparable to Alaska as Alaska Permanent Fund

income is not consolidated with the State's revenues." Now, that's true in specific instances; however, there are the broader interests in goals and objectives of the fund, which I believe draw similarities. I think we would be wise to look at some of the strategies and objectives and the parameters set by the Alaska fund. I think, once again, they're fair and reasonable and will deliver both on the transparency and accountability criteria.

THE CHAIRMAN: Thank you.

Okay. Would you like to open debate, then, on number 8?

8. Mr. Sekulic moved:

Be it resolved that the government should ensure that a reasonable and prudent diversification among investments is maintained.

MR. SEKULIC: Thank you, Mr. Chairman. Although this recommendation has similarities to the previous recommendation I just put forward, there is a slight difference here. Though we may set limits and outline authorized investments, it's also the issue of ensuring that there's a balanced portfolio and a diverse portfolio.

I think of an example most recently. Perhaps the largest single example was one from the United States – and I believe it was Orange county in California – where they invested a substantial amount of the jurisdiction's financial assets into something known as derivatives. When that collapsed, I guess the ramifications were pretty obvious. I'm not saying that the province would ever pursue, particularly after that Orange county example, investments in derivatives. Nonetheless, there are going to be investments which are very similar to derivatives in the future which can cause collapse and serious consequences to a province. So I would like to ensure that there is a reasonable and prudent diversification among any investments that are made through or by the board.

11:02

THE CHAIRMAN: Okay. Just quickly in clarification and, again, for readers of *Hansard*, do you feel that we should explain derivatives?

MR. SEKULIC: You know, Mr. Chairman, when I was following that story some time back – and I know that many of my colleagues were following it as well; it was just in our early point of being elected – I listened to half a dozen different programs where they had financial analysts, in fact people that were dealing with derivatives on a daily basis, that couldn't describe them. So I guess the only way I can describe them is that they are a financial instrument, but they're more based on a computer – I'm not sure what the correct term is – as opposed to real value in, let's say, a desk or a factory that produces something. So there was really nothing tangible that they were associated to.

THE CHAIRMAN: Yeah, I think the main derivatives probably. We have a previous financial investor here as a member – and he is welcome to correct me – but I think the normal pattern of derivatives would be considered the futures contracts and options to those contracts. Agriculture people within our readers of *Hansard* will understand derivatives, I think, a little better than that.

Okay. Any member wishing to speak in opposition? Mark Hlady.

MR. HLADY: Well, thank you, Mr. Chairman. I think your example or your description was quite accurate. The derivatives in the way Orange county had invested was looking for an investment

point. I think most governments would certainly only look at it as most farmers, as a security against a price and as an insurance policy more than anything and not as an attempt to create great growth. I think that is something that governments have learned, and obviously one government didn't, being Orange county. I think that would be a well understood thing for *Hansard* to have in it.

THE CHAIRMAN: Just on that clarification, then, is what you described the activity that's called hedging?

MR. HLADY: Yes, Mr. Chairman.

THE CHAIRMAN: Okay. That was not an opposition debate; it was just clarification. So any member wishing to oppose this recommendation?

Okay. Would you like to close, please?

MR. SEKULIC: Sure. Once again I thank the Member for Calgary-Mountain View for the clarification and for the additional comments, as yourself, Mr. Chairman. In fact, they should have had the two of you on some of those programs as business analysts, because those that were doing it weren't doing a very good job. Nonetheless, I think we all understand the dangers of a very limited portfolio and particularly in something as risky as derivatives were in the Orange county example. I think it would be wise and reasonable to prevent such from occurring in Alberta, or diminishing the chances of a similar scenario occurring in Alberta.

THE CHAIRMAN: Once again, just for clarification in *Hansard*, in Orange county the fellow has been charged for speculation, not hedging. Agreed?

MR. SEKULIC: Yeah.

THE CHAIRMAN: All right. Now would you go to number 9, please.

9. Mr. Sekulic moved:

Be it resolved that the government should ensure that the fund's investment or brokerage firms be dealt with through the independent management board, which in turn maintains accountability to the Legislature.

MR. SEKULIC: Yes. Thank you, Mr. Chairman. My final recommendation, once again pursuing the themes common to the first three of transparency of process and accountability of decisions, looks to create an arm's length between any investment or brokerage firms which will be dealing with the fund's assets and those of us in political office. I think this is something we all have an interest in. Even the perception that you have less than an arm's-length distance between the investment or brokerage firms and those of us in elected office I think is damaging to an already suffering reputation of politicians.

So this in effect will make the brokerage firms deal directly with the independent management board which has been selected, by my first recommendation, by this Legislature and then in turn would report as a board and maintain an accountability as a board to the Legislature, providing us this buffer so that there can never be political pressure or political favours either to or from the investment or brokerage firms. We are talking about a significant amount of money, which any investment firm or brokerage firm in the world would be interested in dealing with. So this is just an accountability

and transparency buffer that would benefit all of us as legislators and certainly benefit Albertans in the perception and the assurance that there are no political directions being given by anyone elected in office, but they're purely business decisions.

THE CHAIRMAN: Without diluting your recommendation and strictly for clarification, to maintain accountability to the Legislature, do you have a model in mind?

MR. SEKULIC: A model?

THE CHAIRMAN: Yeah. In maintaining accountability to the Legislature, how would that happen?

MR. SEKULIC: I would assume that it would happen through this committee, but depending on the future of this committee, it may happen to move through to Public Accounts. So it would have to be a select committee of the Legislature.

THE CHAIRMAN: Okay. Thank you. With that clarification, any member wishing to speak in opposition? My goodness.

Okay. Do you wish to close debate?

MR. SEKULIC: Yes. Mr. Chairman, I guess that's what happens when you present fair and reasonable recommendations. It's hard to argue against some of these.

I just want to make some comments in closing on this and the four recommendations which I've just made. I'm one of the 2,650,000 Albertans who did not respond to the questionnaire that was sent to the households across Alberta, and consequently I still maintain my opinion that I had, my goal of selling parts of the fund off to pay off the debt. However, 50,000 responses did come in, and the government is taking that direction. Given that we're pursuing that direction now, I just want to make sure that all checks and balances have been put in place and that in fact we do have, regardless of which process we pursue, transparency and that there is accountability. I think those recommendations which I have made, once again, will fulfill those criteria. And at some point in the future if the people of Alberta see fit to change the direction of the fund, then I think these criteria will still fall within the current and future management of the fund.

THE CHAIRMAN: Okay. Thank you, Peter, for that.

That closes debate, but it requires me to ask a question for clarification. You mentioned that you are not one of the people that responded. Did you in fact get the questionnaire at your house? There was some difficulty with the post office at the time, and I'm just curious.

MR. SEKULIC: I don't believe we received it at our residence. Obviously, as an elected official I had access to them, and my view was that I would respond through the Legislature and in fact stay away from the process afforded to those who weren't elected. So that's my defence as to why I didn't complete the questionnaire.

11:12

THE CHAIRMAN: Okay. That closes debate. We have nine recommendations. Diane will be putting these onto a single report with that numbering system between now and the 13th. Again, both caucuses are encouraged to investigate and research any of these recommendations, as are individual members, and I'll certainly have the authority and the responsibility to investigate as well.

Now, are there any comments that any member wishes to bring forward at this time relating to our activities here? All righty. Then we'll adjourn, and we'll meet here on February 13. Well, I'm saying here is that I guess we'll meet in the "carrion" room; at least at this point in time it's been scheduled. [interjections] Is that how I'm saying it? Carillon. Did I say "carrion"?

MR. LANGEVIN: Carillon.

THE CHAIRMAN: I like that French touch.

We will then be voting. For your scheduling assistance, in the past that session has lasted approximately 15 minutes. Again, we simply go through them; there's no discussion. The chair calls the recommendation and calls the question at that time. We just simply have an aye and a nay vote. If we have to, then we don't have a standing vote with division bells. We simply have a show of hands.

With that, we'll see you on the 13th.

[The committee adjourned at 11:15 a.m.]